

Handouts

Review and Compliance of Exempt and Excluded Property

**Kimberly Simpson – Durham County Tax
Administrator**

**Heather Scheel – North Carolina Department of
Revenue**

Review and Compliance of Exempt and Excluded Property

AV-10

Property Tax Exemption or Exclusion

COUNTY: _____

MUNICIPALITY: _____

Before applying, please read the statute at the end of this application, and the specific exemption/exclusion statute online at www.ncleg.net.

Full Name of Owner(s): _____

Mailing Address of Owner: _____

Phone Numbers: Home: (____) _____ Work: (____) _____ Cell: (____) _____

List the Property Identification Numbers and addresses/locations for the properties included in this application (attach list if needed):

Property ID #: _____ Address/Location: _____

Property ID #: _____ Address/Location: _____

Property ID #: _____ Address/Location: _____

Non-Deferment Exemptions and Exclusions—Check or write in the exemption or exclusion for which this application is made.

These exemptions or exclusions do not result in the creation of deferred taxes. However, taxes for prior years of exemption or exclusion may be recoverable if it is later determined that the property did not actually qualify for exemption or exclusion for those prior years.

- | | | | |
|--|---|--|-------------------------------------|
| <input type="checkbox"/> G.S. 105-275(17) | Veterans organizations | <input type="checkbox"/> G.S. 105-278.6 | Home for the aged, sick, or infirm |
| <input type="checkbox"/> G.S. 105-275(18),(19) | Lodges, fraternal & civic purposes | <input type="checkbox"/> G.S. 105-278.6 | Low- or moderate-income housing |
| <input type="checkbox"/> G.S. 105-275(20) | Goodwill Industries | <input type="checkbox"/> G.S. 105-278.6 | YMCA, SPCA, VFD, orphanage |
| <input type="checkbox"/> G.S. 105-277.13 | Brownfields-Attach brownfields agreement. | <input type="checkbox"/> G.S. 105-278.6A | CCRC-Attach Form AV-11. |
| <input type="checkbox"/> G.S. 105-278.3 | Religious purposes | <input type="checkbox"/> G.S. 105-278.7 | Other charitable, educational, etc. |
| <input type="checkbox"/> G.S. 105-278.4 | Educational purposes (institutional) | <input type="checkbox"/> G.S. 105-278.8 | Charitable hospital purposes |
| <input type="checkbox"/> G.S. 105-278.5 | Religious educational assemblies | <input type="checkbox"/> G.S. 131A-21 | Medical Care Commission bonds |
| <input type="checkbox"/> Other: | _____ | | |

Tax Deferment Programs—Check the tax deferment program for which this application is made. *****These programs will result in the creation of deferred taxes that will become immediately due and payable with interest when the property loses eligibility. The number of years for which deferred taxes will become due and payable varies by program. Read the applicable statute carefully.*****

- | | |
|--|---|
| <input type="checkbox"/> G.S. 105-275(29a) | Historic district property held as a future site of a historic structure |
| <input type="checkbox"/> G.S. 105-277.1D | Residence held for sale by general contractor (Lic # _____) Attach copy of the certificate of occupancy. |
| <input type="checkbox"/> G.S. 105-277.14 | Working waterfront property |
| <input type="checkbox"/> G.S. 105-278 | Historic property-Attach copy of the local ordinance designating property as historic property or landmark. |
| <input type="checkbox"/> G.S. 105-278.6(e) | Nonprofit property held as a future site of low- or moderate-income housing |

Describe the property: _____

Describe how you are using the property. If another organization is using the property, give their name, how they are using the property, and any income you receive from their use: _____

AFFIRMATION: I, the undersigned, declare under penalties of law that this application and any attachments are true and correct to the best of my knowledge and belief. I have read the applicable exemption or exclusion statute. I fully understand that an ineligible transfer of the property or failure to meet the qualifications will result in the loss of eligibility. If applying for a tax deferment program, I fully understand that loss of eligibility will result in removal from the program and the immediate billing of deferred taxes.

Signature(s) of Owner(s): _____ Title: _____ Date: _____

(All tenants of a tenancy _____ Title: _____ Date: _____

in common must sign.) _____ Title: _____ Date: _____

The Tax Assessor may contact you for additional information after reviewing this application.

North Carolina General Statute for Exemption and Exclusion Applications

G.S. 105-282.1. Applications for property tax exemption or exclusion; annual review of property exempted or excluded from property tax.

(a) Application. – Every owner of property claiming exemption or exclusion from property taxes under the provisions of this Subchapter has the burden of establishing that the property is entitled to it. If the property for which the exemption or exclusion is claimed is appraised by the Department of Revenue, the application shall be filed with the Department. Otherwise, the application shall be filed with the assessor of the county in which the property is situated. An application must contain a complete and accurate statement of the facts that entitle the property to the exemption or exclusion and must indicate the municipality, if any, in which the property is located. Each application filed with the Department of Revenue or an assessor shall be submitted on a form approved by the Department. Application forms shall be made available by the assessor and the Department, as appropriate.

Except as provided below, an owner claiming an exemption or exclusion from property taxes must file an application for the exemption or exclusion annually during the listing period.

- (1) No application required. – Owners of the following exempt or excluded property do not need to file an application for the exemption or exclusion to be entitled to receive it:
 - a. Property exempt from taxation under G.S. 105-278.1 or G.S. 105-278.2.
 - b. Special classes of property excluded from taxation under G.S. 105-275(15), (16), (26), (31), (32a), (33), (34), (37), (40), or (42).
 - c. Property classified for taxation at a reduced valuation under G.S. 105-277(g) or G.S. 105-277.9.
- (2) Single application required. – An owner of one or more of the following properties eligible for a property tax benefit must file an application for the benefit to receive it. Once the application has been approved, the owner does not need 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 there is a change in the use of the property or the qualifications or eligibility of the taxpayer necessitating a review of the benefit.
 - a. Property exempted from taxation under G.S. 105-278.3, 105-278.4, 105-278.5, 105-278.6, 105-278.7, or 105-278.8.
 - b. Special classes of property excluded from taxation under G.S. 105-275(3), (7), (8), (12), (17), (18), (19), (20), (21), (31e), (35), (36), (38), (39), or (41) or under G.S. 131A-21.
 - c. Special classes of property classified for taxation at a reduced valuation under G.S. 105-277(h), 105-277.1, 105-277.1C, 105-277.10, 105-277.13, 105-278, or 105-277.15.
 - d. Property owned by a nonprofit homeowners' association but where the value of the property is included in the appraisals of property owned by members of the association under G.S. 105-277.8.
 - e. Repealed by Session Laws 2008-35, s. 1.2, effective for taxes imposed for taxable years beginning on or after July 1, 2008.

(a1) Late Application. – Upon a showing of good cause by the applicant for failure to make a timely application, an application for exemption or exclusion filed after the close of the listing period may be approved by the Department of Revenue, the board of equalization and review, the board of county commissioners, or the governing body of a municipality, as appropriate. An untimely application for exemption or exclusion approved under this subsection applies only to property taxes levied by the county or municipality in the calendar year in which the untimely application is filed.

(b) Approval and Appeal Process. – The Department of Revenue or the assessor to whom an application for exemption or exclusion is submitted must review the application and either approve or deny the application. Approved applications shall be filed and made available to all taxing units in which the exempted or excluded property is situated. If the Department denies an application for exemption or exclusion, it shall notify the taxpayer, who may appeal the denial to the Property Tax Commission.

If an assessor denies an application for exemption or exclusion, the assessor must notify the owner of the decision and the owner may appeal the decision to the board of equalization and review or the board of county commissioners, as appropriate, and from the county board to the Property Tax Commission. If the notice of denial covers property located within a municipality, the assessor shall send a copy of the notice and a copy of the application to the governing body of the municipality. The municipal governing body shall then advise the owner whether it will adopt the decision of the county board or require the owner to file a separate appeal with the municipal governing body. In the event the owner is required to appeal to the municipal governing body and that body renders an adverse decision, the owner may appeal to the Property Tax Commission. Nothing in this subsection shall prevent the governing body of a municipality from denying an application which has been approved by the assessor or by the county board provided the owner's rights to notice and hearing are not abridged. Applications handled separately by a municipality shall be filed in the office of the person designated by the governing body, or in the absence of such designation, in the office of the chief fiscal officer of the municipality.

(c) Discovery of Property. – When an owner of property that may be eligible for exemption or exclusion neither lists the property nor files an application for exemption or exclusion, the assessor or the Department of Revenue, as appropriate, shall proceed to discover the property. If, upon appeal, the owner demonstrates that the property meets the conditions for exemption or exclusion, the body hearing the appeal may approve the exemption or exclusion. Discovery of the property by the Department or the county shall automatically constitute a discovery by any taxing unit in which the property has a taxable situs.

(d) Roster of Exempted and Excluded Property. – The assessor shall prepare and maintain a roster of all property in the county that is granted tax relief through classification or exemption. On or before November 1 of each year, the assessor must send a report to the Department of Revenue summarizing the information contained in the roster. The report must be in the format required by the Department. The assessor must also send the Department a copy of the roster upon the request of the Department. As to affected real and personal property, the roster shall set forth:

- (1) The name of the owner of the property.
- (2) A brief description of the property.
- (3) A statement of the use to which the property is put.
- (4) A statement of the value of the property.
- (5) The total value of exempt property in the county and in each municipality therein.

(e) Annual Review of Exempted or Excluded Property. – Pursuant to G.S. 105-296(l), the assessor must annually review at least one-eighth of the parcels in the county exempted or excluded from taxation to verify that the parcels qualify for the exemption or exclusion.

Review and Compliance of Exempt and Excluded Property

Quick Charts

§ 105-274 – Property Subject to Taxation – All property unless Excluded by Article V,§2(2) or Exempted by Article V,§2(3) according to NC General Assemble or NC Constitution

Article V, §2 (2) Exclusions from Tax

- § 105-275 – Excluded from Tax Base
- § 105-276 – Intangible PP
- Reduced Rates/Valuation
- § 105-277
- § 105-277.01
- § 105-277.8 (Homeowners Association)
- § 105-277.9 (Roadway Corridors)
- § 105-277.10 (Precious Metals)
- § 105-277.11 (TIF)
- § 105-277.12 (Antique Airplanes)
- § 105-277.13 (Brownfields)
- §105-278.6A* (Retirement Facility)

Deterrments

- § 105-277.1D (Builders Inventory)
- § 105-277.1F (general provisions)
- § 105-277.14 (working waterfront)
- § 105-277.15 (wildlife conservation)
- § 105-278 (Historic Properties)
- § 105-278.6(e) (Future Site)

Article V,§2(3) Exemptions from Taxation

- § 105-278.1 (government owned)
- § 105-278.2 (Burial Property)
- § 105-278.3 (Religious Purposes)
- § 105-278.4 (Educational)
- § 105-278.5 (Religious & Educational)
- § 105-278.6 (Charitable)
- § 105-278.7 (Educational, scientific, literary or Charitable)
- § 105-278.8 (Charitable Hospital)

Applications

No Application Required - § 105-282.1(a)(1)

- a. § 105-278.1 or § 105-278.2
- b. § 105-275 15, 16, 26, 31, 32a, 33, 34, 37, 40, 42, 44
- c. § 105-277(g) or § 105-277.9

Single Applications § 105-282.1(2)

- a. § 105-278.3, .4, .5, .6, .7, .8
- b. 105-275 3, 7, 8, 12, 17, 18, 19, 20, 21, 31e, 35, 36, 38, 39, 40, 45 or § 131A-21
- c. § 105-277(h), § 105-277.10, .13, .14, .15, .17 or § 105-278
- d. § 105-277.8

§ 105-282.1 (a) Every owner of property claiming exemption or exclusion from property taxes under the provisions of this Subchapter has the burden of establishing that the property is entitled to it. Should be filed during listing Period.

No Application Required

§ 105-278.1. Exemption of real and personal property owned by units of government.

§ 105-278.2. Burial property.

§ 105-275. Property classified and excluded from the tax base.

(15) (16) (26) (31) (32a) (33) (34) (37) (40) (42) (44)

§ 105-277(g). Property classified for taxation at reduced rates; certain deductions.

§ 105-277.9. Taxation of property inside certain roadway corridors.

Single Application Required

§ 105-278.3. Real and personal property used for religious purposes.

§ 105-278.4. Real and personal property used for educational purposes.

§ 105-278.5. Real and personal property of religious educational assemblies used for religious and educational purposes.

§ 105-278.6. Real and personal property used for charitable purposes.

§ 105-278.7. Real and personal property used for educational, scientific, literary, or charitable purposes.

§ 105-278.8. Real and personal property used for charitable hospital purposes.

§ 105-275. Property classified and excluded from the tax base.

(3) (7) (8) (12)(18) (19) (20) (21) (31e) (35) (36)(3) (39) (41) (45)

§ 131A-21

§ 105-277(h). Property classified for taxation at reduced rates; certain deductions.

§ 105-277.10. Taxation of precious metals used or held for use directly in manufacturing or processing by a manufacturer.

§ 105-277.14. Taxation of working waterfront property.

§ 105-277.13. Taxation of improvements on brownfields.

§ 105-277.15. (Effective for taxes imposed for taxable years beginning on or after July 1, 2010) Taxation of wildlife conservation land.

§ 105-277.17. (Effective for taxes imposed for taxable years beginning on or after July 1, 2010) Taxation of community land trust property.

§ 105-278. Historic properties.

§ 105-277.8. Taxation of property of nonprofit homeowners' association.

Review and Compliance of Exempt and Excluded Property

Exclusion Statutes

§ 105-282.1 (a) Every owner of property claiming exemption or exclusion from property taxes under the provisions of this Subchapter has the burden of establishing that the property is entitled to it. Should be filed during listing Period.

No Application Required

§ 105-278.1. Exemption of real and personal property owned by units of government.

§ 105-278.2. Burial property.

§ 105-275. Property classified and excluded from the tax base.

(15) Upon the date on which each county's next general reappraisal of real property under the provisions of G.S. 105-286(a) becomes effective, standing timber, pulpwood, seedlings, saplings, and other forest growth. (The purpose of this classification is to encourage proper forest management practices and to develop and maintain the forest resources of the State.)

(16) **Non-business Property.** – As used in this subdivision, the term "non-business property" means personal property that is used by the owner of the property for a purpose other than the production of income and is not used in connection with a business. The term includes household furnishings, clothing, pets, lawn tools, and lawn equipment. The term does not include motor vehicles, mobile homes, aircraft, watercraft, or engines for watercraft.

(26) For the tax year immediately following transfer of title, tangible personal property manufactured in this State for the account of a nonresident customer and held by the manufacturer for shipment. For the purpose of this subdivision, the term "nonresident" means a taxpayer having no place of business in North Carolina.

(31) Intangible personal property other than a leasehold interest that is in exempted real property and is not excluded under subdivision (31e) of this section. This subdivision does not affect the taxation of software not otherwise excluded by subdivision (40) of this section.

(32a) Inventories owned by contractors.

(33) Inventories owned by manufacturers.

(34) Inventories owned by retail and wholesale merchants.

(37) Poultry and livestock and feed used in the production of poultry and livestock.

(40) Computer software and any documentation related to the computer software. As used in this subdivision, the term "computer software" means any program or routine used to cause a computer to perform a specific task or set of tasks. The term includes system and application programs and database storage and management programs.

The exclusion established by this subdivision does not apply to computer software and its related documentation if the computer software meets one or more of the following descriptions:

a. It is embedded software. "Embedded software" means computer instructions, known as microcode, that reside permanently in the internal memory of a computer system or other equipment and are not intended to be removed without terminating the operation of the computer system or equipment and removing a computer chip, a circuit, or another mechanical device.

b. It is purchased or licensed from a person who is unrelated to the taxpayer and it is capitalized on the books of the taxpayer in accordance with generally accepted accounting principles, including financial accounting standards issued by the Financial Accounting Standards Board. A person is unrelated to a taxpayer if (i) the taxpayer and the person are not subject to any common ownership, either directly or indirectly, and (ii) neither the taxpayer nor the person has any ownership interest, either directly or indirectly, in the other.

This subdivision does not affect the value or taxable status of any property that is otherwise subject to taxation under this Subchapter.

The provisions of the exclusion established by this subdivision are not severable. If any provision of this subdivision or its application is held invalid, the entire subdivision is repealed.

(42) A vehicle that is offered at retail for short-term lease or rental and is owned or leased by an entity engaged in the business of leasing or renting vehicles to the general public for short-term lease or

§ 105-282.1 (a) Every owner of property claiming exemption or exclusion from property taxes under the provisions of this Subchapter has the burden of establishing that the property is entitled to it. Should be filed during listing Period.

rental. For the purposes of this subdivision, the term "short-term lease or rental" shall have the same meaning as in G.S. 105-187.1, and the term "vehicle" shall have the same meaning as in G.S. 153A-156(e) and G.S. 160A-215.1(e). A gross receipts tax as set forth by G.S. 153A-156 and G.S. 160A-215.1 is substituted for and replaces the ad valorem tax previously levied on these vehicles.

(44) Free samples of drugs that are required by federal law to be dispensed only on prescription and are given to physicians and other medical practitioners to dispense free of charge in the course of their practice.

§ 105-277. Property classified for taxation at reduced rates; certain deductions.

(g) Buildings equipped with a solar energy heating or cooling system, or both, are hereby designated a special class of property under authority of Article V, Sec. 2(2) of the North Carolina Constitution. Such buildings shall be assessed for taxation in accordance with each county's schedules of value for buildings equipped with conventional heating or cooling systems and no additional value shall be assigned for the difference in cost between a solar energy heating or cooling system and a conventional system typically found in the county. As used in this classification, the term "system" includes all controls, tanks, pumps, heat exchangers and other equipment used directly and exclusively for the conversion of solar energy for heating or cooling. The term "system" does not include any land or structural elements of the building such as walls and roofs nor other equipment ordinarily contained in the structure.

§ 105-277.9. Taxation of property inside certain roadway corridors.

Single Application Required

§ 105-278.3. Real and personal property used for religious purposes.

§ 105-278.4. Real and personal property used for educational purposes.

§ 105-278.5. Real and personal property of religious educational assemblies used for religious and educational purposes.

§ 105-278.6. Real and personal property used for charitable purposes.

§ 105-278.7. Real and personal property used for educational, scientific, literary, or charitable purposes.

§ 105-278.8. Real and personal property used for charitable hospital purposes.

§ 105-275. Property classified and excluded from the tax base.

(3) Real and personal property owned by nonprofit water or nonprofit sewer associations or corporations.

(7) Real and personal property that is:

a. Owned either by a nonprofit corporation formed under the provisions of Chapter 55A of the General Statutes or by a bona fide charitable organization, and either operated by such owning organization or leased to another such nonprofit corporation or charitable organization, and

b. Appropriated exclusively for public parks and drives.

(8) a. Real and personal property that is used or, if under construction, is to be used exclusively for air cleaning or waste disposal or to abate, reduce, or prevent the pollution of air or water (including, but not limited to, waste lagoons and facilities owned by public or private utilities built and installed primarily for the purpose of providing sewer service to areas that are predominantly residential in character or areas that lie outside territory already having sewer service), if the Department of Environment and Natural Resources or a local air pollution control program for air-cleaning devices located in an area where the Environmental Management Commission has certified a local air pollution control program pursuant to G.S. 143-215.112 furnishes a certificate to the tax supervisor of the county in

§ 105-282.1 (a) Every owner of property claiming exemption or exclusion from property taxes under the provisions of this Subchapter has the burden of establishing that the property is entitled to it. Should be filed during listing Period.

which the property is situated or to be situated stating that the Environmental Management Commission or local air pollution control program has found that the described property:

1. Has been or will be constructed or installed;
2. Complies with or that plans therefor which have been submitted to the Environmental Management Commission or local air pollution control program indicate that it will comply with the requirements of the Environmental Management Commission or local air pollution control program;
3. Is being effectively operated or will, when completed, be required to operate in accordance with the terms and conditions of the permit, certificate of approval, or other document of approval issued by the Environmental Management Commission or local air pollution control program; and
4. Has or, when completed, will have as its primary rather than incidental purpose the reduction of water pollution resulting from the discharge of sewage and waste or the reduction of air pollution resulting from the emission of air contaminants.

a1. Sub-subdivision a. of this subdivision shall not apply to an animal waste management system, as defined in G.S. 143-215.10B, unless the Environmental Management Commission determines that the animal waste management system will accomplish all of the following:

1. Eliminate the discharge of animal waste to surface waters and groundwater through direct discharge, seepage, or runoff.
2. Substantially eliminate atmospheric emissions of ammonia.
3. Substantially eliminate the emission of odor that is detectable beyond the boundaries of the parcel or tract of land on which the farm is located.
4. Substantially eliminate the release of disease-transmitting vectors and airborne pathogens.
5. Substantially eliminate nutrient and heavy metal contamination of soil and groundwater.

b. Real or personal property that is used or, if under construction, is to be used exclusively for recycling or resource recovering of or from solid waste, if the Department of Environment and Natural Resources furnishes a certificate to the tax supervisor of the county in which the property is situated stating the Department of Environment and Natural Resources has found that the described property has been or will be constructed or installed, complies or will comply with the rules of the Department of Environment and Natural Resources, and has, or will have as its primary purpose recycling or resource recovering of or from solid waste.

c. Tangible personal property that is used exclusively, or if being installed, is to be used exclusively, for the prevention or reduction of cotton dust inside a textile plant for the protection of the health of the employees of the plant, in accordance with occupational safety and health standards adopted by the State of North Carolina pursuant to Article 16 of G.S. Chapter 95. Notwithstanding the exclusive use requirement of this sub-subdivision, all parts of a ventilation or air conditioning system that are integrated into a system used for the prevention or reduction of cotton dust, except for chillers and cooling towers, are excluded from taxation under this sub-subdivision. The Department of Revenue shall adopt guidelines to assist the tax supervisors in administering this exclusion.

d. Real or personal property that is used or, if under construction, is to be used by a major recycling facility as defined in G.S. 105-129.25 predominantly for recycling or resource recovering of or from solid waste, if the Department of Environment and Natural Resources furnishes a certificate to the tax supervisor of the county in which the property is situated stating the Department of Environment and Natural Resources has found that the described property has been or will be constructed or installed for use by a major recycling facility, complies or will comply with the rules of the Department of Environment and Natural Resources, and has, or will have as a purpose recycling or resource recovering of or from solid waste.

(12) Real property owned by a nonprofit corporation or association exclusively held and used by its owner for educational and scientific purposes as a protected natural area. (For purposes of this subdivision, the term "protected natural area" means a nature reserve or park in which all types of wild nature, flora and fauna, and biotic communities are preserved for observation and (17) Real and personal property belonging to the American Legion, Veterans of Foreign Wars, Disabled American Veterans, or to any similar veterans organizations chartered by the Congress of the United States or organized and operated on a statewide or nationwide basis, and any post or local organization thereof, when used exclusively for meeting or lodge purposes by said organization, together with such additional adjacent real property as may be necessary for the convenient and normal use of the buildings thereon.

§ 105-282.1 (a) Every owner of property claiming exemption or exclusion from property taxes under the provisions of this Subchapter has the burden of establishing that the property is entitled to it. Should be filed during listing Period.

Notwithstanding the exclusive-use requirement hereinabove established, if a part of a property that otherwise meets this subdivision's requirements is used for a purpose that would require that it not be listed, appraised, assessed or taxed if the entire property were so used, that part, according to its value, shall not be listed, appraised, assessed or taxed. The fact that a building or facility is incidentally available to and patronized by the general public, so far as there is no material amount of business or patronage with the general public, shall not defeat the classification granted by this section.

(18) Real and personal property belonging to the Grand Lodge of Ancient, Free and Accepted Masons of North Carolina, the Prince Hall Masonic Grand Lodge of North Carolina, their subordinate lodges and appendant bodies including the Ancient and Arabic Order Nobles of the Mystic Shrine, and the Ancient Egyptian Order Nobles of the Mystic Shrine, when used exclusively for meeting or lodge purposes by said organization, together with such additional adjacent real property as may be necessary for the convenient normal use of the buildings thereon. Notwithstanding the exclusive-use requirement hereinabove established, if a part of a property that otherwise meets this subdivision's requirements is used for a purpose that would require that it not be listed, appraised, assessed or taxed if the entire property were so used, that part, according to its value, shall not be listed, appraised, assessed or taxed. The fact that a building or facility is incidentally available to and patronized by the general public, so far as there is no material amount of business or patronage with the general public, shall not defeat the classification granted by this section.

(19) Real and personal property belonging to the Loyal Order of Moose, the Benevolent and Protective Order of Elks, the Knights of Pythias, the Odd Fellows, the Woodmen of the World, and similar fraternal or civic orders and organizations operated for nonprofit benevolent, patriotic, historical, charitable, or civic purposes, when used exclusively for meeting or lodge purposes by the organization, together with as much additional adjacent real property as may be necessary for the convenient normal use of the buildings. Notwithstanding the exclusive-use requirement of this subdivision, if a part of a property that otherwise meets this subdivision's requirements is used for a purpose that would require that it not be listed, appraised, assessed, or taxed if the entire property were so used, that part, according to its value, shall not be listed, appraised, assessed, or taxed. The fact that a building or facility is incidentally available to and patronized by the general public, so far as there is no material amount of business or patronage with the general public, shall not defeat the classification granted by this section. Nothing in this subdivision shall be construed so as to include social fraternities, sororities, and similar college, university, or high school organizations in the classification for exclusion from ad valorem taxes.

(20) Real and personal property belonging to Goodwill Industries and other charitable organizations organized for the training and rehabilitation of disabled persons when used exclusively for training and rehabilitation, including commercial activities directly related to such training and rehabilitation.

(21) **(Repealed effective for taxes imposed for taxable years beginning on or after July 1, 2009)** The first thirty-eight thousand dollars (\$38,000) in assessed value of housing together with the necessary land therefor, owned and used as a residence by a disabled veteran who receives benefits under 38 U.S.C. § 2101. This exclusion shall be the total amount of the exclusion applicable to such property. study.)

(31e) A leasehold interest in real property that is exempt under G.S. 105-278.1 and

(35) Severable development rights, as defined in G.S. 136-66.11(a), when severed and evidenced by a deed recorded in the office of the register of deeds pursuant to G.S. 136-66.11(c).

(36) Repealed by Session Laws 2001-474, s. 8, effective November 29, 2001.

is used to provide affordable housing for employees of the unit of government that owns the property.

(38) Repealed by Session Laws 2001-474, s. 8, effective November 29, 2001.

(39) Real and personal property that is: (i) owned by a nonprofit corporation organized upon the request of a State or local government unit for the sole purpose of financing projects for public use, (ii) leased to a unit of State or local government whose property is exempt from taxation under G.S. 105-278.1, and (iii) used in whole or in part for a public purpose by the unit of State or local government. If only part of the property is used for a public purpose, only that part is excluded from the tax. This subdivision does not apply if any distributions are made to members, officers, or directors of the nonprofit corporation.

§ 105-282.1 (a) Every owner of property claiming exemption or exclusion from property taxes under the provisions of this Subchapter has the burden of establishing that the property is entitled to it. Should be filed during listing Period.

(41) Objects of art held by the North Carolina State Art Society, Incorporated.

(45) Eighty percent (80%) of the appraised value of a solar energy electric system. For purposes of this subdivision, the term "solar energy electric system" means all equipment used directly and exclusively for the conversion of solar energy to electricity.

§ 131A-21

§ 105-277. Property classified for taxation at reduced rates; certain deductions.

(h) Private Water Companies. – Contributions in aid of construction and acquisition adjustments. In assessing the property of any private water company, there shall be excluded that portion of the investment of the company represented by contributions in aid of construction and by acquisition adjustments which is designated a special class of property under Article V, Sec. 2(2) of the Constitution. "Investment," "contributions in aid of construction" and "acquisition adjustment" shall have the meanings as those terms are defined in the Uniform System of Accounts specified by the North Carolina Utilities Commission for use by such private water company.

§ 105-277.10. Taxation of precious metals used or held for use directly in manufacturing or processing by a manufacturer.

§ 105-277.14. Taxation of working waterfront property.

§ 105-277.13. Taxation of improvements on brownfields.

§ 105-277.15. (Effective for taxes imposed for taxable years beginning on or after July 1, 2010) Taxation of wildlife conservation land.

§ 105-277.17. (Effective for taxes imposed for taxable years beginning on or after July 1, 2010) Taxation of community land trust property.

§ 105-278. Historic properties.

§ 105-277.8. Taxation of property of nonprofit homeowners' association.

Review and Compliance of Exempt and Excluded Property

Case Study

Durham County Compliance Review



DURHAM COUNTY TAX ADMINISTRATION

Compliance Review for Property Tax Exemption Programs in Durham

The review process is a requirement based on NC General Statute 105-296(1). "The Assessor shall annually review at least one eighth of the parcels in the county exempted or excluded from taxation to verify that these parcels qualify for the exemption or exclusion.

In 2001, all exemptions were audited and a compliance review questionnaire mailed to citizens. There was no record that a compliance review had been conducted prior to that year in Durham County. Therefore all exemptions on file received the questionnaire and many questions about the review followed.

In 2006, Durham County sent a cover letter and compliance review questionnaire to all taxpayers in the exclusion and exemption program during the period of March 1, 2006 – March 8, 2006. All questionnaires had a return date of no later than April 15, 2006. If a taxpayer lost their original questionnaire, staff completed a questionnaire request form log and a new form was mailed. For taxpayers who did not timely return the questionnaire, their property was removed from the exemption or exclusion program. To reverse this decision, the taxpayer had to appeal before the Board of Equalization and Review.

During the 2006 review the main issue Durham dealt with was the religious entities. They did not complete the questionnaire and ignored the correspondence and phone calls. Durham removed the exemption code and created a discovery notice, therefore leaving the appeal process the only means to reinstate.

In 2008, Durham County mailed approximately 1,200 cover letters (exhibit 1) and compliance review questionnaires (exhibit 2) for the elderly exclusion program per statute guidelines. The deadline for the return of compliance review questionnaires was May 1, 2008

As a result of the compliance review process and new application process, Durham County had 1055 applications or re-qualifications that were denied for the 2008 Homestead Exclusion. There were 8 files that were coded for review at that time and 910 that were approved or re-qualified for 2008.



DURHAM COUNTY TAX ADMINISTRATION

Kenneth L. Joyner
Tax Administrator

March 10, 2008

Dear Durham County Property Owner:

Durham County Tax Administration is currently conducting a compliance review of the elderly/disabled exemption. The review process is a requirement based on North Carolina General Statute 105-296(1). The assessor shall review the eligibility of all parcels exempted from taxation in an eight year period. The assessor may require the owner of exempt property to make available for inspection any information reasonable needed by the assessor to verify that the property continues to qualify for the exemption.

Enclosed is the attached 2008 compliance review questionnaire. The questionnaire must be returned to our office located at 200 East Main Street, 1st Floor, or by mailing to Durham County Tax Administration, Attn: Exemption Program, PO Box 3397, Durham, NC 27702. The questionnaire must be returned to our office no later than **April 15, 2008**. Should you not return the questionnaire this will affect the continued eligibility of the property.

NOTE: *****MUST FURNISH PROOF OF INCOME*****

1. Adjusted Gross Income is your total income. (Example wages, alimony, social security benefits, pension and annuities, capital gains, IRA's and Tax exempt interest). If you submit a Federal 1040 form all received income listed below must be added if not included in your adjusted gross income.
2. Tax Exempt Interest-example- Mutual funds, municipal bonds
3. IRA Distributions -example- CD's, stocks,
4. Pension and Annuities -example-monies received from retirement, tax deferred or income annuities
5. Social Security Benefits -Submit your 1099R form or bank statement
6. Capital Gains -Business Income
7. All other moneys received -Example- rental property, alimony

**DURHAM COUNTY TAX ADMINISTRATION
COMPLIANCE REVIEW QUESTIONNAIRE
FOR PROPERTY TAX EXEMPTION**

PROPERTY TAX RELIEF FOR ELDERLY AND PERMANENTLY DISABLED PERSONS

(Parcel ID#)

INSTRUCTIONS

Durham County Tax Administration is currently conducting a compliance review of your property. The review process is a requirement based on NC General Statute 105-296(1). The assessor may require the owner of exempt property to make available for inspection any information reasonably needed by the assessor to verify that the property continues to qualify for the exemption or exclusion.

North Carolina excludes from taxes the greater of twenty-five thousand dollars (\$25,000) or fifty percent (50%) of the appraised value of a permanent residence owned and occupied by a qualifying owner. A qualifying owner is an owner who meets all of the following requirements as of January 1, _____.

- (1) Is at least 65 years of age or totally and permanently disabled.
- (2) Has an income for _____ of not more than twenty-seven thousand, five hundred dollars (\$27,500).
- (3) Is a North Carolina resident.

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.



OWNER

SPOUSE

- 1. Full name (as shown on deed): _____
- 2. Residence Address: _____
- 3. Social Security Number: _____
- 4. Date of Birth: _____
- 5. Telephone #: _____
- 6. What percentage of ownership does claimant have in property? _____. If not 100%, list the name of other owner(s).

7. Is the property the owner's permanent residence? _____

8. If your income level is low enough that you are not required to file a Federal Income Tax Return, please fill out information below.

9. Enter below the required income information from your individual Federal Income Tax Return and attach the front page of your return.

	<u>CLAIMANT</u>	<u>SPOUSE</u>
1. Wages, Salaries, Tips, etc..	\$ _____	\$ _____
2. Interest (Taxable and Tax Exempt)	\$ _____	\$ _____
3. Dividends	\$ _____	\$ _____
4. Capital Gains	\$ _____	\$ _____
5. IRA Distributions	\$ _____	\$ _____
6. Pensions and Annuities	\$ _____	\$ _____
7. Disability Payments (Not Included in Pensions and Annuities)	\$ _____	\$ _____
8. Social Security Taxable and Tax Exempt)	\$ _____	\$ _____
9. All other moneys received. (Describe in Comments Section)	\$ _____	\$ _____
Total.....	\$ _____	\$ _____

Comments: _____

******* MUST FURNISH PROOF OF INCOME *******

AFFIRMATION

Under penalties prescribed by law, I hereby affirm that to the best of my knowledge and belief, the statements and information in this application are true and correct, and are made for the purpose of exempting the property herein described from taxation.

_____ 20 _____

Signature of owner or authorized representative

Telephone No.

Office Use Only APPROVED _____ YES _____ NO
--

Annual Report of Tax Relief Granted by Exemption or Exclusion

[As Required by N.C.G.S. 105-282.1(d)]

Due to NCDOR by November 1 of Each Year

		LOCATED IN A MUNICIPALITY <small>(Complete Form AV-50A For Each City or Town)</small>			LOCATED IN THE COUNTY ONLY <small>(Located in the County but NOT in a Municipality)</small>			LINE TOTALS
		REAL	PERSONAL	SUBTOTAL	REAL	PERSONAL	SUBTOTAL	
See instructions for explanations of categories.								
01.0	Governmental (Federal, State, Local)	1,093,213,001	-	1,093,213,001	316,345,010	-	316,345,010	1,409,558,011
02.0	Educational (Non-governmental)	536,594,454	-	536,594,454	10,395,749	-	10,395,749	546,990,203
03.0	Educational (Religious)	12,687,200	-	12,687,200	652,400	-	652,400	13,339,600
04.0	Religious	320,425,081	135,391	320,560,472	57,407,404	-	57,407,404	377,967,876
05.0	Charitable-Hospital Property	4,782,621	487,297	5,249,988	-	-	-	5,249,988
06.0	Charitable-Homes for the Aged, Sick, and Infirm	4,796,529	-	4,796,529	597,475	-	597,475	5,396,004
07.0	Charitable-Low and Moderate Income Housing	38,590,056	-	38,590,056	31,539	-	31,539	38,621,595
08.0	Charitable-All others	42,639,535	55,449	42,694,984	5,998,490	-	5,998,490	48,693,474
09.0	Scientific, Literary, and Cultural	85,805	-	85,805	174,188,066	-	174,188,066	174,241,871
10.0	All Other Exemptions	17,716,595	669,485	18,386,070	13,775,058	-	13,775,058	32,161,128
11.0	Continuing Care Retirement Centers	18,429,667	-	18,429,667	-	-	-	18,429,667
12.0	Use Value (Deferred Amount For Current Year Only)	41,637,928	-	41,637,928	188,557,114	-	188,557,114	210,195,042
12.1	Wildlife Conservation (Deferred Amt for Current Year Only)	-	-	-	-	-	-	-
13.0	Elderly and Disabled	79,395,454	19,941	79,415,395	20,945,606	136,323	21,081,929	100,497,324
13.1	Disabled Veteran Exclusion	7,245,000	-	7,245,000	1,710,000	-	1,710,000	8,955,000
14.0	Pollution Abatement and Recycling	6,991,019	2,779,948	9,770,967	248,670	-	248,670	10,019,637
14.1	Builder's Deferral (Deferred Amt for Current Year Only)	12,752,843	-	12,752,843	-	-	-	12,752,843
15.0	American Legion, DAV, Lodges, etc.	10,732,850	-	10,732,850	10,786,653	-	10,786,653	21,519,503
16.0	Medical Care Commission Bonds	-	-	-	-	-	-	-
17.0	All Other Exclusions	36,022,687	-	36,022,687	3,752,071	-	3,752,071	39,774,768
				2,288,837,806			County Total	785,525,628
								3,074,363,434

See instructions for explanations of categories.