HOUSE BILL 492:
Simplify Builder Inventory Exclusion.

Committee:	House Commerce. If favorable, re-refer to Rules, Calendar, and Operations of the House	**Date:**	April 30, 2019
Introduced by:	Reps. Brody, Howard, B. Turner	**Prepared by:**	Greg Roney
Analysis of:	PCS to First Edition H492-CSTM-9		Staff Attorney

OVERVIEW: The Proposed Committee Substitute (PCS) for House Bill 492 would allow a builder to file a one-time application for the builder inventory property tax exclusion.

CURRENT LAW: G.S. 105-277.02 exempts the increase in value of certain improvements to real property held for sale by a builder:

- For residential real property, a builder may exclude for 3 years the increase in value due to subdivision, improvements, and buildings that are either a new single family residence or a duplex.

- For commercial property, a builder may exclude for 5 years the increase in value due to subdivision and improvements – excluding buildings.

To qualify as a builder, the property owner must be in the business of buying real property, making improvements to it, and then reselling it. The owner is not required to be licensed as a general contractor.

The builder must continuously hold the property for sale. The exclusion is allowed starting at the time property is improved and should be listed for taxation by the builder. The exclusion ends when the property is sold or 3 years for residential (5 years for commercial) from the time the builder should have listed the property.

The builder must apply for this exclusion annually.

BILL ANALYSIS: The PCS for House Bill 492 would add the builder inventory property tax exclusion under G.S. 105-277.02 to the group of property tax benefits that use a one-time application. The one-time application would replace the current annual application.

EFFECTIVE DATE: The PCS for House Bill 492 would apply to property tax years beginning July 1, 2019. Therefore, the annual applications filed in January, 2019 would apply for future tax years.