

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2017

Legislative Fiscal Note

BILL NUMBER: House Bill 2 (Third Edition)

SHORT TITLE: Provide Certain Property Tax Relief.

SPONSOR(S): Representatives Dollar, Saine, Hardister, and R. Turner

FISCAL IMPACT					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
State Impact					
General Fund Revenues:					
General Fund Expenditures:	\$11.0	\$11.6	\$12.1	\$12.7	\$13.4
State Positions:					
NET STATE IMPACT	(\$11.0)	(\$11.6)	(\$12.1)	(\$12.7)	(\$13.4)
Local Impact					
Revenues:	(\$0.7)	(\$0.7)	(\$0.8)	(\$0.8)	(\$0.9)
NET LOCAL IMPACT	(\$0.7)	(\$0.7)	(\$0.8)	(\$0.8)	(\$0.9)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue; NC Local Governments					
EFFECTIVE DATE: Taxable years beginning on or after 7/1/2017.					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY:

Section 1 increases the Disabled Veteran Property Tax Exclusion from \$45,000 to \$100,000 of the homestead appraised value and reimburses local governments for the revenue lost from valuations above \$45,000.

Section 2 creates a homestead property tax exemption for the surviving spouse of an emergency personnel officer who was killed in the line of duty.

ASSUMPTIONS AND METHODOLOGY:

Disabled Veteran Property Tax Exclusion

The third edition increases the exclusion amount from the first \$45,000 of home value to the first \$100,000. To determine the fiscal impact, the American Community Survey (ACS) was used to determine the percentage of NC homes valued at less than \$100,000. Homes valued at less than \$100,000 would receive an exclusion based on the value of the home because the total value is less

than the exclusion amount of \$100,000. Homes valued higher would receive an exclusion of the first \$100,000.

Based on the ACS data, the average value of homes less than \$100,000 was calculated and used to determine the total value for all qualifying homes under \$100,000. The ACS data was also used to calculate the value of qualifying homes over \$100,000 that would receive the full exclusion. The values for home below and above \$100,000 are added together to get the total value of excluded property. The amount currently excluded is subtracted to determine the additional value excluded under the bill. Finally, the statewide weighted average tax rate of 94.3 cents per \$100 value is used to determine the amount of property tax loss, which is equal to the hold harmless amount. Moody's Analytics projections for existing home prices are used to determine the increase in cost for future years.

Emergency Personnel Surviving Spouse Exclusion

Based on data from the Department of State Treasurer, a total of 371 emergency personnel have been eligible for death benefit payments since 1971. The death benefit payment is made to the dependents of emergency personnel killed in the discharge of their official duties.

Assuming a total of 371 eligible beneficiaries and a median home value for NC of \$154,900, the cost of the bill in lost property tax revenue to counties and municipalities would be approximately \$700,000. It is not known how many of the 371 personnel have unmarried surviving spouses or if there are eligible surviving spouses of personnel killed prior to 1971. Therefore, it is not possible to estimate the cost more precisely; however, given the length of time covered by the data, the cost is estimated to be less than \$700,000.

SOURCES OF DATA: U.S. Census Bureau; NC Dept. of Revenue; Moody's Analytics; NC Dept. of State Treasurer

TECHNICAL CONSIDERATIONS: None

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