

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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HOUSE DRH50214-MC-111 (2/26)

Short Title: Defer Tax on Builders' Inventory.

(Public)

Sponsors: Representatives Dickson, Brubaker, and Holliman (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO DEFER THE PROPERTY TAX DUE ON REAL PROPERTY HELD FOR
3 SALE BY A BUILDER.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-273 is amended by adding a new subdivision to read:

6 "(3a) "Builder" means a taxpayer engaged in the business of buying real property,
7 making improvements to it, and then reselling it."

8 **SECTION 2.** Article 12 of Chapter 105 of the General Statutes is amended by
9 adding a new section to read:

10 "**§ 105-277.1D. Inventory property tax deferral.**

11 (a) Classification. – A residence owned by a builder is designated a special class of
12 property under Section 2(2) Article V of the North Carolina Constitution and is taxable in
13 accordance with this section. For purposes of this section, a "residence" is an improvement to
14 real property which is intended to be sold and used as an individual's residence and for which a
15 certificate of occupancy authorized by law has been issued.

16 (b) Deferred Taxes. – A builder may defer the portion of tax imposed on real property
17 that represents the increase in value of the property attributable to improvements resulting from
18 the construction of a residence on the property. The difference between the taxes due under this
19 section and the taxes that would have been payable in the absence of this section are a lien on
20 the real property of the taxpayer as provided in G.S. 105-355(a). The difference in taxes for the
21 fiscal years preceding the current tax year shall be carried forward in the records of the taxing
22 unit or units as deferred taxes. The deferred taxes are due and payable in accordance with
23 G.S. 105-277.1F when the property loses its eligibility for deferral because of the occurrence of
24 a disqualifying event. A disqualifying event occurs at the earlier of (i) when the owner transfers
25 the residence or (ii) five years from the time the improved property was first subject to being
26 listed for taxation by the builder. On or before September 1 of each year, the collector shall
27 notify each residence owner to whom a tax deferral has previously been granted of the
28 accumulated sum of deferred taxes and interest.

29 (c) Creditor Limitations. – A mortgagee or trustee that elects to pay any tax deferred by
30 the builder subject to a mortgage or deed of trust does not acquire a right to foreclose as a result
31 of the election. Except for requirements dictated by federal law or regulation, any provision in a
32 mortgage, deed of trust, or other agreement that prohibits the builder from deferring taxes on
33 property under this section is void.

34 (d) Construction. – This section does not affect the attachment of a lien for personal
35 property taxes against a tax-deferred residence.



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1 (e) Application. – An application for property tax relief provided by this section should
2 be filed during the regular listing period, but may be filed and must be accepted at any time up
3 to and through June 1 preceding the tax year for which the relief is claimed. Persons may apply
4 for this property tax relief by entering the appropriate information on a form made available by
5 the assessor under G.S. 105-282.1."

6 **SECTION 3.** G.S. 105-277.1F(a) is amended by adding a new subdivision to read:

7 "(2a) G.S. 105-277.1D, the inventory property tax deferral."

8 **SECTION 4.** This act is effective for taxes imposed for taxable years beginning on
9 or after July 1, 2009.