



# HOUSE BILL 1030: 2016 Appropriations Act, Sec. 38.6: Property Tax Exclusion Extension

2015-2016 General Assembly

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<b>Committee:</b>		<b>Date:</b>	July 29, 2016
<b>Introduced by:</b>		<b>Prepared by:</b>	Cindy Avrette Legislative Analyst
<b>Analysis of:</b>	Sec. 38.6 of S.L. 2016-94		

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**OVERVIEW:** *Sec. 38.6 of S.L. 2016-94 continues to allow a property tax exemption for contiguous tracts of land donated to a nonprofit that were previously used for commercial or industrial purposes and significantly damaged by fire or explosion. The exemption was enacted in 2011 in response to the explosion of the ConAgra plant in June 2009.*

*This section became effective July 14, 2016. The property tax exemption is effective for taxable years beginning on or after July 1, 2011, and expires for taxable years beginning on or after July 1, 2021. Prior to the enactment of this section, the exemption would have expired for taxable years beginning on or after July 1, 2016.*

**CURRENT LAW AND BACKGROUND:** The ConAgra plant in Garner was damaged significantly as a result of a fire or explosion in June 2009. The company donated the property to the Town of Garner. The Garner Economic Development Corporation was formed on November 22, 2010, as a nonprofit corporation. One of its stated purposes is to acquire funds and real property related to the ConAgra plant and to maintain, develop, and market the property for economic development.

Property owned by a governmental unit is exempt from property taxes; but property owned by a nonprofit is not exempt from property taxes unless the property is used for educational, scientific, literary, or charitable purposes. In 2002, the Attorney General's office issued an opinion that property owned by the Charlotte/Mecklenburg Development Corporation was not entitled to a charitable exemption where the corporation's goal was to undertake site development and sell the property to businesses. Although the property was owned by a nonprofit entity, it was not held for a charitable purpose.

Article V, Section 2(2) of the North Carolina Constitution provides that the power to classify property for taxation lies with the General Assembly and that the power of classifying property for taxation must be exercised on a statewide basis and made by general law uniformly applicable in every county and city. In S.L. 2011-123, the General Assembly designated property meeting all the following requirements as a special class of property and excluded it from property taxation for taxable years 2011-2015:

- The property must be a contiguous tract of land previously used primarily for commercial or industrial purposes and damaged significantly as a result of a fire or explosion.
- The property must have been donated to a nonprofit corporation by an entity other than an affiliate.
- The property must not have been leased or sold by the nonprofit corporation.

Karen Cochrane-Brown  
Director



Legislative Analysis  
Division  
919-733-2578

# House Bill 1030

*Page 2*

**BILL ANALYSIS:** The property held by the Garner Economic Development Corporation has not yet been leased or sold. Sect. 38.6 of this act extends the property tax exemption created in 2011 for the ConAgra property for an additional five years.

**EFFECTIVE DATE:** This section became effective July 14, 2016. The property tax exemption is effective for taxable years beginning on or after July 1, 2011, and expires for taxable years beginning on or after July 1, 2021. Prior to the enactment of this section, the exemption would have expired for taxable years beginning on or after July 1, 2016.