

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 811  
Finance Committee Substitute Adopted 5/29/91

Short Title: Ad Valorem Tax/Educational Institutions.

(Public)

Sponsors:

Referred to:

April 24, 1991

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE AD VALOREM TAX EXEMPTIONS OR  
3 EXCLUSIONS RELATIVE TO PERSONAL AND REAL PROPERTY OWNED  
4 BY EDUCATIONAL INSTITUTIONS WHICH IS INCIDENTAL TO,  
5 REASONABLY RELATED TO, AND REASONABLY NECESSARY FOR  
6 EDUCATIONAL PURPOSES.

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 105-278.4 reads as rewritten:

9 **"§ 105-278.4. Real and personal property used for educational purposes.**

10 (a) Buildings, the land they actually occupy, and additional land reasonably  
11 necessary for the convenient use of any such building shall be exempted from taxation  
12 if:

- 13 (1) Owned by an educational institution (including a university, college,  
14 school, seminary, academy, industrial school, public library, museum,  
15 and similar institution);
- 16 (2) The owner is not organized or operated for profit and no officer,  
17 shareholder, member, or employee of the owner or any other person is  
18 entitled to receive pecuniary profit from the owner's operations except  
19 reasonable compensation for services;
- 20 (3) Of a kind commonly employed in the performance of those activities  
21 naturally and properly incident to the operation of an educational  
22 institution such as the owner; and

1 (4) Wholly and exclusively used for educational purposes by the owner or  
2 occupied gratuitously by another nonprofit educational institution (as  
3 defined herein) and wholly and exclusively used by the occupant for  
4 nonprofit educational purposes.

5 (b) Land (exclusive of improvements); and improvements other than buildings,  
6 the land actually occupied by such improvements, and additional land reasonably  
7 necessary for the convenient use of any such improvement shall be exempted from  
8 taxation if:

9 (1) Owned by an educational institution that owns real property entitled to  
10 exemption under the provisions of subsection (a), above;

11 (2) Of a kind commonly employed in the performance of those activities  
12 naturally and properly incident to the operation of an educational  
13 institution such as the owner; and

14 (3) Wholly and exclusively used for educational purposes by the owner or  
15 occupied gratuitously by another nonprofit educational institution (as  
16 defined herein) and wholly and exclusively used by the occupant for  
17 nonprofit educational purposes.

18 (c) Notwithstanding the exclusive-use requirements of subsections (a) and (b),  
19 above, if part of a property that otherwise meets the requirements of one of those  
20 subsections is used for a purpose that would require exemption if the entire property  
21 were so used, the valuation of the part so used shall be exempted from taxation.

22 (d) The fact that a building or facility is incidentally available to and patronized  
23 by the general public, so long as there is no material amount of business or patronage  
24 with the general public, shall not defeat the exemption granted by this section. Further,  
25 the fact that land, a building, or a facility owned by an educational institution, as defined  
26 in G.S. 116-22, is available to and patronized by the general public shall not defeat the  
27 exclusion granted by this section as long as the uses of the land, building, or facility are  
28 consistent with the uses of similarly situated land, buildings, or facilities owned by the  
29 State and operated as educational institutions.

30 (e) Personal property owned by a church, a religious body, or an educational  
31 institution (including a university, college, school, seminary, academy, industrial  
32 school, public library, museum, and similar institution) shall be exempted from taxation  
33 if:

34 (1) The owner is not organized or operated for profit, and no officer,  
35 shareholder, member, or employee of the owner, or any other person is  
36 entitled to receive pecuniary profit from the owner's operations except  
37 reasonable compensation for services; and

38 (2) Used wholly and exclusively for educational purposes by the owner or  
39 held gratuitously by a church, religious body, or nonprofit educational  
40 institution (as defined herein) other than the owner, and wholly and  
41 exclusively used for nonprofit educational purposes by the possessor.

42 (f) An educational purpose within the meaning of this section is one that has as  
43 its objective the education or instruction of human beings; it comprehends the

1 transmission of information and the training or development of the knowledge or skills  
2 of individual persons.

3 (g) Real and personal property owned by an educational institution, as defined in  
4 G.S. 116-22, shall be exempt from ad valorem taxation if it: (i) is of a kind commonly  
5 employed in the performance of those activities naturally and properly incident to the  
6 operation of an educational institution, (ii) is of a kind commonly used by similarly  
7 situated educational institutions owned by the State, or (iii) is used for a purpose  
8 reasonably related to, and reasonably necessary for the fulfillment of its educational  
9 purpose."

10 Sec. 2. This act is effective for taxes imposed for taxable years beginning on  
11 or after July 1, 1992.