HOUSE BILL 2:
Provide Certain Property Tax Relief.

2017-2018 General Assembly

Committee:	House State and Local Government II. If favorable, re-refer to Finance	**Date:**	March 8, 2017
Introduced by:	Reps. Dollar, Saine, Hardister, R. Turner	**Prepared by:**	Nicholas Giddings Staff Attorney
Analysis of:	PCS to First Edition H2-CSBA-3		

OVERVIEW: House Bill 2 would provide a full property tax exclusion to the following homeowners:

- ***Disabled veterans. The exclusion would change from a partial exclusion equal to the first $45,000 of a property's appraised value to a full property tax exclusion.***
- ***Surviving spouses of emergency personnel officers killed in the line of duty.***

The PCS to House Bill 2 would use State General Fund revenue to reimburse local governments for the revenue lost from increasing the property tax exclusion for disabled veterans. This bill will need a serial referral to both Finance and Appropriations committees.

CURRENT LAW: 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. Permanent residence includes the dwelling, 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.[1] 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.[2] Due to this requirement, current law allows this partial exemption to be requested in a single application.

BILL ANALYSIS: House Bill 2 would increase the property tax exclusion for disabled veterans from the first $45,000 of the property's appraised value to the total appraised value. The PCS would provide for a hold harmless provision to reimburse local governments harmed by the resulting loss of tax revenue this exclusion would create.

In order to receive this reimbursement, a county tax assessor would be required to notify the Secretary of Revenue, in a manner prescribed by the Secretary, of the county's total hold harmless amount by September 1 of each year. The hold harmless amount would be defined as the assessed value over $45,000 of a property excluded from taxation, multiplied by the applicable local tax rate. The total hold harmless amount would be the sum of the hold harmless amounts for all properties excluded from taxation in the county, including cities located within the county. If the county fails to notify the Secretary by September 1, it would be barred from receiving a reimbursement for that year.

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[1] See G.S. 105-277.1(b)(3)
[2] See G.S. 105-277.1(b)(4).

Disbursements by the Secretary would be made on or before December 31 of each year. A county must distribute to a city any funds received attributable to that city. Also, if a county or city is collecting taxes on behalf of another unit of government, the funds must be credited to that unit in accordance with Local Government Commission regulations.

The bill would also create a full property tax exclusion for surviving spouses of emergency personnel officers who are killed in the line of duty. A definition for "emergency personnel officer" would be created and would include firefighters and law enforcement, among others. To keep the exclusion, the surviving spouse could not remarry. Lastly, the disabled veteran exclusion and surviving spouse exclusion would require a single application; thus, if the application is approved, the exclusion would continue unless the taxpayer is disqualified at a later date.

EFFECTIVE DATE: This act is effective for taxes imposed for taxable years beginning on or after July 1, 2017.