

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 162 1st Edition
SHORT TITLE: Property Tax Amendments
SPONSOR(S): Sen. Hartsell

FISCAL IMPACT

Yes () No (X) No Estimate Available (X)

FY 2001-02 FY 2002-03 FY 2003-04 FY 2004-05 FY 2005-06

REVENUES

General Fund No General Fund Impact
Local Governments (See Assumptions and Methodology)

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: North Carolina Department of Revenue, Local Governments.

EFFECTIVE DATE: Section 6 of this act becomes effective for taxes imposed for taxable years beginning on or after July 1, 2002. Section 7 becomes effective July 1, 2001 and applies to an in rem foreclosure proceeding begun on or after that date. Section 10 becomes effective for taxes imposed for taxable years beginning on or after July 1, 2001. The remainder becomes effective when it becomes law.

BILL SUMMARY: This bill makes several technical changes to the state's property tax laws. The Department of Revenue, the Institute of Government, and the North Carolina Association of Assessing Officers suggested these changes.

Section 1: Under current law applications for exemption or exclusion from property taxes can be required annually, on a one time only basis, or not at all. The bill clarifies that, in general, property owners must file for a property tax exemption or exclusion annually (during the listing period). It also shifts the following groups of property from a one-time application requirement to a category that does not require any application.

- Poultry, livestock, and feed for poultry and livestock,
- Vehicles subject to the gross receipts tax on short-term rentals,
- Buildings with solar energy systems, and
- Real property in a transportation corridor.

The bill shifts the following groups of property from an annual application to a one-time application requirement.

- Property owned by a non-profit community group listed in 105-275(20).
- Severable development rights.
- Real and personal property belonging to the NC Low-Level Radioactive Waste Management Authority or the NC Hazardous Waste Management Commission.
- Objects of art held by the NC Art Society.
- Property of private water companies.
- Brownfields property.

Section 2: Authorizes assessors to change a property valuation in a non-revaluation year if there has been a physical change to the land or an improvement, such the addition of a structure, or a change in the legally permitted use of the property.

Sections 3: Authorizes county assessors to remove the preferential tax status afforded properties under the Machinery Act if the property owner does not provide the information necessary to determine if the parcel qualifies once the information is requested.

Section 4: Provide that property may lose its use value classification and associated preferential tax treatment if the owner does not provide the assessor with the information needed to determine eligibility within 30 days of the request.

Section 5: Directs assessors to review transportation corridor maps annually.

Sections 6 and 7: Authorize local Equalization and Review boards to meet after their official adjournment to hear appeals of motor vehicle property taxes, discoveries, and property reviewed annually to determine its continued qualification for exemption or exclusion

Section 8: Conforms the interest rate on unpaid motor vehicle taxes to the interest rate on other unpaid property taxes (2% for the first month and $\frac{3}{4}\%$ each month thereafter).

Section 9: Shortens the waiting period in en rem foreclosures from six months to three months.

Section 10: Clarifies that health care facilities exempt under G.S. 131A must apply annually, and in a timely manner, for their exemption.

ASSUMPTIONS AND METHODOLOGY:

Section 1: Allowing assessors to remove preferential tax treatment if appropriate information is not provided is the only portion of the Part I that may have a fiscal impact. If assessors remove the tax status, and that taxpayer never provides the information local governments could see a net revenue gain. However, both the NC Association of Assessing Officers and the Department of Revenue believe this is unlikely. They suggest the legislation will only give local governments a tool to prod taxpayers to act. As such, no noticeable revenue increase is expected. Because the

balance of Part I only addresses the timing of application and not the qualifications for property to be exempt or excluded no fiscal impact is expected.

Section 2: Since this provision changes the conditions for a value change it will have some fiscal impact on local governments. The impact could be positive or negative depending on the changes made to the property and its use. Fiscal Research does not have sufficient data to make an estimate at this time. The Department of Revenue, however, believes the overall impact on revenues will be minimal.

Sections 3 and 4: If assessors remove the use value status, and that taxpayer never provides the information, local governments could see a small net revenue gain. However, because the primary effect of this portion of the bill will be to prod taxpayers to act, no noticeable revenue increase is expected.

Section 5: No impact.

Sections 6 and 7: No impact.

Section 8: Since this section increases the interest rate on delinquent motor vehicles taxes local governments will see a small revenue gain. However, the counties hope that increasing the rate will cause taxpayers to make their payments sooner, thus reducing any potential net increase. Fiscal Research is unable to make an estimate at this time due to limited data, but expects the increase to be very small statewide.

Section 9: Because the bill only shifts the timeline and not the substance of en rem foreclosures no fiscal impact is expected.

Section 10: No impact.

FISCAL RESEARCH DIVISION 733-4910

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