

GENERAL ASSEMBLY OF NORTH CAROLINA  
1991 SESSION

CHAPTER 34  
SENATE BILL 128

AN ACT TO PROVIDE FOR THE SYSTEMATIC REVIEW OF PROPERTY  
EXEMPTED OR EXCLUDED FROM PROPERTY TAXATION AND TO  
ALLOW PROPERTY THAT WAS ERRONEOUSLY EXEMPTED OR  
EXCLUDED TO BE TREATED AS DISCOVERED PROPERTY.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-282.1(a) reads as rewritten:

"(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 thereto. Except as provided below, an owner claiming exemption or exclusion shall annually file an application for exemption or exclusion during the listing period. 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. ~~If the property covered by the application is located within a municipality, that fact shall be shown on the application.~~ 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.

- (1) The United States government, the State of North Carolina and the counties and municipalities of the State are exempted from the requirement that owners file applications for exemption.
- (2) Owners of the special classes of property excluded from taxation under G.S. 105-275(5), (15), (16), (26), (31), (33), or (34), or exempted under G.S. 105-278.2 are not required to file applications for the exclusion or exemption of that property.
- (3) After an owner of property entitled to exemption under G.S. ~~105-277.1, 105-278.3, 105-278.4, 105-278.5, 105-278.6, 105-278.7, or 105-278.8~~ or exclusion under G.S. 105-275(3), (7), ~~(12) or (39)~~ (12), or (39), G.S. 105-277.1, or G.S. 105-278 has applied for exemption or exclusion and the exemption or exclusion has been approved, ~~such the owner shall not be~~ is not required to file applications an application in subsequent years except in the following circumstances:

- a. New or additional property is acquired or improvements are added or removed, necessitating a change in the valuation of the ~~property, property;~~ or
  - b. There is a change in the use of the property or the qualifications or eligibility of the taxpayer necessitating a review of the ~~exemption.~~ exemption or exclusion.
- (4) After an owner of property entitled to exclusion under G.S. 105-277.10 has applied for the exclusion and the exclusion has been approved, the owner is not required to apply for the exclusion in subsequent years so long as the classified property, including classified property acquired after the application is approved, is used or held for use directly in manufacturing or processing as part of industrial machinery.
- (5) 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 subdivision applies only to property taxes levied by the county or municipality in the calendar year in which the untimely application is filed."

Sec. 2. G.S. 105-296 is amended by adding a new subsection to read:

"(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. By this method, the assessor shall review the eligibility of all parcels exempted or excluded from taxation in an eight-year period. The assessor may require the owner of exempt or excluded 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."

Sec. 3. G.S. 105-273 reads as rewritten:

**"§ 105-273. Definitions.**

When used in this Subchapter (unless the context requires a different meaning):

- (1) 'Abstract' means the document on which the property of a taxpayer is listed for ad valorem taxation and on which the appraised and assessed values of the property are recorded.
- (2) 'Appraisal' means both the true value of property and the process by which true value is ascertained.
- (3) 'Assessment' means both the tax value of property and the process by which the assessment is determined.
- (4) Repealed by Session Laws 1973, c. 695, s. 15, effective January 1, 1974.
- (5) 'Collector' or 'tax collector' means any person charged with the duty of collecting taxes for a county or municipality.

- (6) 'Corporation' includes nonprofit corporation and every type of organization having capital stock represented by shares.
- (6a) 'Discovered property' includes all of the following:
- a. Property that was not listed during a listing period.
  - b. Property that was listed but the listing included a substantial understatement.
  - c. Property that has been granted an exemption or exclusion and does not qualify for the exemption or exclusion.
- (6b) 'To discover property' means to determine any of the following:
- a. Property has not been listed during a listing period.
  - b. A taxpayer made a substantial understatement of listed property.
  - c. Property was granted an exemption or exclusion and the property does not qualify for an exemption or exclusion.
- (7) 'Document' includes book, paper, record, statement, account, map, plat, film, picture, tape, object, instrument, and any other thing conveying information.
- (7a) 'Failure to list property' includes all of the following:
- a. Failure to list property during a listing period.
  - b. A substantial understatement of listed property.
  - c. Failure to notify the assessor that property granted an exemption or exclusion under an application for exemption or exclusion does not qualify for the exemption or exclusion.
- (8) 'Intangible personal property' means patents, copyrights, secret processes, formulae, good will, trademarks, trade brands, franchises, stocks, bonds, cash, bank deposits, notes, evidences of debt, leasehold interests in exempted real property, bills and accounts receivable, and other like property.
- (8a) 'Inventories' means goods held for sale in the regular course of business by manufacturers and retail and wholesale merchants. As to manufacturers, the term includes raw materials, goods in process, and finished goods, as well as other materials or supplies that are consumed in manufacturing or processing, or that accompany and become a part of the sale of the property being sold. The term also includes crops, livestock, poultry, feed used in the production of livestock and poultry, and other agricultural or horticultural products held for sale, whether in process or ready for sale. The term does not include fuel used in manufacturing or processing, nor does it include materials or supplies not used directly in manufacturing or processing. As to retail and wholesale merchants, the term includes, in addition to articles held for sale, packaging materials that accompany and become a part of the sale of the property being sold.
- (9) 'List' or 'listing,' when used as a noun, means abstract.
- (10) Repealed by Session Laws 1987, c. 43, s. 1, effective April 2, 1987.

- (10a) 'Local tax official' includes a county assessor, an assistant county assessor, a member of a county board of commissioners, a member of a county board of equalization and review, a county tax collector, and the municipal equivalents of these officials.
- (10b) 'Manufacturer' means a taxpayer who is regularly engaged in the mechanical or chemical conversion or transformation of materials or substances into new products for sale or in the growth, breeding, raising, or other production of new products for sale. The term does not include delicatessens, cafes, cafeterias, restaurants, and other similar retailers that are principally engaged in the retail sale of foods prepared by them for consumption on or off their premises.
- (11) 'Municipal corporation' and 'municipality' mean city, town, incorporated village, sanitary district, rural fire protection district, rural recreation district, mosquito control district, hospital district, metropolitan sewerage district, watershed improvement district, or other district or unit of local government by or for which ad valorem taxes are levied.
- (12) 'Person' and 'he' include any individual, trustee, executor, administrator, other fiduciary, corporation, unincorporated association, partnership, sole proprietorship, company, firm, or other legal entity.
- (13) 'Real property,' 'real estate,' and 'land' mean not only the land itself, but also buildings, structures, improvements, and permanent fixtures thereon, and all rights and privileges belonging or in any wise appertaining thereto. These terms also means a manufactured home as defined in G.S. 143-143.9(6) if it is a multi-section residential structure (consisting of two or more sections); has the moving hitch, wheels, and axles removed; and is placed upon a permanent enclosed foundation on land owned by the owner of the manufactured home.
- (13a) 'Retail Merchant' means a taxpayer who is regularly engaged in the sale of tangible personal property, acquired by a means other than manufacture, processing, or producing by the merchant, to users or consumers.
- (13b) 'Substantial understatement' means the omission of a material portion of the value, quantity, or other measurement of taxable property. The determination of materiality in each case shall be made by the assessor, subject to the taxpayer's right to review of the determination by the county board of equalization and review or board of commissioners and appeal to the Property Tax Commission.
- (14) 'Tangible personal property' means all personal property that is not intangible and that is not permanently affixed to real property.
- (15) 'Tax' and 'taxes' include the principal amount of any tax, costs, penalties, and interest imposed upon property tax or dog license tax.
- (16) 'Taxing unit' means a county or municipality authorized to levy ad valorem property taxes.

- (17) 'Taxpayer' means any person whose property is subject to ad valorem property taxation by any county or municipality and any person who, under the terms of this Subchapter, has a duty to list property for taxation.
- (18) 'Valuation' means appraisal and assessment.
- (19) 'Wholesale Merchant' means a taxpayer who is regularly engaged in the sale of tangible personal property, acquired by a means other than manufacture, processing, or producing by the merchant, to other retail or wholesale merchants for resale or to manufacturers for use as ingredient or component parts of articles being manufactured for sale."

Sec. 4. G.S. 105-312(a) is repealed.

Sec. 5. This act is effective upon ratification.

In the General Assembly read three times and ratified this the 10th day of April, 1991.

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James C. Gardner  
President of the Senate

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Daniel Blue, Jr.  
Speaker of the House of Representatives