



HB 1181 Summary: Modifies the *Homestead Circuit Breaker*, which currently allows qualifying low-income seniors and disabled homeowners to defer some of their property taxes until a disqualifying event, at which point they would have to pay three prior years of deferred taxes with interest; helps fund county property appraisals; and closes a loophole so that corporations and other wealthy entities are subject to the same excise taxes as other property owners.

NC's current property tax relief and appraisal processes are inequitable. This bill would:

- Expand the circuit breaker by adding an alternative way to qualify for two-person households whose income does not exceed 70% of area median income in the county where the property is located;
- Create a new long-term homeowner relief option for those who have owned and occupied their home for 10+ years, capping their property taxes at 6 percent of income;
- Eliminate the circuit breaker lien and forgive deferred property taxes received;
- Determine eligibility every three years instead of every year;
- Expand income eligibility in the homestead exemption for married couples;
- Close a loophole that allows some property owners to avoid real estate transfer fees.

North Carolina's property tax relief programs are not reaching all those who need help with unaffordable property tax bills.

The proposed changes ensure that more elderly households with fixed and low incomes are able to access property tax relief.

- Current eligibility rules can disadvantage married couples because NC counts both spouses' incomes toward the same income limit used for single homeowners. This change reduces barriers for these households by creating a married-couple income limit tied to area costs.
- Most counties have no applicants for the circuit breaker program. Researchers suggest that the lien placed on the property significantly deters them from engaging with the program. By removing this provision, it is likely that more households will elect to participate in the program.
- Simplifies the application process by requiring eligibility determinations every three years rather than annually, unless there is a disqualifying change in circumstances.

Closing a loophole in the state's real estate transfer tax will ensure corporate property owners pay their fair share.

NC's real estate transfer tax applies when real property is sold, but some property transfers can avoid this tax when ownership changes through the sale of a business entity with a controlling interest of it, rather than a direct property sale. The scale of revenue loss from this loophole is unclear, but other states have sought to close this loophole to ensure that large property owners cannot avoid taxes that other property sellers are required to pay.