

IMPORTANT: APPLICATIONS FOR BUILDER INVENTORY TAX EXCLUSION DUE BY JANUARY 31!

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

In 2015, NCHBA successfully sought the passage of *HB 168 (Exempt Builders' Inventory)* which allowed a builder to claim an exemption from higher property taxes applied to land and houses held for sale by a builder to the extent that the increase in value is attributable to subdivision of the land or other improvements. This law excludes from the annual tax bill any increased assessment arising from the improvements on any land or the construction of single-family or duplex home held for sale. **NCHBA successfully amended the law in 2021 to specifically include townhouses in the exclusion.**

Formerly, a builder was required to file for this exemption every January in the tax office where the property is located. However, in 2019 NCHBA successfully sought an amendment to the law applicable to the 2020 tax year and beyond, so that builders need only apply once to obtain the three-year exclusion.

So, if you successfully applied for this exclusion in year one, you will NOT need to file again for that property in years two or three if it still qualifies for an exemption. However, it would be wise to check with your local county tax office to make sure they are correctly applying the exclusion for the current tax year.

For qualifying property newly improved, an application is due by January 31. Even if you failed to apply when the property was first eligible for the exclusion, you can still claim it in years two and/or three if the property still qualifies for the exemption.

The builder inventory property tax exclusion exempts the increase in value of certain improvements to real property held for sale by a builder:

- For residential real property, a builder may exclude for 3 years the increase in value due to subdivision, improvements, and buildings (specifically a new single-family residence, a townhouse or a duplex).
- For commercial property, a builder may exclude for 5 years the increase in value due to subdivision and improvements – excluding buildings.

To qualify as a builder, the property owner must be in the business of buying real property, making improvements to it, and then reselling it. The builder must continuously hold the property for sale (rentals or model homes do NOT qualify for the exclusion). The exclusion is allowed starting at the time property is improved and should be listed for taxation by the builder. Remember, the exclusion ends when the property is sold or 3 years for residential (5 years for commercial) from the time the builder should have listed the property.

We encourage you to file the exemption even if the house is not 100% completed. The exemption applies to all improvements to the property.

Please contact your local county tax department to receive the application form to use to apply. In some of the urban counties, you can locate this form on the county tax office website.