

Builders Exclusion

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

The Builders Exclusion law became effective January 1, 2016. This law is designed to create an exclusion under certain conditions for improvements made to real property as defined by NC General Statute. The exclusion would apply to the value of improvements on real property being held for resell by a builder. NC General Statute defines a builder as “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 January 1, 2016.

In order to qualify for the exclusion a builder must file an application. A builder must submit an exclusion application and it must be submitted for each land and/or building improvement for which they are claiming the exclusion.

Completed applications must be filed with the Moore County Tax Department during the regular listing period. The listing period runs from January 1 through January 31 each year. All late applications will go the Board of Equalization and Review for approval and must be accompanied by a letter of “Good Cause” justifying why an application was submitted outside the listing period. Determination of “Good Cause” is made on a case-by-case basis, taking into account all pertinent facts and circumstances. The burden of proving both verifiable good cause for the late application and eligibility for the requested exemption or exclusion lies with the taxpayer. Taxpayer neglect, oversight, or lack of awareness regarding due dates will not constitute good cause for a late application.

A late application received after the calendar year ends will not be accepted and cannot be considered for approval or denial for any reason or circumstance.

Descriptions of what residential and commercial improvement values qualify are listed below.

Residential Property:

Excludes from taxation the increase in property value attributable to:

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

In order to be eligible, the residential property must meet the following criteria;

- Owned by a builder and held for resell.
- Cannot be occupied by a tenant.
- Cannot not be used as a model home.
- Cannot be used for any other commercial purposes.

The residential exclusion is limited to three years from the date the property was first subject to be listed for taxation by the builder. Qualifying improvements must be present 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.

Please Note:

- Renovations to an existing residence cannot qualify.
- Once a property has sold, qualification for the exclusion is terminated***

****When real property is transferred from an exempt or partially exempt owner to a taxable owner prior to July 1, that property is taxable for the entire year as if the taxable owner owned the property as of January 1. Therefore if a residential property has been granted exclusion for the current year under the Builders Exclusions law but sells it prior to July 1, then the value of the exclusion will be fully taxable for that year.*

Commercial Property:

Excludes from taxation the increase in property value attributable to:

- An increase in value attributable to subdivision of commercial land held for resell.
- Non-structural improvements such as grading, streets, utilities, etc.

In order to be eligible, the commercial property must meet the following criteria;

- Owned by a builder and held for resell.
- Cannot be used for any other commercial purposes.

The commercial exclusion is limited to five years from the date the property was first subject to be listed for taxation by the builder. Qualifying improvements must be in place 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.

Please Note:

- Any improvement that requires the issuance of a building permit terminates eligibility for the exclusion
- Once a property has sold, qualification for the exclusion is terminated***

****When real property is transferred from an exempt or partially exempt owner to a taxable owner prior to July 1, then that property is taxable for the entire year as if the taxable owner owned the property as of January 1. If a commercial property has been granted exclusion for the current year under the Builders Exclusions law but sells it prior to July 1, then the value of the exclusion will be fully taxable for that year.*

When filing an application please remember:

- A builder must submit exclusion applications during the listing period, January 1 – January 31st. All applications received after January 31st, will be deemed late applications. (Note: Applications that are mailed in with a USPS post mark date no later than January 31st, will be considered timely. Metered mail date stamps do not qualify)
- An application must be submitted for each parcel of land and / or building improvement for which an exclusion is being sought.
- Please include along with the application, the Business Personal Property account information associated with the property that is being held for resell.

Applications can be obtained via the Moore County website or by calling the Moore County Tax Department at 910-947-2255.