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IN THE COURT OF APPEALS OF NORTH CAROLINA

No. COA25-487

Filed 2 September 2026

Iredell County, No. 22CVD000784-480

CYNTHIA ROBERTS, Plaintiff,

v.

RANDY ROBERTS, Defendant.

Appeal by defendant from equitable distribution order entered 8 October 2024 by Judge L. Dale Graham in Iredell County District Court. Heard in the Court of Appeals 14 January 2026.

Christina Clodfelter for plaintiff-appellee.

Ralston Benton Byerley & Moore, PLLC, by Matthew L. Benton, for defendant-appellant.

FREEMAN, Judge.

Defendant appeals from the trial court's order on equitable distribution. Defendant argues the trial court erred in classifying and valuing the truck and tax debt. After careful review, we reverse and remand for further proceedings as consistent with this opinion.

I. Factual and Procedural Background

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The parties were married on 18 March 2009 and separated on 18 March 2022. On 4 April 2022, plaintiff filed a complaint seeking divorce from defendant and, as relevant here, equitable distribution of the marital property. Defendant filed an answer on 2 June 2022, which included a counterclaim for equitable distribution. Both parties sought an unequal distribution of the marital property. On 15 May 2023, the trial court granted the parties an absolute divorce.

On 4 August 2023, the parties entered into a pretrial equitable distribution order. The parties disputed whether a 2004 GMC Sierra truck (GMC Sierra) and tax liability from defendant's separately filed taxes in 2019, 2020, and 2021 were separate or marital property.

On 19 July 2024, a bench trial commenced on the equitable distribution issue. Plaintiff testified defendant owned the GMC Sierra prior to the parties' marriage and there was a debt on the truck that was paid during the marriage, which was "probably" \$6,000 but could have been up to \$12,000. Plaintiff estimated the value of the truck to be \$6,000. Defendant maintained he had purchased the truck as a used vehicle before the parties married and estimated it to be worth around \$2,000.

Plaintiff testified that the parties started filing their taxes separately in 2019 and paid their respective tax liabilities independently. Defendant testified that he filed his 2019, 2020, and 2021 taxes in 2023 and that he owed a debt for both his state and federal income taxes from those years. Both parties testified that defendant paid the mortgage on the marital home.

The trial court entered the equitable distribution order on 8 October 2024. The trial court classified the GMC Sierra as marital property and awarded \$6,000 to defendant. The trial court also classified defendant's 2019, 2020, and 2021 tax liabilities as his separate debt, finding that the parties had filed separate returns and that plaintiff had timely paid her own tax obligations. The trial court found that the value of the marital estate on the date of separation was \$197,360.21. The trial court also found an unequal distribution was equitable and plaintiff should receive 55% of the marital estate, that defendant should receive 45% of the marital estate, and valued their respective percentages accordingly. Defendant timely appealed.

II. Jurisdiction

Appeal of right lies to this Court from any final judgment of a district court in a civil action. N.C.G.S. § 7A-27(b)(2) (2025).

III. Standard of Review

We “review[] the classification of property during equitable distribution to determine ‘whether there was competent evidence to support the trial court’s findings of fact and whether its conclusions of law were proper in light of such facts.’” *Kaylor v. Kaylor*, 296 N.C. App. 80, 85 (2024) (citing *Foxx v. Foxx*, 282 N.C. App. 721, 724 (2022)). “The trial court’s findings of fact are binding on appeal as long as competent evidence supports them, despite the existence of evidence to the contrary.” *Kabasan v. Kabasan*, 257 N.C. App. 436, 440 (2018) (quoting *Resort Realty of the Outer Banks, Inc. v. Brandt*, 163 N.C. App. 114, 116 (2004)). “The classification of property in an

equitable distribution proceeding is considered a conclusion of law and is reviewed de novo.” *Kaylor*, 296 N.C. App. at 85.

The trial court’s distribution of marital property is reviewed for an abuse of discretion “and may only be upset if it was so arbitrary that it could not have been the result of a reasoned decision.” *Read v. Read*, 288 N.C. App. 376, 385 (2023) (citing *White v. White*, 312 N.C. 770, 777 (1985)).

IV. Discussion

Defendant contends that the trial court erred in its equitable distribution of the marital property by: (1) classifying the GMC Sierra as marital property; (2) valuing and distributing that property; and (3) classifying defendant’s 2019, 2020, and 2021 tax liability as separate property. Defendant maintains that these errors affected the trial court’s findings of fact and conclusions of law about the net value and distribution of the marital estate.

“Equitable distribution is governed by N.C.G.S. § 50-20, which requires the trial court to conduct a three-step process: (1) classify the property as being marital, divisible, or separate property; (2) calculate the net value of the marital and divisible property; and (3) distribute equitably the marital and divisible property.” *Theuerkorn v. Heller*, 299 N.C. App. 534, 541 (2025) (cleaned up); N.C.G.S. § 50-20 (2025).

Marital property is “[a]ll real and personal property acquired by either spouse or both spouses during the course of the marriage and before the date of separation of the parties, and presently owned, except property determined to be separate

property or divisible property” N.C.G.S. § 50-20(b)(1b) (2025). Separate property is “[a]ll real and personal property acquired by a spouse before marriage or acquired by a spouse by devise, descent, or gift during the course of the marriage.” N.C.G.S. § 50-20(b)(2) (2025). Separate property is not subject to equitable distribution. *See* N.C.G.S. § 50-20(a)–(c) (2025). “The burden of showing the property to be marital is on the party seeking to classify the asset as marital and the burden of showing the property to be separate is on the party seeking to classify the asset as separate.” *Atkins v. Atkins*, 102 N.C. App. 199, 206 (1991).

A. GMC Sierra

Defendant challenges the portion of finding of fact 13 classifying the GMC Sierra as marital property and valuing it at \$6,000. Defendant argues the trial court erred in classifying the GMC Sierra as marital property rather than separate property because he purchased and owned the vehicle prior to marriage.

We have “adopted the ‘source of funds’ rule in determining whether property is marital or separate.” *McIver v. McIver*, 92 N.C. App. 116, 124 (1988). Under this rule, “assets purchased with, or comprised of, part marital and part separate funds are considered ‘mixed property’ for equitable distribution purposes.” *Carpenter v. Carpenter*, 245 N.C. App. 1, 11 (2016) (citing *King v. King*, 112 N.C. App. 92, 97 (1993)). However, the “mere comingling” of separate and marital assets “does not automatically transmute . . . separate property into marital property.” *O’Brien v. O’Brien*, 131 N.C. App. 411, 419 (1998). Rather, if “marital efforts actively increase

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the value of separate property, the increase in value is marital property and is subject to distribution.” *Conway v. Conway*, 131 N.C. App. 609, 615 (1998); *see also Glaspy v. Glaspy*, 143 N.C. App. 435, 440 (2001) (holding that property acquired by the parties before marriage was separate property and “any increases in equity and any debt incurred during the marriage were appropriately classified as marital property.”).

Here, the trial court classified the GMC Sierra as marital property and awarded defendant \$6,000. However, it is undisputed that defendant had acquired the truck before the parties married. Plaintiff testified that marital funds were used to pay down the outstanding loan balance on the car, which was “probably” \$6,000 when the parties married but may have been \$12,000. “If separate property increases in value during the marriage, such increase may become marital property, depending on whether the increase is due to active efforts or passive forces.” *Roberts v. Kyle*, 291 N.C. App. 69, 77 (2023).

“With respect to active appreciation of separate property, any increase in value between the date of acquisition and the date of separation is presumptively marital property unless it is shown to be the result of passive appreciation.” *Id.* The parties were fixing up the truck together, which may constitute active efforts.

While any equity or appreciation in the value of the truck from marital assets may be marital property subject to distribution, the truck itself remains separate property because defendant bought it before marriage. Accordingly, plaintiff did not

put forth competent evidence to show the GMC Sierra was marital property. Therefore, the trial court erred in classifying the GMC Sierra as marital property and awarding defendant \$6,000.

B. Tax Liability

Next, defendant challenges the classification of his 2019, 2020, and 2021 tax liability as separate property. Specifically, defendant argues that the debt was incurred before the date of separation and was for the joint benefit of the parties, making it marital property.

“A marital debt is one incurred during the marriage and before the date of separation, by either spouse or both spouses, for the joint benefit of the parties.” *Glaspy*, 143 N.C. App. at 441–42. “The party who claims that any debt is marital bears the burden of proof on that issue” and “must show ‘the value of the debt on the date of separation and that it was “incurred during the marriage for the joint benefit of the husband and wife.” ’ ” *Riggs v. Riggs*, 124 N.C. App. 647, 652 (1996) (first quoting *Tucker v. Miller*, 113 N.C. App. 785, 791 (1994); and then quoting *Miller v. Miller*, 97 N.C. App. 77, 79 (1990)). Filing taxes separately does not affect the classification as marital or separate property. *Allen v. Allen*, 168 N.C. App. 368, 373–74 (2005) (holding that a tax refund from separately filed taxes before the date of separation was properly classified as marital property).

For example, in *Lund v. Lund*, the defendant owned a construction business as a sole proprietor and mistakenly underpaid federal taxes the year prior to parties

separating. 244 N.C. App. 279, 287 (2015). We held that there was competent evidence to support the trial court's finding that the tax debt was marital because the debt occurred prior to the separation date. *Id.*

Here, defendant did not file his federal or state income taxes for 2019, 2020, and 2021 until 2023, after the parties separated. When defendant filed them, he owed a debt from the income earned in those years. Though the taxes were not filed until after the date of separation, the tax liability was incurred from income earned before the parties separated. Accordingly, the debt was incurred before the date of separation.

Plaintiff's alleged lack of awareness of the debt is not relevant to the analysis because the classification of the debt turns on whether it was incurred during the marriage, before separation, by one of the spouses, and for the joint benefit of the parties. *See Riggs* 124 N.C. App. at 652. The parties agree that defendant's income was used to pay the mortgage on their shared home. Paying off a mortgage of a home that both parties live in benefits both parties. The liability came from income used to benefit both of the parties; therefore, defendant met his burden of showing that the debt was for the joint benefit of the parties.

In sum, the tax liability was incurred before the parties' date of separation, and it was incurred for their joint benefit. Accordingly, the trial court erred in classifying defendant's 2019, 2020, and 2021 tax liability as separate property.

C. Total Estate

Defendant contends the above errors affected: finding of fact 16, the trial court's findings about the net value of the marital estate; finding of fact 17, the determination that an unequal distribution was equitable; findings of fact 18, 19, 20, 21, and 22, which are the trial court's computations of each party's share of the marital estate; conclusion of law 4, concluding that an unequal distribution was equitable; and order distributing the marital estate.

“Without the benefit of proper classification, valuation, and listing of all the property owned by the parties, we cannot discern whether the trial court's method of distribution was unreasonable or arbitrary.” *Dalgewicz v. Dalgewicz*, 167 N.C. App. 412, 424 (2004). “Without valuation of the marital assets, it is impossible to say if distribution is equal or unequal.” *Watson v. Watson*, 261 N.C. App. 94, 104 (2018).

Because the trial court erroneously classified the GMC Sierra as marital property and erroneously classified defendant's 2019, 2020, and 2021 tax liability as separate property, the net value of the marital estate is inaccurate. Further, we cannot discern whether the distribution was equal or unequal, or whether its distribution constituted an abuse of discretion. Accordingly, the trial court must recalculate the net value of the marital estate, distribute the marital property in its discretion, and make new conclusions about the equity of the distribution if it decides in its discretion that an unequal distribution is equitable.

V. Conclusion

We reverse and remand for proceedings consistent with this opinion so the trial

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court can enter sufficient findings of fact with respect to the classification of defendant's 2019, 2020, and 2021 tax liability, the GMC Sierra, and the valuation of appreciation due to marital efforts, if any, and to distribute the marital property. The trial court may hold a new hearing in its discretion, and the parties may file a written request for a hearing to present additional argument and evidence. If, in its discretion, the trial court determines that an equal distribution would not be equitable, it shall make written findings to satisfy N.C.G.S § 50-20(c)(2025).

REVERSED AND REMANDED.

Judges TYSON and WOOD concur.

Report per Rule 30(e).