

## **HOUSE BILL 118: Disabled Veterans Tax Relief Bill.**

## 2025-2026 General Assembly

Committee: House Finance. If favorable, re-refer to Rules, Date: September 23, 2025

Calendar, and Operations of the House

Introduced by: Reps. Campbell, Loftis, Schietzelt, Chesser Prepared by: Trina Griffin

Analysis of: PCS to Second Edition Committee Counsel

H118-CSSVf-30

OVERVIEW: House Bill 118 would exclude from taxation up to the first \$61,000 of the appraised value of a permanent residence owned and occupied by a disabled veteran or the surviving spouse of a disabled veteran who has not remarried, effective for taxable years beginning on or after July 1, 2026.

The PCS would require the State to reimburse local governments for 50% of the reduced property tax revenues received as the result of the increased exclusion amount.

**CURRENT LAW:** Enacted in 2008 and effective for taxable years beginning on or after July 1, 2009, G.S. 105-277.1C provides a property tax exclusion for certain disabled veterans. Under this exclusion, the first \$45,000 of appraised value of a permanent residence owned and occupied by a qualifying owner is excluded. The exclusion amount has not been increased since its enactment.

Permanent residence includes the dwelling, the dwelling site not to exceed one acre, and related improvements. It may be a single-family residence, a unit in a multi-family residential complex, or a manufactured home. To qualify for this exclusion, the taxpayer must have a total and permanent service-connected disability or be the unmarried surviving spouse of a disabled veteran. A taxpayer is totally and permanently disabled when he or she has a physical or mental impairment that substantially precludes him or her from obtaining gainful employment and appears reasonably certain to continue without substantial improvement throughout his or her life. Due to this requirement, current law allows this partial exemption to be requested in a single application.

**BILL ANALYSIS:** House Bill 118 would increase the exclusion from the first \$45,000 to the first \$61,000 of the appraised value of a qualifying residence.

The PCS adds a provision that would require the State to reimburse local governments out of individual income tax collections for 50% of the revenue loss resulting from the increase in the exclusion amount from the first \$45,000 to the first \$61,000 in appraised value. On or before February 15 of each year, the tax collector from each county and city, as applicable, must submit to the Department of Revenue a list of people in the jurisdiction who qualify for the disabled veteran property tax exclusion, along with the appraised value of their home, the tax rate, and the reduction in taxes due. On or before April 15 of each year, the Department of Revenue would distribute to each county and city a reimbursement in the amount of 50% of the reduction in taxes due.

<sup>1</sup> See G.S. 105-277.1(b)(3).

<sup>2</sup> See G.S. 105-277.1(b)(4).

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**EFFECTIVE DATE:** The PCS would become effective for taxes imposed for taxable years beginning on or after July 1, 2026.