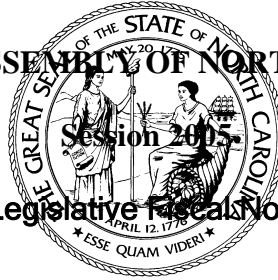


GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

BILL NUMBER: Senate Bill 1451 (Second Edition)

SHORT TITLE: Delinquent Property Tax/Inventory/Study.

SPONSOR(S): Senator Hartsell

FISCAL IMPACT				
Yes (X)	No ()	No Estimate Available ()		
<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
REVENUES:				
Local Governments		*See Assumptions and Methodology*		
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue				
EFFECTIVE DATE: Section 7 of this act becomes effective for contracts entered into on or after October 1, 2006. The remainder of this act is effective upon ratification and applies to tax years beginning on or after July 1, 2006.				

BILL SUMMARY: This bill makes the following changes to the property tax laws to relieve the seller of personal liability for property taxes assessed on real property when the seller transfers the property before the taxes become delinquent or when the seller transfers the property before it is annexed by the taxing unit and taxes are imposed by the taxing unit:

- Authorizes the tax collector to enforce the remedy of attachment and garnishment against the record owner of real property as of the date the taxes on the real property become delinquent instead of the listing owner of the real property.
- Requires the tax collector to send the notice of a tax lien on real property to the record owner of the property as determined as of the date property taxes become delinquent and to any subsequent record owner instead of the listing owner of the property. The advertisement must also state the names of the record owner and any subsequent owner instead of the listing owner.
- Amends the definition of "Taxpayer" in the property tax laws to clarify that when collecting delinquent taxes assessed on real property, "taxpayer" means owner of record on the date the taxes become delinquent and any subsequent owner of record of the real property if conveyed after the delinquent date.
- Amends Chapter 39 of the General Statutes by adding a new Article that codifies the practice of prorating property taxes on a calendar-year basis when the property is sold.

The second version exempts display model modular homes from property tax by amending the definition of “inventory” in the property tax statutes to clarify that the definition includes a modular home used exclusively as a display model and held for eventual sales at the retailer’s place of business. The second version also does the following:

- Adds language to the notice requirements for foreclosure on the property or execution sale when there is a tax lien on the property. The language sets out additional reasonable steps that must be taken in an attempt to provide notice when the government knows that its notice attempt has failed. This language is required because of a recent U.S. Supreme Court decision.
- Directs the Revenue Laws Study Committee to study the present-use value system, including expansion of the system to include wildlife land and other conservation land, and adding criteria to the sound management programs.
- Makes clarifying changes.

ASSUMPTIONS AND METHODOLOGY: The bill corrects the problems that occur when an owner sells property after the listing date, and the property taxes later become delinquent under the new owner. Current law allows the tax assessor to use remedies of attachment and wage garnishment against the listing owner. This bill allows tax assessors to use these tax collection remedies against owner of record as opposed to the listing owner. The bill does not change the types of remedies available to assessors and is not projected to significantly impact revenue collection.

The NC Manufactured Housing Institute is not aware of any counties that currently treat display models as taxable real property. The revenue impact for any county currently assessing such property would be minimal given the limited number of affected properties. A county with a property tax rate of 75 cents, for example, with three dealers, each with 3 display models with an average assessed value of \$150,000, would lose \$10,125 in revenue as a result of the bill.

Other changes in the second version are procedural or clarifying in nature and have no fiscal impact.

SOURCES OF DATA: NC Department of Revenue, NC Manufactured Housing Institute

TECHNICAL CONSIDERATIONS: None

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DATE: June 28, 2006

Signed Copy Located in the NCGA Principal Clerk's Offices