GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL DRH30585-NIxfa-205

H.B. 1181
Apr 30, 2026
HOUSE PRINCIPAL CLERK

Short Title:	Property Tax Modifications.	(Public)
Sponsors:	Representative Cervania.	
Referred to:		

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE INCOME ELIGIBILITY LIMIT FOR THE ELDERLY OR DISABLED PROPERTY TAX HOMESTEAD EXCLUSION FOR MARRIED COUPLES, TO ELIMINATE THE DEFERRED TAX LIABILITY UNDER THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER, TO EXPAND THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER BY PROVIDING AN ALTERNATE MEANS TO QUALIFY BASED ON AREA MEDIAN INCOME, TO APPROPRIATE MONEY TO THE NORTH CAROLINA ASSOCIATION OF COUNTY COMMISSIONERS TO ASSIST COUNTIES WITH PROPERTY REAPPRAISALS, AND TO IMPOSE AN EXCISE TAX ON THE TRANSFER OF CONTROLLING INTERESTS IN ENTITIES THAT HOLD AN INTEREST IN REAL PROPERTY.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 105-277.1 is amended by adding a new subsection to read:

"(a3) Spousal Income Limitation. – Married applicants residing with their spouses may qualify for the property tax homestead exclusion provided in this section if their income does not exceed one hundred fifteen percent (115%) of the income eligibility limit determined under subsection (a2) of this section."

SECTION 1.(b) G.S. 105-277.1B reads as rewritten:

"**§ 105-277.1B. Property tax homestead circuit breaker.**

(a) Classification. – A permanent residence owned and occupied by a qualifying owner is designated a special class of property under Article V, Section 2(2) of the North Carolina Constitution and is taxable in accordance with this section.

(b) Definitions. – The definitions provided in G.S. 105-277.1 apply to this section.

(c) Income Eligibility Limit. – The income eligibility limit provided in G.S. 105-277.1(a2) applies to this section.

(c1) AMI Limit. – Seventy percent (70%) of the area median income for a household of two persons in the county in which the property is located, as determined by the most recent figure reported by the United States Department of Housing and Urban Development as of January 1 preceding the taxable year for which the benefit is claimed.

(d) Qualifying Owner. – For the purpose of qualifying for the property tax homestead circuit breaker under this section, a qualifying owner is an owner who meets all of the following requirements as of January 1 preceding the taxable year for which the benefit is claimed:

(1) The owner has an income for the preceding calendar year of not more than ~~one hundred fifty percent (150%) of~~ the ~~income eligibility limit specified~~ maximum amount authorized in ~~subsection (c)~~ subsection (f) or (f1) of this ~~section.~~section, as applicable.

(2) The owner has owned and occupied the property as a permanent residence for ~~at least five consecutive years and has occupied the property as a permanent residence for at least five years.~~the required amount of time under subsection (f) or (f1) of this section, as applicable.

(3) The owner is at least 65 years of age or totally and permanently disabled.

(4) The owner is a North Carolina resident.

(e) Multiple Owners. – A permanent residence owned and occupied by husband and wife is entitled to the full benefit of the property tax homestead circuit breaker notwithstanding that only one of them meets the length of occupancy and ownership requirements and the age or disability requirement of this section. When a permanent residence is owned and occupied by two or more persons other than husband and wife, no property tax homestead circuit breaker is allowed unless all of the owners ~~qualify and elect to defer taxes under this section.~~qualify.

(f) General Tax Limitation. – A qualifying owner ~~may defer~~ that has owned the property as a permanent residence for at least five consecutive years and has occupied the property as a permanent residence for at least five years is relieved of the portion of the principal amount of tax that is imposed for the current tax year on his or her permanent residence and exceeds the percentage of the qualifying owner's income set out in the table in this subsection. If a permanent residence is subject to tax by more than one taxing unit and the total tax liability exceeds the tax limit imposed by this section, then ~~both~~ the taxes due under this section ~~and the taxes deferred under this section~~ must be apportioned among the taxing units based upon the ratio each taxing unit's tax rate bears to the total tax rate of all units.

Income Over	Income Up To	Percentage
-0-	Income Eligibility Limit	4.0%
Income Eligibility Limit	150% of Income Eligibility Limit	5.0%

(f1) Alternate Tax Limitation. – A qualifying owner that has owned the property as a permanent residence for at least 10 consecutive years and has occupied the property as a permanent residence for at least 10 years is relieved of the portion of the principal amount of tax that is imposed for the current tax year on his or her permanent residence and exceeds the percentage of the qualifying owner's income set out in the table in this subsection. If a permanent residence is subject to tax by more than one taxing unit and the total tax liability exceeds the tax limit imposed by this section, then the taxes due under this section must be apportioned among the taxing units based upon the ratio each taxing unit's tax rate bears to the total tax rate of all units. If the AMI Limit is less than or equal to one hundred fifty percent (150%) of the Income Eligibility Limit, a qualifying owner shall receive the benefit under subsection (f) of this section.

Income Over	Income Up To	Percentage
150% of Income Eligibility Limit	AMI Limit	6.0%

(g) Temporary Absence. – An otherwise qualifying owner does not lose the benefit of this circuit breaker because of a temporary absence from his or her permanent residence for reasons of health, or because of an extended absence while confined to a rest home or nursing home, so long as the residence is unoccupied or occupied by the owner's spouse or other dependent.

~~(h) Deferred Taxes. The difference between the taxes due under this section and the taxes that would have been payable in the absence of this section are a lien on the real property of the taxpayer as provided in G.S. 105-355(a). The difference in taxes must be carried forward in the records of each taxing unit as deferred taxes. The deferred taxes for the preceding three fiscal years are due and payable in accordance with G.S. 105-277.1F when the property loses its eligibility for deferral as a result of a disqualifying event described in subsection (i) of this section. On or before September 1 of each year, the collector must send to the mailing address of a residence on which taxes have been deferred a notice stating the amount of deferred taxes and interest that would be due and payable upon the occurrence of a disqualifying event.~~

(i) Disqualifying Events. – A property receiving the benefit under this section loses its eligibility for the benefit as a result of a disqualifying event. The tax for the fiscal year that begins in the calendar year in which the disqualifying event occurs is computed as if the property had not been classified for the property tax benefit under this section for that year. Each of the following constitutes a disqualifying event:

(1) The owner transfers the residence. Transfer of the residence is not a disqualifying event if (i) the owner transfers the residence to a co-owner of the residence or, as part of a divorce proceeding, to his or her spouse and (ii) that individual occupies or continues to occupy the property as his or her permanent residence.

(2) The owner dies. Death of the owner is not a disqualifying event if (i) the owner's share passes to a co-owner of the residence or to his or her spouse and (ii) that individual occupies or continues to occupy the property as his or her permanent residence.

(3) The owner ceases to use the property as a permanent residence.

~~(j) Gap in Deferral. – If an owner of a residence on which taxes have been deferred under this section is not eligible for continued deferral for a tax year, the deferred taxes are carried forward and are not due and payable until a disqualifying event occurs. If the owner of the residence qualifies for deferral after one or more years in which he or she did not qualify for deferral and a disqualifying event occurs, the years in which the owner did not qualify are disregarded in determining the preceding three years for which the deferred taxes are due and payable.~~

(k) Repealed by Session Laws 2008-35, s. 1.2, effective July 1, 2008.

~~(l) Creditor Limitations. – A mortgagee or trustee that elects to pay any tax deferred by the owner of a residence subject to a mortgage or deed of trust does not acquire a right to foreclose as a result of the election. Except for requirements dictated by federal law or regulation, any provision in a mortgage, deed of trust, or other agreement that prohibits the owner from deferring taxes on property under this section is void.~~

(m) Construction. – This section does not affect the attachment of a lien for personal property taxes against a ~~tax-deferred~~ residence.

(n) Application. – An application for property tax relief provided by this section should be filed during the regular listing period, but may be filed and must be accepted at any time up to and through June 1 preceding the tax year for which the relief is claimed. Persons may apply for this property tax relief by entering the appropriate information on a form made available by the assessor under G.S. 105-282.1."

SECTION 1.(c) G.S. 105-282.1(a) is amended by adding a new subdivision to read:

"(3) Triennial application required. – An owner of a property eligible for the property tax homestead circuit breaker under G.S. 105-277.1B must file an application for the benefit to receive it. Once the application has been approved, the owner is entitled to the benefit for the current tax year and the two subsequent tax years thereafter unless the property loses its eligibility for the benefit as a result of a disqualifying event under G.S. 105-277.1B(i)."

SECTION 1.(d) G.S. 105-277.1F(a)(2) is repealed.

SECTION 1.(e) G.S. 105-365.1(a)(3) is repealed.

SECTION 1.(f) G.S. 153A-148.1 reads as rewritten:

"**§ 153A-148.1. Disclosure of certain information prohibited.**

(a) Disclosure Prohibited. – Notwithstanding Chapter 132 of the General Statutes or any other law regarding access to public records, local tax records that contain information about a taxpayer's income or receipts are not public records. A current or former officer, employee, or agent of a county who in the course of service to or employment by the county has access to

information about the amount of a taxpayer's income or receipts may not disclose the information to any other person unless the disclosure is made for one of the following purposes:

…

(6) To include on a property tax receipt the amount of property taxes due ~~and the amount of property taxes deferred~~ on a residence classified under G.S. 105-277.1B, the property tax homestead circuit breaker.

…."

SECTION 1.(g) G.S. 160A-208.1 reads as rewritten:

"**§ 160A-208.1. Disclosure of certain information prohibited.**

(a) Disclosure Prohibited. – Notwithstanding Chapter 132 of the General Statutes or any other law regarding access to public records, local tax records that contain information about a taxpayer's income or receipts are not public records. A current or former officer, employee, or agent of a city who in the course of service to or employment by the city has access to information about the amount of a taxpayer's income or receipts may not disclose the information to any other person unless the disclosure is made for one of the following purposes:

…

(4) To include on a property tax receipt the amount of property taxes due ~~and the amount of property taxes deferred~~ on a residence classified under G.S. 105-277.1B, the property tax homestead circuit breaker.

…."

SECTION 2. Notwithstanding G.S. 105-380 and G.S. 105-381, the governing body of a taxing unit shall release the unpaid deferred taxes under G.S. 105-277.1B on any property for which a disqualifying event has not occurred. Any lien under G.S. 105-355(a) corresponding to the released deferred taxes is also extinguished.

SECTION 3.(a) There is appropriated from the General Fund to the North Carolina Association of County Commissioners (Association) the nonrecurring sum of twenty million dollars ($20,000,000) for the 2026-2027 fiscal year to be used by the Association to provide grants to local governments for the purpose of transitioning those governments to shortened reappraisal cycles and thereby ensuring more frequent and accurate property valuations and to educate the general public on property taxes and property tax relief programs offered by the State. Grant funds provided under this section shall be used by local governments for (i) technical assistance, (ii) public education regarding the property tax system and property tax relief programs, and (iii) one-time capital investments in technological infrastructure that improve local capacity and efficiency in conducting reappraisals, including the acquisition of specialized software, data migration, and the implementation of digital systems. In awarding grants under this section, the Association shall prioritize awarding grants to local governments operating on a reappraisal cycle of more than four years. For purposes of this section, "local governments" means counties, cities, or towns conducting reappraisals of property under Subchapter II of Chapter 105 of the General Statutes as of the effective date of this section.

SECTION 3.(b) This section becomes effective July 1, 2026.

SECTION 4.(a) Subchapter I of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 8F.

"Excise Tax on Controlling Interest Transfers.

"**§ 105-228.40. Purpose and scope.**

The tax imposed by this Article is intended to ensure parity in the taxation of real property transfers, whether such transfer is accomplished by the recordation of a deed or by the transfer of a controlling interest in an entity that owns an interest in real property in this State.

"**§ 105-228.41. Definitions.**

The following definitions apply in this Article:

(1) Controlling interest. – Either of the following:

a. In the case of a corporation, either more than fifty percent (50%) of the total combined voting power of all classes of stock of such corporation, or more than fifty percent (50%) of the capital, profits, or beneficial interest in the voting stock of such corporation.

b. In the case of a partnership, association, trust, or other entity, more than fifty percent (50%) of the capital, profits, or beneficial interest in such partnership, association, trust, or other entity.

(2) Entity. – A corporation, partnership, association, trust, limited liability company, or other organization.

(3) Real property interest. – Any interest in real property located in this State.

(4) Value. – The fair market value, including any stated consideration corresponding to thereto, of the real property interest owned by the entity. There is a rebuttable presumption that the value is the higher of (i) the total assessed ad valorem tax value of the property at the time of the transfer or (ii) the prior purchasing price of the property if the purchase occurred within five years of the transfer.

"**§ 105-228.42. Imposition of excise tax; rate.**

(a) Imposition. – An excise tax is levied on the sale or transfer, by one or more persons or by one or more transactions, within any 36-month period, of a controlling interest in an entity that possesses, directly or indirectly, a real property interest in the State. This tax applies if the value of the real property interest exceeds one hundred dollars ($100.00).

(b) Rate. – The tax rate is one dollar ($1.00) on each five hundred dollars ($500.00), or fractional part thereof, of the value of the real property interest.

"**§ 105-228.43. Reporting and payment; duties of Register of Deeds.**

(a) Report and Payment. – Every person who acquires a controlling interest in an entity subject to this Article shall, within 30 days of the transfer, file a return with the Register of Deeds in each county where the entity holds a real property interest. The tax must be paid at the time the return is filed.

(b) Recording. – Upon payment of the tax, the Register of Deeds shall record a "Notice of Controlling Interest Transfer" in the consolidated real property index. This notice shall not be required to be a deed but shall serve as public notice of the satisfaction of the tax liability under this Article.

"**§ 105-228.44. Exemptions.**

The tax imposed by this Article does not apply to the following:

(1) Transfers of an interest in an entity that is traded on a public stock exchange.

(2) Transfers resulting from death, whether by will or statutory succession.

(3) Transfers between spouses.

(4) Transfers that are exempt under G.S. 105-228.29 except transfers by "merger" under subdivision (7) of that section.

"**§ 105-228.45. Penalties.**

(a) Failure to File. – Any person required to file a return under this Article who fails to do so within the time required shall be subject to a penalty equal to twenty-five percent (25%) of the tax due.

(b) Fraud. – Any person who willfully provides false information regarding the value of the property or the percentage of interest transferred is guilty of a Class 1 misdemeanor."

SECTION 4.(b) This section becomes effective January 1, 2027, and applies to transfers occurring on or after that date.

SECTION 5. Section 1 of this act is effective for taxable years beginning on or after July 1, 2027. Section 3 of this act becomes effective July 1, 2026. Except as otherwise provided, the remainder of this act becomes effective July 1, 2027.