SENATE BILL 349:
Property Tax Modifications.

2025-2026 General Assembly

Committee:	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	**Date:**	June 17, 2025
Introduced by:	Sens. Overcash, Johnson, Sawrey	**Prepared by:**	Nicholas Giddings Staff Attorney
Analysis of:	First Edition		

OVERVIEW: Senate Bill 349 would increase the income eligibility limit for spouses under the elderly or disabled property tax homestead exclusion and the property tax homestead circuit breaker and remove the deferred tax requirement under the property tax homestead circuit breaker.

CURRENT LAW: The elderly or disabled property tax homestead exclusion allows a qualifying owner to exclude from taxation the first $25,000 or 50%, whichever is greater, of the appraised value of their permanent residence. To claim the elderly or disabled property tax homestead exclusion, among other requirements, the owner must not have income for the preceding calendar year greater than the income eligibility limit. The income eligibility limit is determined by using the preceding year's limit and adjusting it based on cost-of-living changes. Married couples are required to include the income of both spouses and there is no increase in the limit for married couples.

Under the property tax homestead circuit breaker, taxes for each year are limited to a percentage of the qualifying owner’s income. A qualifying owner must (1) be at least 65 years old or totally and permanently disabled, (2) have owned and used the property as a permanent residence for at least 5 years, (3) have income for the preceding calendar year of not more than 150% of the income eligibility limit, and (4) be a North Carolina resident. If the owner’s income does not exceed the income eligibility limit, the taxes are limited to 4% of the owner’s income. If the owner’s income exceeds the limit but does not exceed 150% of the limit, the taxes are limited to 5% of the owner’s income. However, the remainder of the taxes due are deferred and remain a lien on the property. If the taxpayer is disqualified from the program at any time, the previous 3 years of deferred taxes are due and payable. For purposes of applying for the benefit, while spouses may qualify even if only one spouse meets the age or disability requirement and the occupancy and ownership requirement, non-spousal owners may qualify only if all owners separately qualify for the benefit and elect to defer taxes under the circuit breaker.

BILL ANALYSIS: Senate Bill 349 would, for purposes of qualifying for the elderly or disabled property tax homestead exclusion and the property tax homestead circuit breaker, increase the income eligibility limit for married couples that reside together to 115% of the limit. The bill would also do the following regarding the property tax homestead circuit breaker:

- Provide that non-spousal owners who individually qualify could receive the benefit, regardless of whether the other owners of the property qualify.
- Eliminate the requirement to carry forward any tax owed in excess of the amount required to be paid by the taxpayer as deferred taxes; effectively changing the circuit breaker from a deferred tax benefit to a tax exclusion.

EFFECTIVE DATE: Senate Bill 349 would be effective for taxes imposed for taxable years beginning on or after July 1, 2026.