

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013**

**SESSION LAW 2013-362
SENATE BILL 159**

AN ACT TO CORRECT GENERAL REAPPRAISALS RESULTING IN PROPERTY VALUES THAT DO NOT COMPLY WITH THE REQUIREMENTS OF NORTH CAROLINA LAW BY SETTING FORTH THE STEPS REQUIRED TO BRING THE GENERAL REAPPRAISAL INTO COMPLIANCE WITH THE APPLICABLE PROPERTY TAX MANDATES.

Whereas, the Great Recession has had deleterious effects on the economy and especially on the housing market; and

Whereas, valuation data for a calendar year is used to determine market value for a general reappraisal as of January 1 of the following year; and

Whereas, there were a total of 3,825,637 foreclosure filings during the 2010 calendar year, and 2.23% of all households were in some stage of foreclosure during 2010; and

Whereas, annual analysis of the housing market in North Carolina in 2011 shows tax assessments in nearly half of the counties in the State were higher, on average, than actual market values; and

Whereas, the General Assembly has previously required accelerated general reappraisals when sales values deviated too much from assessed values, but such countywide analyses can fail to properly account for pockets of improperly valued properties or where properties have values that offset improperly valued properties located elsewhere within the county; and

Whereas, these unique and extraordinary conditions have increased the difficulty of accurately appraising real property for tax purposes and increased the number of actual errors in conducting reappraisals; and

Whereas, independent evidence shows instances of high degrees of inequity in valuations among like properties of a type that is not acceptable by widely accepted mass appraisal standards; and

Whereas, independent evidence shows, among other things, that there exist concrete examples of erroneous valuations, for example, that resulted both from the values accepted as initial values and from other inequities produced during the property tax appeals process; and

Whereas, these examples prove the existence of errors that give rise to significant issues that must be addressed to resolve inequities among like and similar properties; and

Whereas, the General Assembly recognizes that the confluence of these issues arising during the time when general reappraisals of real property were occurring has resulted not only in a higher risk but in a higher incidence of assessed values failing to accurately and fairly reflect true market values; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding G.S. 105-287, 105-325, 105-380, any provision of law restricting the time for which a change in appraisal or valuation may be made, or any other provision of Subchapter II of Chapter 105 of the General Statutes inconsistent with the provisions of this act, a board of county commissioners shall undertake the measures required by this act if all of the following conditions are met:

- (1) The county has independent evidence that the majority of commercial neighborhoods in the county reviewed by a qualified appraisal company possess significant issues of inequity.



- (2) The county has independent evidence that for residential neighborhoods instances of inequity or erroneous data had an impact on the valuation of the neighborhood as a whole.
- (3) The county's last general reappraisal was performed for the 2008 tax year, 2009 tax year, 2010 tax year, 2011 tax year, or 2012 tax year.
- (4) The independent evidence resulted from a review performed by a qualified appraisal company selected and retained by the county and registered with the Department of Revenue and had a sample size of no less than 375 properties, the relevant characteristics of which were reviewed on location at the property.

SECTION 2. If all of the conditions of Section 1 of this act are met, a board of county commissioners shall either (i) conduct a reappraisal, using no less than one person certified by the Department of Revenue for mass valuations per 4,250 parcels, pursuant to G.S. 105-286 within 18 months, applicable to all tax years from and including the tax year when the last general reappraisal was performed pursuant to G.S. 105-286 or (ii) have a qualified appraisal company, which may be the same company that provides the evidence in Section 1 of this act, conduct a review of all the values in the county by neighborhoods and make recommendations as to the true value of the properties as of January 1 of the year of the last general reappraisal performed pursuant to G.S. 105-286. After the reappraisal or after each neighborhood review required by this section is complete, the board of county commissioners shall make any change on the abstracts and tax records to ensure that the assessed values of incorrectly appraised properties in the county reflect the true values of those properties effective for the year of the last general reappraisal performed pursuant to G.S. 105-286 and shall apply the adjusted values for those properties for each tax year until the next general reappraisal for real property is performed by the county pursuant to G.S. 105-286 unless those adjusted values are changed in accordance with G.S. 105-287. In making changes to the abstracts and tax records mandated by this act, the board of county commissioners shall make adjustments for previous errors prioritized as follows:

- (1) Adjustments to parcels with errors that resulted in the parcels having a significantly overstated value.
- (2) Adjustments to parcels with errors that resulted in the parcels having a significantly understated value.
- (3) Adjustments to parcels with errors that resulted in the parcels having an overstated value.
- (4) Adjustments to parcels with errors that resulted in the parcels having an understated value.

In instances of parcels with errors that resulted in an overpayment of taxes, the governing board shall require that notice of refund and the refund amount be sent to the owner of record as of the date the payment was made. The provisions of G.S. 105-380 do not apply to the issuance of any refund under the provisions of this act.

SECTION 3. Interest on taxes paid on parcels with errors that resulted in the parcels having an overstated value shall be calculated at a rate of five percent (5%) per annum. Additional taxes levied on parcels as a result of errors causing the parcels to have an understated value shall be treated as taxes on discovered property pursuant to G.S. 105-312, except that the discovery penalties set forth in subsection (h) of G.S. 105-312 shall not apply.

SECTION 4. This act is effective when it becomes law. If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application, and to this end the provisions of this act are severable.

In the General Assembly read three times and ratified this the 18th day of July, 2013.

s/ Philip E. Berger
President Pro Tempore of the Senate

s/ Thom Tillis
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:37 p.m. this 26th day of July, 2013