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## Community and Economic Development in North Carolina and Beyond Blog: Special Property Tax Rules for Affordable Housing

By CED Guest Author

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North Carolina law offers a variety of exemptions, exclusions, and appraisal benefits for

property used to provide housing for low- or moderate-income residents. Here is a quick summary of those special rules with links to the full statutes and to more-detailed blog posts on related issues.

### **Exemption for Government-Owned Low-Income Housing Property (G.S. 105-278.1):**

All property owned by a government (local, state, or federal) is entirely exempt from property taxes. If a low-income housing project is owned by a government, it is exempt. This exemption is available even if the property is technically owned and listed for taxation by a private business entity so long as a government is the ultimate controlling owner of that entity. (See this blog post for more details about ownership structures.)

No application is required for this exemption, as the assessor should automatically exempt all government-owned property.

### **Exemption for Privately Owned Low- or Moderate-Income Housing (G.S. 105-278.6)**

Property owned by a non-profit organization and used for low- or moderate-income housing is entirely exempt from local property taxes. A non-profit can share ownership with for-profit entities without destroying the property's exemption under this provision. (See this blog post for more details about ownership structures.)

This exemption also applies to property that is held for *future* use as low- or moderate-income housing. In this situation, taxes on the property are deferred rather than exempted and will become payable if the property is not used for low- or moderate-income housing within ten years of the year in which the property first received the deferral. G.S. 105-278.6(e).

This exemption is not automatic; to receive the exemption, the owner of the property must apply with the county assessor. Only one application is required per property, however. Once a property receives the exemption, it will continue to receive the exemption in future years so long as the ownership and use of the property remain unchanged. G.S. 105-282.1.

### **Exclusion for Leasehold Interests in Exempt Property Used for Affordable Housing (G.S. 105-275(31e)):**

When a private party leases government property, the private party's leasehold interest in the exempt property is taxable to the private party. (See this blog post for more details on taxing leasehold interests in exempt property.) But G.S. 105-275(31e) exempts from taxation a leasehold interest in government property if that leasehold interest is used to provide affordable housing for employees of the government that owns the property.

As above, this exclusion is not automatic; to receive the exclusion, the owner of the property must apply with the county assessor. Only one application is required per property, however. Once a property receives the exclusion, it will continue



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to receive the exclusion in future years so long as the ownership and use of the property remain unchanged. G.S. 105-282.1.

#### **Special Appraisal Rules for Low-Income Housing (G.S. 105-277.16)**

This provision requires the assessor to use the income approach rather than the cost approach or the sale approach when appraising property that is receiving federal income tax credits available for low-income housing developments. Under this special income approach, the assessor must take into consideration any rent restrictions applicable to the housing project and may not consider any state or federal income tax credits available to the property owners. This appraisal process is likely to produce a lower tax value than would a cost or sale approach.

#### **Special Appraisal Rules for Community Land Trust Property (G.S. 105-277.17)**

Community land trusts are described here. Certain property sold or leased by a non-profit housing development corporation operating a community land trust must be appraised in accordance with the special rules created by this provision. In a nutshell, when appraising this residential property the assessor must account for the resale price restrictions on the property and any debt owed to the non-profit by the resident. These rules are likely to produce a lower tax value than would have occurred otherwise.

#### **Related Topics**

For more details on how property taxes apply to non-profit organizations, read this post. For a longer list of all property tax exemptions that might apply to community economic development efforts, read this post.

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