GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 118
Committee Substitute Favorable 3/18/25
Committee Substitute #2 Favorable 9/23/25

Short Title: Disabled Veterans Tax Relief Bill. (Public)

Sponsors:

Referred to:

February 17, 2025

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE DISABLED VETERAN PROPERTY TAX HOMESTEAD EXCLUSION AMOUNT AND TO PROVIDE LOCAL GOVERNMENTS WITH A PARTIAL REIMBURSEMENT FOR THE LOSS OF REVENUE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-277.1C reads as rewritten:

"**§ 105-277.1C. Disabled veteran property tax homestead exclusion.**

(a) Classification. – A permanent residence owned and occupied by a qualifying owner is designated a special class of property under Article V, Section 2(2) of the North Carolina Constitution and is taxable in accordance with this section. The first ~~forty-five~~ sixty-one thousand dollars ~~($45,000)~~ ($61,000) of appraised value of the residence is excluded from taxation. A qualifying owner who receives an exclusion under this section may not receive other property tax relief.

(b) Definitions. – The following definitions apply in this section:

(1) Disabled veteran. – A veteran of any branch of the Armed Forces of the United States whose character of service at separation was honorable or under honorable conditions and who satisfies one of the following requirements:

a. As of January 1 preceding the taxable year for which the exclusion allowed by this section is claimed, the veteran had received benefits under 38 U.S.C. § 2101.

b. The veteran has received a certification by the United States Department of Veterans Affairs or another federal agency indicating that, as of January 1 preceding the taxable year for which the exclusion allowed by this section is claimed, ~~he or she~~ the veteran has a service-connected, permanent, and total disability.

c. The veteran is deceased and the United States Department of Veterans Affairs or another federal agency has certified that, as of January 1 preceding the taxable year for which the exclusion allowed by this section is claimed, the veteran's death was the result of a service-connected condition.

(2) Repealed by Session Laws 2009-445, s. 22(c), effective for taxes imposed for taxable years beginning on or after July 1, 2009.

(3) Permanent residence. – Defined in G.S. 105-277.1.

(4) Property tax relief. – Defined in G.S. 105-277.1.

(4a) Qualifying owner. – An owner, as defined in G.S. 105-277.1, who is a North Carolina resident and one of the following:

a. A disabled veteran.

b. The surviving spouse of a disabled veteran who has not remarried.

(5), (6) Repealed by Session Laws 2009-445, s. 22(c), effective for taxes imposed for taxable years beginning on or after July 1, 2009.

(7) Service-connected. – Defined in 38 U.S.C. § 101.

…

(g) Local Government Partial Reimbursement. – The State is required to reimburse each county and city for one-half of the taxes lost as a result of the increase in the maximum exclusion amount under G.S. 105-277.1C from the first forty-five thousand dollars ($45,000) of appraised value to the first sixty-one thousand dollars ($61,000) of appraised value, effective for taxable years beginning on or after July 1, 2026. On or before February 15, 2027, and each year thereafter, the tax collector of each county and the tax collector of each city shall furnish to the Secretary of Revenue a list on a form prescribed by the Secretary containing the name and address of each person who has qualified for the exclusion provided in G.S. 105-277.1C for that taxable year and the information listed in this subsection. The Secretary may, for cause, grant an extension for the submission of or modifications to the list. Reimbursement amounts for submissions or modifications to submissions received by the Secretary after April 1 shall be paid to a county or city in the next fiscal year. For each person listed, the following information must be shown:

(1) The total appraised value of the property eligible for the exclusion.

(2) The tax rate that the property is subject to.

(3) The reduction in taxes due. The reduction in taxes due is calculated by dividing by 100 the exclusion amount for which the taxpayer qualifies, up to a maximum of sixteen thousand dollars ($16,000), and multiplying the result by the tax rate provided under subdivision (2) of this subsection.

On or before April 15, 2027, and each year thereafter, the Secretary shall distribute to each county and city, as applicable, an amount equal to fifty percent (50%) of the sum of the amounts provided under subdivision (3) of this subsection. Funds received by a county or city pursuant to this section because the county or city was collecting taxes for another unit of government or special district shall be credited to the funds of that other unit or district in accordance with regulations issued by the Local Government Commission.

In order to pay for the reimbursement under this section and the cost to the Department of Revenue of administering the reimbursement, the Secretary of Revenue shall draw from collections received under Part 2 of Article 4 of this Chapter an amount equal to the reimbursement and the cost of administration."

SECTION 2. This act is effective for taxes imposed for taxable years beginning on or after July 1, 2026.