

## **Exclusion for Improvements to Residential and Commercial Property (NCGS 105-277.02)**

The exclusion applies only to property owners who qualify as builders. That term is defined by North Carolina General Statute to mean, "A taxpayer engaged in the business of buying real property, making improvements to it, and reselling it."

For both residential and commercial properties, the exclusion applies to improvements made on or after July 1, 2015, and applies to taxes levied for tax years beginning on or after July 1, 2016. Those restrictions eliminate from eligibility any residential and commercial improvements that existed as of July 1, 2015, but improvements made in the second half of 2015 may qualify for the exclusion for tax years 2016 and beyond.

### **Residential Property:**

Excludes from taxation the increase in property value attributable to:

1. Subdivision of a parcel for future residential construction
2. Non-structural improvements (grading, streets, utilities, etc.) for future residential construction
3. Construction of a new single-family home or duplex

To be eligible, the property must continue to be owned by a builder, must not be occupied by a tenant, and must not be used as a model home or for any other commercial purposes. Because the exclusion is aimed at new construction, renovations to an existing residence cannot qualify.

The exclusion is limited to three years from the date the property was first subject to be listed by the builder. Remember that improvements must be on January 1, regardless of the stage of completion. If a property is improved in stages, each improvement might qualify for a separate exclusion based on its own listing date.

### **Commercial Property:**

Unlike residential property, commercial property may benefit from the new exclusion for a maximum of five years rather than three, but the commercial property exclusion covers only the increase in value attributable to subdivision or non-structural improvements (grading, streets, utilities, etc.). Any improvement that requires the issuance of a building permit terminates eligibility for the exclusion.