



NORTH CAROLINA GENERAL ASSEMBLY

Session 2017

Legislative Fiscal Note

Short Title: Violate Tax Law/Venue/Property Tax/DWI.
Bill Number: Senate Bill 561 (Second Edition)
Sponsor(s):

SUMMARY TABLE

FISCAL IMPACT OF S.B.561, V.2

	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
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Local Impact

Local Revenue	Statewide property tax loss of approximately \$855,000 - see assumptions and methodology.				
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FISCAL IMPACT SUMMARY

Part II of S561 exempts from property tax a leasehold interest in exempt property. North Carolina imposes a property tax on a leasehold interest in real property where the real property is exempt from property tax. The property tax on a leasehold interest in exempt real property applies when a unit of government leases property to a private business and when the payments under the lease are below the value of the interest in the real estate. Most county assessors value these leasehold interests as the difference between the fair market value of the leasehold interest and the rent paid under the lease. For example, if the private tenant is paying market rate for the exempt real property owned by a local government, then the leasehold interest has no value because similar leases can be obtained at the same price. If the tenant is paying a bargain rate under the lease, the leasehold interest has value because a similar lease would cost more.

FISCAL ANALYSIS

According to a survey conducted by the NC Dept. of Revenue, the statewide value of leasehold interests affected by the legislation is approximately \$88.5 million. The survey was conducted in 2012 and the Department was able to make some updates to the survey, however a full survey of counties has not been undertaken since that time. As a result, some leasehold interests added or discontinued since that time may not be reflected.

Based on the valuation of \$88.5 million and using the weighted average statewide property tax rate of 0.966 percent, the annual property tax loss from the bill would be \$855,000. Over half of this amount (\$523,741) is attributable to two properties in the City of Charlotte. The loss represents the combined county and municipal property tax revenue associate with the leasehold interests.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

NC Department of Revenue; City of Charlotte

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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