

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL 895

Short Title: Nonprofit Hospitals Tax Exemption. (Public)

Sponsors: Senators Burgin and Mayfield (Primary Sponsors).

Referred to: Rules and Operations of the Senate

April 30, 2026

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY THE PROPERTY TAX AND SALES TAX EXEMPTIONS
3 AFFORDED TO NONPROFIT HOSPITALS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-278.8 reads as rewritten:

6 "**§ 105-278.8. Real and personal property used for charitable hospital purposes.**

7 (a) Real and personal property held for or owned by a hospital organized and operated as
8 a nonstock, nonprofit, charitable institution (without profit to members or their successors) shall
9 be exempted from taxation in an amount equal to the total actual cost of qualified charity care
10 provided by the hospital and determined in accordance with subsection (d) of this section if that
11 property is actually and exclusively used for charitable hospital purposes.

12 (b) Notwithstanding the exclusive-use requirements of subsection (a), above, if part of a
13 property that otherwise meets that subsection's requirements is used for a purpose that would
14 require exemption under that subsection if the entire property were so used, the valuation of the
15 part so used shall be exempted from ~~taxation~~ taxation in accordance with subsection (d) of this
16 section.

17 (c) Within the meaning of this section, a charitable hospital purpose is a hospital purpose
18 that has humane and philanthropic objectives; it is a hospital activity that benefits humanity or a
19 significant rather than limited segment of the community without expectation of pecuniary profit
20 or reward. However, the fact that a qualifying hospital charges patients who are able to pay for
21 services rendered does not defeat the exemption granted by this section.

22 (d) The exemption allowed a hospital under this section is equal to the total actual cost
23 of qualified charity care provided by the hospital on the specific tax parcel or parcels of real
24 property for which the exemption is claimed during its most recently completed fiscal year. For
25 purposes of this subsection, the actual cost of qualified charity care shall be calculated by
26 applying the cost-to-charge ratio from the hospital's most recent Centers for Medicare and
27 Medicaid Services Form 2552 Hospital Cost Report to the gross charges of the healthcare
28 services provided by the hospital on the parcel or parcels qualifying for the exemption provided
29 by this subsection. For purposes of this subsection, qualified charity care means healthcare
30 services provided without expectation of payment to uninsured or underinsured patients who (i)
31 have a family income at or below three hundred percent (300%) of the federal poverty level, (ii)
32 have been screened and approved under a uniform application process, and (iii) have provided
33 documented proof of income or for whom the hospital has performed a third-party credit-based
34 presumptive eligibility screening. Qualified charity care under this subsection shall not include
35 bad debt, contractual allowances, or any portion of a bill for which payment was received from
36 a third-party payer, including payments from government-sponsored healthcare programs.



1 (e) The difference between the taxes due under this section and the taxes that would have
2 been payable in the absence of this section is due and payable in accordance with Subchapter II
3 of this Chapter.

4 (f) An application for property tax relief provided by this section should be filed during
5 the regular listing period but may be filed and must be accepted at any time up to and through
6 June 1 preceding the tax year for which the relief is claimed. Hospitals may apply for this property
7 tax relief by entering the appropriate information on a form made available by the assessor under
8 G.S. 105-282.1."

9 **SECTION 2.** G.S. 105-282.1(a)(2)a. reads as rewritten:

10 "a. Property exempted from taxation under G.S. 105-278.2(a), 105-278.3,
11 105-278.4, 105-278.5, 105-278.6, ~~105-278.7, or 105-278.8~~ or
12 105-278.7."

13 **SECTION 3.** G.S. 105-164.14(b) reads as rewritten:

14 (b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual
15 refund of sales and use taxes paid by it under this Article on direct purchases of items for use in
16 carrying on the work of the nonprofit entity. Sales and use tax liability indirectly incurred by a
17 nonprofit entity through reimbursement to an authorized person of the entity for the purchase of
18 tangible personal property and services for use in carrying on the work of the nonprofit entity is
19 considered a direct purchase by the entity. Sales and use tax liability indirectly incurred by a
20 nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of or
21 annexed to any building or structure that is owned or leased by the nonprofit entity and is being
22 erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities
23 is considered a sales or use tax liability incurred on direct purchases by the nonprofit entity. The
24 refund allowed under this subsection does not apply to purchases of electricity,
25 telecommunications service, ancillary service, piped natural gas, video programming, or a
26 prepaid meal plan. A request for a refund must be in writing and must include any information
27 and documentation required by the Secretary. A request for a refund for the first six months of a
28 calendar year is due the following October 15; a request for a refund for the second six months
29 of a calendar year is due the following April 15. The aggregate annual refund amount allowed an
30 entity under this subsection for the State's fiscal year may not exceed thirty-one million seven
31 hundred thousand dollars (\$31,700,000).

32 The refunds allowed under this subsection do not apply to an entity that is owned and
33 controlled by the United States or to an entity that is owned or controlled by the State and is not
34 listed in this subsection. A hospital that is not listed in this subsection is allowed a semiannual
35 refund of sales and use taxes paid by it on over-the-counter drugs purchased for use in carrying
36 out its work. The following nonprofit entities are allowed a refund under this subsection:

37 (1) ~~Hospitals not operated for profit, including hospitals~~ and medical
38 accommodations operated by an authority or other public hospital described
39 in Article 2 of Chapter 131E of the General Statutes.

40 (1a) Hospitals organized and operated as a nonstock, nonprofit, charitable
41 institution, provided, however, that the aggregate annual refund allowed a
42 nonprofit hospital under this subdivision shall not exceed the lesser of (i) the
43 amount allowed under this subsection or (ii) the total actual cost of qualified
44 charity care provided by the hospital, as calculated and verified under
45 G.S. 105-278.8(d).

46 "

47 **SECTION 4.** Sections 1 and 2 of this act are effective for taxes imposed for taxable
48 years beginning on or after July 1, 2027. Section 3 of this act becomes effective July 1, 2027,
49 and applies to purchases of items made on or after that date. The remainder of this act is effective
50 when it becomes law.