



# HOUSE BILL 533: Modify PUV Exceptions to Disqualifi

This Bill Analysis reflects the contents of the bill as it was presented in committee.

2015-2016 General Assembly

<b>Committee:</b>	House Finance	<b>Date:</b>	May 12, 2015
<b>Introduced by:</b>	Reps. McGrady, Setzer, Jordan, Harrison	<b>Prepared by:</b>	Greg Roney
<b>Analysis of:</b>	PCS to First Edition H533-CSTM-20		Committee Counsel

**SUMMARY:** *The Proposed Committee Substitute (PCS) for House Bill 533 would waive or pro rate deferred taxes when property is transferred for less than its true value to a nonprofit entity for conservation or historical preservation.*

*Compared to the first edition, the PCS makes a technical correction.*

**CURRENT LAW:** G.S. 105-277.4(a) allows agricultural land, horticultural land, and forestland to be valued for property tax purposes based on its present use (i.e., not its highest and best use). G.S. 105-277.4(c) makes the deferred taxes (i.e., the difference between present use and highest use) a lien on the property. The deferred taxes for the preceding 3 years are due when the property loses its eligibility for deferral.

G.S. 105-277.4(d) eliminates deferred taxes for property conveyed by gift to a nonprofit organization and qualifies for exclusion from the tax base under G.S. 105-275(12) or G.S. 105-275(29).

G.S. 105-275(12) exempts property from tax if:

- Property is owned by a nonprofit corporation organized to receive and administer lands for conservation purposes.
- Property produces no income or produces income that is incidental to the conservation purpose.
- Property is exclusively held and used for one or more of the following purposes:
  - Used for an educational or scientific purpose as a nature reserve or park in which wild nature, flora and fauna, and biotic communities are preserved for observation and study.
  - Managed under a written wildlife habitat conservation agreement with the NC Wildlife Resources Commission.
  - Managed under a forest stewardship plan developed by the Forest Stewardship Program.
  - Used for public access to public waters or trails.
  - Used for protection of water quality and subject to a conservation agreement under the Conservation and Historic Preservation Agreements Act.
  - Held by a nonprofit land conservation organization for sale or transfer to a local, state, or federal government unit for conservation purposes.

G.S. 105-275(29) exempts property from tax if a nonprofit historical association or institution owns property that is wholly and exclusively held and used for nonprofit historic preservation purposes.

**BILL ANALYSIS:** The PCS for House Bill 533 would expand the existing waiver of deferred taxes for gifts of property for conservation or historic preservation to allow pro rata waivers of deferred taxes for

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sales at less than true value. House Bill 533 maintains the current requirements for the recipient nonprofit entity and for the charitable use of the land.

Specifically, House Bill 533 would waive deferred taxes if the property loses its eligibility for present use value because the property is conveyed to a nonprofit organization and qualifies for exclusion from property tax under G.S. 105-275(12) or G.S. 105-275(29):

- If the property is conveyed at or below present use value, no deferred taxes are due.
- If the property is conveyed for more than present use value, a portion of the deferred taxes for the preceding 3 years is due equal to the lesser of the following:
  - Amount of the deferred taxes.
  - Deferred taxes multiplied by a fraction:
    - Numerator is the sale price minus the present use value.
    - Denominator is the true value minus the present use value.

**EFFECTIVE DATE:** The PCS for House Bill 533 would be effective for taxes imposed for taxable years beginning on or after July 1, 2015.