



Exemptions & Exclusions

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Presenters



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Exempt Property?



Exempt Property?



POLL 1: Which of these 2 properties is exempt from property taxes?

- A. The Washington Duke Inn
- B. The Carolina Inn
- C. Both
- D. Neither

POLL 2: Who can exempt property from taxation?

- 1. Gov. Cooper
- 2. The General Assembly
- 3. Board of County Commissioners or City Council
- 4. Coach K

What property is taxed in NC?

105-274. Property subject to taxation.

(a) All property, real and personal, within the jurisdiction of the State shall be subject to taxation unless it is:

- (1) Excluded from the tax base by a statute of statewide application enacted under the classification power accorded the General Assembly by the N.C. Constitution, or
- (2) Exempted from taxation by the Constitution or by a statute of statewide application enacted under the authority granted the General Assembly by the N. C. Constitution.

Rules of Interpretation

- Property is presumed to be _____
- The burden to prove otherwise is on the _____

Bragg Inv. Co. v. Cumberland County

POLL 3: Eligibility Date: January 1

Transferred property? GS 105-285(d)

Parcel A is exempt property owned by Duke University as of January 1, 2017.

On June 15, 2017, the property is sold to Billy BlueDevil, who is not eligible for any exemption or exclusion.

Is the property taxable for 2017?

1. Yes
2. No

Exemptions Under NC Constitution, Art. V, § 2 (3)

- GS 105-278.1 Units of Government
- GS 105-278.3 Religious Property
- GS 105-278.4 Educational Property
- GS 105-278.6 Charitable Property
- GS 105-278.7 Scientific / Educational / Charitable

Exemptions Under NC Constitution, Art. V, § 2 (3)

2 Questions:

- Who owns the property?
- How is the property used?*
 - (except for government property)

Exemptions Under NC Constitution, Art. V, § 2 (3)

First Question: **Ownership**

- Is 100% direct ownership required?
- Two NC Court of Appeals cases:
 - Fayette Place LLC (2008)
 - Blue Ridge Housing (2013)

Exemptions Under NC Constitution, Art. V, § 2 (3)

Second Question: **Use**

- “Wholly and exclusively used” for exempt purpose?
- Not required for _____ property

POLL 4: Commercial rental property owned by a church is exempt from taxation if the income from the rental property is used for religious purposes.

- A. True
- B. False

Exempt Property?



Exempt Property?



Exemptions Under NC Constitution, Art. V, § 2 (3)

2 Questions:

- Who owns the property?
- How is the property used?*
 - (except for government property)

Religious Institutions GS 105-278.3

- What type of owner qualifies?
- Vacant land?
- Building under construction?
- Property made available to religious congregation for free?

Religious Institutions

GS 105-278.3

- Church day care?
- Church book store and coffee shop?

Religious Institutions

GS 105-278.3



WHAT YOU SHOULD KNOW

WE ARE:
The Way Skate Ministry

OUR GOALS:
to reach & relevant that we may reach
8 times

OUR MISSION:
to be real, relevant, & relational, all
that others may be drawn to
relationship with God the Father
through Christ the Son

OUR MOTTO:
"We skate for Christ"

OUR SESSION DATES & TIMES:
Saturday 9th grade and under
5:30-8:30
Thursday 10th grade and up
5:30-8:30

COST:
\$2.00 to skate
\$1.00 helmet rental
\$1.00 board rental

Speakers and visitors are always
welcome.

A BIT ABOUT US

Skateboarding is a passion... To many it is more than just an
outlet or a hobby, it's a way of life. It is a means by which
to articulate expression and uniqueness all within a
welcoming community.

Soul Ride Skatepark 280 Concord Parkway S.,
Suite 8
Goochville, VA 29027
20,000 Sq. Ft. Indoor Skatepark with Full Shop (617) SK8-PARK



Educational Purposes

GS 105—278.4

- Educational focus or merely custodial care?
 - Chapel Hill Daycare (2002)

- Connection to educational mission?
 - University for the Study of Human Goodness and Creative Group Work (2003)

Charitable Purposes

GS 105-278.6

- “humane and philanthropic objectives”
- No expectation of pecuniary profit or reward
- Federal income tax exemption?

- Habitat for Humanity Restore (PTC 2007)

Scientific/Educational/Charitable Purposes GS 105-278.7

- “nonprofit community or neighborhood organization”
- Grandfather Mountain (CoA 2014)
- Economic development corporations?

Applications GS 105-282.1

- No application?
- One-time application?
- Annual application?
- Due at the close of the _____
- Late applications?

Exclusions

(aka “classified property” or “special class of property”)

- NCGS §105-275: 40+ complete exclusions from tax
 - Inventories
 - Poultry, livestock & feed
 - Non-business property:
 - “personal property that is used by the owner of the property for a purpose other than the production of income and is not used in connection with a business. The term includes household furnishings, clothing, pets, lawn tools, and lawn equipment. **The term does not include motor vehicles, mobile homes, aircraft, watercraft, or engines for watercraft.**” §105-275(16)

Inventory Exclusion

- Eagle Airplanes, Inc. lists 10 Gulfstream private jets for sale on its website.
- Eagle leases the jets for use by the day while the planes are waiting to be sold.
- Are the Gulfstream jets exempt inventory?

POLL 5: Are the Gulfstream jets exempt inventory?

- A. Yes, they are exempt.
- B. No, they are taxable.

Present Use Value Exclusion

- Agricultural and forest land

- Defer difference between
 - taxes on value of land as it is currently used and
 - taxes on value of land used for “highest and best” use (development?)

The Big 3:

Residential Property Tax Relief

- Disabled Veterans Exclusion
 - (sort of new in 2009)
- Elderly / Disabled Homestead Exclusion
 - (increased eligibility)
- **Circuit Breaker Exclusion**
 - (new in 2009)

The Big 3:

Residential Property Tax Relief

- Uniform DOR AV-9 application
- Application Due _____
- One-time application: DV and E/D
- Annual application needed for CB

The Big 3:

Residential Property Tax Relief

- “Permanent Residence”
 - A person’s legal residence
 - Dwelling + related improvements
 - Up to 1 acre

- Owner may participate in _____ of the three property tax relief programs

The Big 3:

Residential Property Tax Relief

- *Spousal Property:*
 - Entitled to _____ exclusion benefit even if only _____ spouse satisfies the age or disability requirements

The Big 3: Residential Property Tax Relief

- Non-Spousal Co-Owners:
 - Disabled Veterans and Elderly/Disabled:
 - One, some, or all co-owners **may** participate
 - **Mixed** participation permitted
 - Allocation?
 - Circuit Breaker:
 - ALL co-owners **must** qualify and participate

POLL 6: Charles and Diana are **married**. Charles qualifies for all three property tax relief exclusions. Diana is too young to qualify for any. Which of the three exclusions may Charles and Diana apply to their jointly owned home?

- A. Disabled Veterans
- B. Elderly/Disabled
- C. Circuit Breaker
- D. Any of the above.
- E. 1 & 2
- F. None of the above.

POLL 7: Charles and Diana are **siblings**. Charles qualifies for all three property tax relief exclusions. Diana is too young to qualify for any. Which of the three exclusions may Charles and Diana apply to their jointly owned home?

- A. Disabled Veterans
- B. Elderly/Disabled
- C. Circuit Breaker
- D. Any of the above.
- E. 1 & 2
- F. None of the above.

Disabled Veterans Exclusion: Benefit to Taxpayer 105-277.1C

- Reduce _____
- by \$ _____

Disabled Veterans Exclusion: Eligibility

- Veteran discharged under 2 conditions:
 - Honorable Discharge
 - Discharge under honorable conditions

Disabled Veterans Exclusion: Eligibility

- Veteran's Disability Certification showing
 - 100% and "total & permanent"
 - service – connected
- Proof of benefits for special housing under 38 U.S.C. 2101

Disabled Veterans Exclusion: Eligibility

- Surviving Spouses:
 - Never remarried AND
 - Spouse died with disability OR
 - Spouse died in line of duty and not as result of willful misconduct

Elderly or Disabled Exclusion GS 105-277.1

- Reduce assessed value by greater of
 - \$ _____ or
 - _____%

Elderly or Disabled Exclusion GS 105-277.1

- Taxpayer must be EITHER
 - 65 y.o.
 - Totally & permanently disabled

Elderly or Disabled Exclusion GS 105-277.1

- Disabled Applicants:
 - No age restriction
 - “substantially” precluded from working
 - Continue without improvement

Elderly or Disabled Exclusion GS 105-277.1

- 2017 Income Limit:
 - \$
 - Indexed to Social Security benefits

Elderly or Disabled Exclusion GS 105-277.1

- Spouses **residing together**:
 - Include income from BOTH, regardless of how real property is owned

Circuit Breaker Exclusion GS 105-277.1B

- Caps tax at a % of taxpayer's _____
- Taxes in excess of the cap are DEFERRED
- 3 years of deferred taxes are due upon _____ event

Circuit Breaker Exclusion GS 105-277.1B

- Eligibility:
 - 65 years old or P&T disabled (same as E/D)
 - Owned/occupied home for ___ years
 - Income:
 - 150% of E/D limit
 - \$_____ for 2017

Co-Owners Under DV and E/D

- Spouses: EASY!
 - Must choose one of the two exclusions
 - Entitled to full exclusion regardless

- Other Co-Owners
 - Individual owner's exclusion cannot exceed owner's share of property value
 - Total exclusion for property cannot exceed greater of exclusion permitted under DV or E/D

Co-Owners

- Eric, Don, and Ivanka are siblings.
- They jointly own Parcel A.
- Parcel A has a tax appraisal of \$100,000.
- What's the exclusion for Parcel A if...
 - One sibling qualified for E&D?
 - Two siblings qualified for E&D?
 - All three siblings qualified for E&D?

NEW Builders' Inventory Exclusion



S.L. 2015-223
H168
G.S. 105-277.02

- New exclusion for improvements to real property that is held for sale

G.S. 105-277.02

- Real property held for sale
 - Commercial or Residential
- Owned by a “Builder”:
 - “taxpayer engaged in the business of buying real property, making improvements to it, and then reselling it.”
- Annual application (GS 105-282.1)

Residential Property



Commercial Property



Residential Property: What is Excluded?

- The taxes on the increase in value of property *held for sale* attributed to:
 1. Subdivision
 2. Non-structural improvements (grading)
 3. Construction of 1- or 2-family houses

Residential Property: How Long is the Exclusion?

- 3 years from the date the improved property was first listed

Residential Property: How Long is the Exclusion?

- Parcel A subdivided and graded in July 2016
- Improved parcel first listed 2017
- Tax appraisal of improved Parcel A increases for 2017-2018 year
- Exclusion may cover 2017, 2018, and 2019

Residential Property: What Terminates the Exclusion?

- Sale
- Removal from the market
- Occupied by a tenant (Lease? Rent?)
- Use for commercial purpose (model home)

Residential Property: No Effect on Exclusion

- Builder occupies house

Commercial Property: What is Excluded?

- The taxes on the increase in value of property held for sale attributed to:
 1. Subdivision
 2. Non-structural improvements (grading)

Commercial Property: What is Excluded?

Re-zoning?

Commercial Property: How Long is the Exclusion?

- 5 years from the date the improved property was first listed

Commercial Property: What Terminates the Exclusion?

- Issuance of building permit
- Sale
- Removal from market

Differences Between Residential and Commercial Exclusion

- Structural improvements only for residential
- 3 years for residential
- 5 years for commercial

Questions and Evaluation

- Please complete our evaluation:
https://unc.az1.qualtrics.com/jfe/form/SV_5nBfKSQa617MaO1

