HOUSE BILL 279: COVID-19 Related Tax Changes/Unemployment Insurance Technical Correction.

2021-2022 General Assembly

Committee:		**Date:**	January 27, 2022
Introduced by:		**Prepared by:**	Nicholas Giddings
Analysis of:	S.L. 2021-16		Staff Attorney

OVERVIEW: S.L. 2021-16 does the following:

- ***Clarifies that the extra credit grants and federal stimulus payments received as COVID-19 relief are not considered income for determining eligibility for property tax exemptions based on income.***
- ***Provides for the nonaccrual of interest on 2020 individual income tax returns filed on or before May 17, 2021 and extends the statute of limitations for requesting a refund consistent with the extension provided by the Internal Revenue Service (IRS).***
- ***Makes a technical correction to S.L. 2021-5, DES COVID Modifications and Technical Changes.***

S.L. 2021-16 became effective April 27, 2021.

CURRENT LAW & BILL ANALYSIS:

Section 1.1. – In order to qualify for the elderly or disabled homestead exclusion or the homestead circuit breaker program, an applicant's income must not exceed an income limit set by statute. "Income" is defined as "*All moneys received from every source other than gifts or inheritances received from a spouse, lineal ancestor, or lineal descendant. For married applicants residing with their spouses, the income of both spouses must be included whether or not the property is in both names.*" Under this definition, COVID-19 relief in the form of Recovery Rebates or Extra Credit Grants would be considered income.

Section 1.1 provides that these COVID-19 relief payments are not income for purposes of qualifying for either of these income-based property tax relief programs.

Section 1.2. – On March 17, 2021, the IRS extended the federal income tax filing due date for individuals for the 2020 tax year from April 15, 2021, to May 17, 2021. On March 18, 2021, the Secretary of Revenue announced that the Department of Revenue will extend the tax filing and payment deadline to mirror the announced deadline change from the Internal Revenue Service. This extension also applies to partnership and estate and trust tax returns. While the Secretary has the authority to waive penalties associated with failure to file timely returns or make timely payments, the Secretary does not have statutory authority to waive, or otherwise prevent, the accrual of interest on late payments. Without a statutory change, tax payments for the 2020 tax year received after April 15, 2021, would be charged interest, accruing from April 15 until the date of payment.

On March 29, 2021, the IRS also extended the deadline for filing a claim for refund to May 17, 2021. Normally, a taxpayer has three years to claim a refund.

Section 1.2 provides for the nonaccrual of interest on individual income tax due on or before April 15, 2021, from April 15 through May 17, 2021, and extends the statute of limitations for requesting a refund to May 17, 2021, for claims for which the statute of limitations would otherwise expire on or after April 15, 2021, and before May 17, 2021.

Section 2.1. – S.L. 2021-5 made various changes to the unemployment insurance system. Section 3 of that act clarified that wages that reduce unemployment insurance benefits must be earned in the same week as the benefits are paid. The introductory language of the act contained an incorrect statutory reference.

Section 2.1 of S.L. 2021-16 corrects that reference – from G.S. 96-14(b) to G.S. 96.14.2(b).

EFFECTIVE DATE: This act became effective April 27, 2021.

Trina Griffin, staff attorney in the Legislative Analysis Division, substantially contributed to this summary.