

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2005**

**Legislative Fiscal Note**



**BILL NUMBER:** House Bill 116 (Second Edition)

**SHORT TITLE:** Property Tax Changes.

**SPONSOR(S):** Representative Brubaker

<b>FISCAL IMPACT</b>					
	<b>Yes ( )</b>	<b>No (X)</b>	<b>No Estimate Available ( )</b>		
	<u><b>FY 2005-06</b></u>	<u><b>FY 2006-07</b></u>	<u><b>FY 2007-08</b></u>	<u><b>FY 2008-09</b></u>	<u><b>FY 2009-10</b></u>
<b>REVENUES:</b>					
<b>Local Governments (See Assumptions and Methodology)</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Revenue and Local Governments					
<b>EFFECTIVE DATE:</b> July 1, 2005					

**BILL SUMMARY:**

This bill is a recommendation of the Revenue Laws Study Committee to clarify the property tax statutes relating to present-use value eligibility and to amend the period for appeal of a present-use value determination or appraisal. The proposed committee substitute also clarifies the tax year for motor vehicles that are switched from an annual system of registration to a staggered system.

Section 1 of the bill amends the definition of horticultural land to allow some types of land currently classified as horticultural to be classified as agricultural. Section 2 of the bill changes the definition of unit. Under current law, farmland must be part of a unit engaged in commercial production to qualify for present-use value classification. If the unit is composed of multiple tracts, these tracts must be under the same ownership. Also, if the tracts are located within different counties, they must be within 50 miles of a tract that meets the definition of farmland and either share the same classification or use the same equipment or labor force. Section 2 of this bill would eliminate the qualification under use of the same equipment or labor force.

Section 3 amends the section of the statute that allows exceptions to ownership requirements of present-use classification. The current law allows an exception to ownership requirements when use-value land is transferred to a person who continues to use it as farmland and meets the other conditions for use value treatment and assumes deferred liability for taxes accrued under the

previous owner. This proposal codifies the recognized practice of allowing an exception when there is no deferred liability upon transfer of the land. This occurs when the land being transferred is not appraised and taxed at the present-use value at the time of transfer.

Sections 4 and 7 add language that establishes 60 days as the time for a taxpayer to appeal an assessor's decision regarding the qualification or appraisal of the taxpayer's property as use-value property. The 60-day timeframe would also apply as the time period for taxpayers to submit additional information to reverse a disqualification of property for present-use classification.

Sections 8 and 9 amend the property tax motor vehicle statutes by allowing a longer tax period than 12 months during the transition period for vehicles that are converting from annual registration to staggered registration. Section 10 adds language to apply the current penalty for worthless checks in payment of property taxes to electronic payments.

**ASSUMPTIONS AND METHODOLOGY:**

No revenue impact is expected in the present-use clarification portion of the bill because the bill codifies existing practice among county assessors and makes technical changes. The sections of the bill related to motor vehicle property tax also have no fiscal impact. This portion of the bill allows tax assessors to issue one-time 7 to 18 month registrations for vehicles currently subject to annual registrations. This process will allow for an equal distribution of expiring registrations throughout the year. During the transition period, the property tax payments for some taxpayers will be greater than or less than the amount that they would have paid under the annual registration process, depending on the length of the registration period. However, the distribution of 7 to 18 month registration cycles will allow for minimal fiscal impact because the taxpayers who pay a lesser amount (for shorter registrations) will be off-set by other taxpayers who pay a greater amount (for longer registrations) during the transition period. After the transition period, all taxpayers will return to a 12-month registration period.

**SOURCES OF DATA:** NC Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** August 11, 2005

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