



# SENATE BILL 695: Incent Development Finance District Funding.

2025-2026 General Assembly

<b>Committee:</b>	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	<b>Date:</b>	June 17, 2025
<b>Introduced by:</b>	Sens. Lazzara, Johnson	<b>Prepared by:</b>	Nicholas Giddings
<b>Analysis of:</b>	Second Edition		Staff Attorney

**OVERVIEW:** *Senate Bill 695 would create a new property tax benefit for qualified development located within a local government approved incentive district. Qualified development would include land and unoccupied improvements by a builder to land, other than remodeling or renovating existing structures. Ninety percent of the appraised value of qualified development in an incentive district would be excluded from taxation.*

**CURRENT LAW:** The builder's inventory exclusion<sup>1</sup> provides an exclusion from property tax for an increase in value to certain residential real property and commercial real property held for sale by a builder. Residential real property is real property that is intended to be sold and used as an individual's residence after its construction and the excludable increase in value must be attributable to subdivision of the land, non-structural improvements made to the land, such as grading, streets, or utilities, or the construction of a new single-family residence, townhouse, or duplex on the property. The exclusion does not apply if the property is occupied by a tenant or is used for commercial purposes. There is a three-year limitation for this exclusion from the time the improved property was first subject to being listed for taxation by the builder.

Commercial real property is real property that is intended to be sold and used for commercial purposes immediately after improvement and the excludable increase in value must be attributable to subdivision of the land or other non-structural improvements made to the land, such as grading, streets, or utilities. It does not include new construction of commercial property. The exclusion ends at the earlier of (i) five years from the time the improved property was first subject to being listed for taxation by the builder, (ii) issuance of a building permit, or (iii) sale of the property.

A builder need only submit a single application for the exclusion. Once approved, the builder does not have to file an application in subsequent years unless new or additional property is acquired or improvements are added or removed, necessitating a change in the valuation of the property, or if there is a change in the use of the property.

**BILL ANALYSIS:** Senate Bill 695 would create a new property tax benefit as an alternative to the builder's inventory exclusion and would apply to qualified development held for sale by a builder that is located within an incentive district. Ninety percent of the appraised value of a property classified under this new benefit would be excluded from property taxation.

An incentive district would be defined as an area (i) designated by a developer, (ii) submitted for approval to the local government, (iii) located in a blighted, deteriorated, or undeveloped area, or an area appropriate for rehabilitation, conservation, or economic development, and (iv) approved by the local government. An

<sup>1</sup> See G.S. 105-277.02.

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incentive district could not exceed five percent of the local government unit's total area. Qualified development would be defined as land and any unoccupied improvement by a builder to the land; however, it would not include remodeling, renovating, rehabilitating, or refinishing existing structures or buildings.

The exclusion would end ten years from the time the property first received the exclusion or when the property is sold, whichever occurs first. A builder would only need to submit a single application for the exclusion. Property receiving the exclusion under this new benefit could not also receive the builder's inventory exclusion.

**EFFECTIVE DATE:** This act would become effective for taxes imposed for taxable years beginning on or after July 1, 2026.