



TOP 10 NCHBA ACTIONS TO BENEFIT OUR MEMBERS IN 2016

1. Fixed the Sales Tax for Repair, Maintenance and Installation (RMI) Services — No single piece of legislation passed by the North Carolina General Assembly this year will have a bigger impact on home builders, remodelers and many of our associates than the sales tax fix on RMI included in [HB 1030 \(2016 Appropriations Act\)](#). These important tax law changes significantly modify the taxation of repair, maintenance and installation (RMI) services, which became effective on March 1 of this year. The March tax changes required subcontractors who met the definition of ‘retailer’ to charge sales tax on their labor. For a number of North Carolina subs who offer turn-key services to builders in both new construction and remodeling activities, this 2015 change in the law created confusion over which services are subject to taxation and which are not. The question often turned on who was performing the service rather than the service itself, creating an uneven playing field. Even before the changes became effective on March 1, your NCHBA team, working closely with the NC Retail Merchants Association, began meeting with key legislators and the Finance Committee legislative staff in an effort to find a solution. NCHBA’s goal was to eliminate any sales tax on installation service labor for both new construction and remodeling activity, as well as to limit the sales tax on labor for remodeling repairs. This fix contained in HB 1030 accomplishes that goal.

All labor pursuant to a “real property contract” (which is between a real property contractor and another person to perform construction, reconstruction, or remodeling with respect to a capital improvement) is now exempt from taxation. A “capital improvement” is defined as “an alteration to real property that is new construction, reconstruction, or remodeling of a building, structure, or fixture on land that becomes part of the real property or is permanently installed in the real property”. Among the specific examples of a “capital improvement” is “performance of work that requires the issuance of a permit under the State Building Code” (a residential project that costs at least \$15,000). Other examples include painting, wallpapering and landscape services. Specifically excluded from taxation are services performed to resolve an issue that was part of a real property contract within twelve months of the new structure being occupied for the first time (warranty call-backs). Home inspections, debris removal, pest control and fees for inspections required by law are also specifically exempt. Those subcontractors who operate as a “retailer-contractor” (i.e., provide subcontractor services to builders and others) are also exempt when the entity acts as a real property contractor. **SAVINGS TO MEMBERS: Millions of dollars in avoided sales taxes on installation services in both new construction and remodeling. These changes become effective on 01/01/17.**

2. Implementation of Exemption of Builders’ Inventory from Property Taxation—[HB 168 \(Session Law 2015-223\)](#), effective for taxable years beginning on or after 07/01/16 and applies to subdivision of land or other improvements made after 07/01/15) exempts from the 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. “Builder” is defined as a taxpayer engaged in the business of buying real property, making improvements to it, and then reselling it. Thus, both developers and home builders qualify for this tax exclusion for both land development and building of single family and duplex homes. The builder must apply for this exemption annually and it can last no longer than three years. 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. **SAVINGS TO MEMBERS: The NAHB Economics Department estimates savings of \$145 million annually.**

3. Successfully urged the Building Code Council to enact important code changes which produced significant cost savings—NCHBA Director of Construction & Codes Robert Privott is a constant fixture at all meetings of the Building Code Council (BCC) and its various committees. His expert advocacy and credibility with the BCC again produced significant cost savings to homebuyers thorough several key amendments to the code. Examples include: Amended the 2012 Plumbing Code to implement NCHBA-sought legislation in 2015 to provide a fix for 90+ high energy furnaces which shut down on extremely cold days when drain lines freezes; fix allows both this condensate and AC condensation to drain to building drainage system per manufacturers’ recommendation. **SAVINGS TO MEMBERS: Hundreds of thousands of dollars in avoided cost as well as future energy savings by preserving the option of high efficiency furnace installation.** Amended code to permit excess mortar that falls into 2” air space between brick veneer and exterior wall sheathing to meet code. **SAVINGS TO MEMBERS: Hundreds of thousands of dollars just to one of our members as a result of this change.** Successfully amended the Mechanical Code so that HVAC design and load sizing calculations are no longer required as a precondition for permitting, inspections, or certificates of occupancy. **SAVINGS TO MEMBERS: Hundreds of thousands of dollars in construction delay cost avoidance.**

4. Secured Appropriation to Put NC Building Code On-Line— While the NC Building Codes are currently available on-line via the Department of Insurance’s website, the text is “read only” and is not “searchable”. The final budget conference report for [HB 1030](#) included an appropriation of \$425,000 to the NC Department of Insurance to make the Building Code Registry fully on-line and searchable. Thus, our members and the public will be able to access the family of NC building codes on-line without having to purchase the hard copy books for the current edition of the codes. ***SAVINGS TO MEMBERS: Thousands of dollars by free on-line access rather than purchase of code books.***

5. Secured Vesting Protection for Multi-Phase Projects — [HB 483 \(Land-Use Regulatory Changes\)](#) was passed on the last day of the session and contained an important provision that vests all phases of a multi-phase development at time of application for the initial phase. While this language is limited to large projects, it does provide vesting protection to those projects for seven (7) years. ***SAVINGS TO MEMBERS: Millions in avoided costs by preventing downzonings of future residential development phases.***

6. No Building Permit for Minor Repairs— This provision, which was inserted into [SB 770 \(North Carolina Farm Act of 2016\)](#) at the request of NCHBA to clarify existing law, excludes certain minor repairs in residential and farm structures from any requirement to obtain a building permit. Specifically excluded is the replacement of windows, doors, exterior siding, or the pickets, railings, stair treads and decking of porches and exterior decks. With respect to plumbing, no permit is required for replacements that do not change size or capacity. ***SAVINGS TO MEMBERS: Thousands of dollars in unnecessary permit fees.***

7. Significant Appropriations to the NC Housing Finance Agency— NCHBA was a key supporter of the original legislation in 1973 which created the NC Housing Finance Agency, a self-supporting public agency, with a mission to finance housing opportunities for our state’s citizens who are otherwise not adequately served by the market. Support for its programs is an annual NCHBA priority. We are pleased to report that the final conference report of [HB 1030](#) added an additional \$5 million to the previous appropriation of \$15 million to the Workforce Housing Loan Program as well as \$7.66 million for the state’s Housing Trust Fund and \$3 million for the HOME program. ***SAVINGS TO MEMBERS: No direct savings but support for critical housing programs that benefit the public and industry.***

8. BUILD-PAC and HBEF, Inc., Had Big Impact in 2016 Elections— **NC BUILD-PAC** was a major player in the 2016 elections. It contributed a total of **\$224,725** to candidates in 9 statewide races, 48 of 50 state Senate races, and 102 of 120 state House races. In the Senate, BUILD-PAC participated in 48 races and won 47 (98%). In the House, BUILD-PAC participated in 102 races and won 98 (96%).

The **Home Builders Education Fund, Inc.**, our new 527 entity, was also highly successful in its inaugural year spending a total of **\$255,361.16** in 2016. In the primary, it participated in 19 races (7 candidate mailers, 12 candidate newspaper ads) spending \$83,612.89. A total of \$171,748.27 was spent in 26 general election races (21 candidate mailers in 15 races; candidate billboards in 11 races and a radio ad campaign in one district). HBEF had winners in 43 of the 45 primary and general election races in which it participated (96%) in support of pro-housing candidates. The HBEF was particularly active in a critical House race where one of our legislative champions was in a tough contest. About six weeks before the election, private polling showed him running behind his opponent and trailing the top of the GOP ticket in base support. The HBEF produced 3 mailers targeting unaffiliated and “soft GOP” voters in this district. The HBEF also produced and ran radio ads and followed up with a mailer specifically targeting all GOP voters in this district who had not voted early. He won with 53.1% of the vote. There is no doubt that these HBEF expenditures were a major reason for this result. Altogether, NCHBA advocacy spending for the cycle was **\$485,086.16**.

9. Established the NCHBECF Hurricane Matthew Disaster Relief Fund—In the wake of the devastating flooding caused by Hurricane Matthew, the trustees of the North Carolina Home Builders Educational & Charitable Foundation, Inc. established a Disaster Relief Fund to provide assistance to NCHBA members and their families who were adversely affected by this storm and appropriated \$20,000 to this effort. Shortly thereafter, Builders Mutual Insurance Company contributed \$10,000 to the fund and subsequent contributions by members across the state have increased the total in the fund to almost \$35,000 to date.

10. Increased NCHBA membership, grew the 21CBEC and finished 2016 with solid profit.—Current NCHBA membership statistics show an increase in 2016 of 4.6% to almost 13,800 members statewide; the 14th annual edition of the 21st Century Building Expo increased both exhibitor participation and attendance by 10%; NCHBA will finish 2016 with solid profit.

For more information on these, or other 2016 successes, contact NCHBA Staff Members Mike Carpenter, Tim Minton, Steven Webb or Robert Privott at (800) 662-7129 or email Tim at tminton@nchba.org.