

IMPORTANT: APPLICATIONS FOR BUILDER INVENTORY TAX EXCLUSION DUE IN JANUARY!

DON'T FORGET TO APPLY FOR BUILDERS INVENTORY TAX EXCLUSION FOR RESIDENTIAL AND COMMERCIAL REAL PROPERTY IMPROVEMENTS DURING MONTH OF JANUARY

In one of NCHBA's most important legislative victories ever, the General Assembly during its 2015 Session enacted [HB 168 \(Exempt Builders' Inventory\)](#). This act exempts from the local property tax the increase in value of real property held for sale by a builder to the extent the increase is attributable to subdivision or other improvement. In order to obtain this tax exemption, the builder **must apply for this exemption each year in January during the regular listing period.**

While late applications may be accepted for "good cause" under G.S. 105-282.1, builders should be aware that local governments may not approve application submitted after the January listing period. This exemption for improvements to residential property can be obtained for up to three years by making an annual application

The definition of "builder" is a taxpayer engaged in the business of buying real property, making improvements to it, and then reselling it. Thus, both developers and home builders would qualify for this tax exclusion for both land development and building of single family and duplex homes.

The Senate added a provision which extends this exemption to land being developed for commercial sale. This exemption ends the earlier of when the improved property is sold, when a building permit is issued, or five years whichever occurs first. The commercial builder must also apply for this exemption annually. Developers continue to pay the tax on the raw land and home builders continue to pay the tax on the finished lot.

HB 168 (Session Law 2015-223) is effective for taxable years beginning on or after July 1, 2015. With respect to residential construction, the act excludes from taxation the increase in property value attributable to:

- 1. subdivision of a parcel for future residential construction;***
- 2. non- building improvements (e.g., grading, streets, utilities, etc.) for future residential construction; and***
- 3. construction of a new single family home or duplex.***

The NC Department of Revenue has developed [this application form](#) which most, if not all, county tax departments will be utilizing for this exemption. The UNC School of Government has also published a detailed explanation of the new law for local tax officials which can be accessed [via this link](#).