

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1280 (Second Edition)

SHORT TITLE: CCRC Tax Exempt.

SPONSOR(S): Sen. Hoyle

FISCAL IMPACT

Yes () No (X) No Estimate Available ()

FY 2000-01 FY 2001-02 FY 2002-03 FY 2003-04 FY 2004-05

REVENUES

EXPENDITURES

**PRINCIPAL DEPARTMENT(S) &
PROGRAM(S) AFFECTED:** Local Governments

EFFECTIVE DATE: July 1, 2000

BILL SUMMARY:

The bill extends the sunset on the property tax exemption for Continuing Care Retirement Communities to *July 1, 2001*. The bill would become effective *July 1, 2000*.

BACKGROUND:

G.S. 105-278.6A allows a Continuing Care Retirement Center (CCRC) that fails to qualify as charitable to receive a property tax exemption for its property if it meets all of the following requirements:

1. The center owns the property and uses it for a retirement community that includes a skilled nursing facility or an adult care facility, and also includes independent living units. Its ground and buildings must be on a single site and it must be designed for elderly residents.
2. The center must be nonprofit and exempt from income tax, and its assets upon dissolution must revert to a 501 (c) (3) charitable organization.
3. The center must have an active fund raising program to assist it in providing services to those who do not have the financial resources to pay the fees.
4. The governing body of the institution must be selected by a charitable nonprofit organization or fraternal organization.

5. All of the center's revenues, less operating and capital expenses, must be applied to providing uncompensated goods and services to the elderly and to the local community, or applied to an endowment or reserve for that purpose.

ASSUMPTIONS AND METHODOLOGY:

The property tax exemption for these CCRCs is repealed for taxes imposed for taxable years beginning on or after July 1, 2000. The proposal extends the sunset on the property tax exemption for CCRCs set out in G.S. 105-278.6A to *July 1, 2001*. Technically, extending the property tax sunset one year has no fiscal impact on local governments. Prior to 1998, the non-charitable CCRCs were exempt from property tax. Since July 1, 1998, non-charitable CCRCs have been exempt from property taxes under G.S. 105-278.6A. Even with the impending sunset in 2000, local governments have not included CCRC revenue in their budget availability for FY 2000-2001. However, if the sunset were to expire in 2000 and the non-charitable CCRCs became fully taxable, then city and county governments could assess taxes on the property and receive an estimated \$5.1 million in property tax revenues. There is no General Fund impact of the proposal.

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Richard Bostic & Eugene Son (Research Assistant)

APPROVED BY: James D. Johnson

DATE: 5/24/2000



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