NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: S.B. 484 RMV Tax Budgeting

SHORT TITLE: RMV Tax Budgeting

SPONSOR(S): Sen. Clodfelter

FISCAL IMPACT

Yes ( ) **No (x)** **No Estimate Available ( )**

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
REVENUES	**No General Fund Impact** **See Assumptions and Methodology**				
EXPENDITURES	**No General Fund Impact** **See Assumptions and Methodology**				

PRINCIPAL DEPARTMENT(S) &
PROGRAM(S) AFFECTED: Local Governments.

EFFECTIVE DATE: July 1, 1999 and apply to budget ordinances for the fiscal year beginning on that date.

BILL SUMMARY: G.S. 159-13(b) provide local governments with binding directions and limitations for county annual budgets. G.S.159-13(b)(6) specifically requires that the estimated property tax collection rate used in the budget not exceed the previous fiscal year's collection rate. The previous fiscal year collection rate must be determined as of June 30. The bill allows the counties to use the proportion of motor vehicle taxes actually collected in the preceding nine months, as defined on March 31, as the proportion of motor vehicle taxes collected for budget purposes. The bill leaves the June 30 cutoff for all other property tax collection rates.

ASSUMPTIONS AND METHODOLOGY: Under current law taxes on all taxable property, except motor vehicles on the staggered system, are due on September 1. These taxes can be paid without penalty before January 6. After January 6th the taxes are considered delinquent. As such, there is a four-month lag between when non-motor vehicle taxes are due and when they become delinquent. The county is not required to set their collection rate until June 30. Thus, there is a significant lag between when taxes are due and when the counties determine that actual collection rate for the fiscal year.

Most motor vehicle taxes are due and collected on a staggered term. These taxes are due on the date of registration, and not the fiscal or calendar year, under current law. As such, taxes become due on vehicles each and every month.

By modifying the June 30 collection rate to reflect only the taxes due before March 31, the bill allows the county additional time to pursue some of the remedies they would use on other property tax delinquencies before their collection rates become final.

This bill, in and of itself, makes no changes to the tax imposed, the date the taxes are due, or the remedies local governments can use to pursue delinquencies. It would also have no direct impact on how much revenue the county might generate. It only impacts at what point in time the county takes a “snapshot” of their motor vehicle tax collections, for purposes of setting their upcoming year revenue availability. No change in actual collections is expected as a result of the bill.

Because the bill deals exclusively with property taxes, there is no fiscal impact to the state. The bill should not have an impact on revenues at the local level, as it makes no change to the tax law itself. It only alters the day on which the county may take a “snapshot” of its fiscal year revenue for budgeting purposes. As a result of this shift in the snapshot date, and the extra time it allows for collection of delinquent bills before the rate is set, the bill may allow counties to use a higher property tax collection rate when determining their budget for the coming fiscal year. For example, a county may have a 90% collection rate for motor vehicles on March 31. Many of the unpaid amounts are likely to be only one or two month delinquent. By allowing the county additional time before the snapshot is taken, the county may be able to employ more of their usual collection tactics before the snapshot. This could raise their vehicle collection rate to 95%. The counties would normally employ these collection methods even after the March deadline. However, this would allow the counties to count the additional revenue collected towards their collection ratio. In the example above, the county’s budget could now legally reflect a 95% collection rate on vehicles, instead of the 90% rate. This allows them more availability for budgeting purposes. It does not, however, actually increase overall revenues.

FISCAL RESEARCH DIVISION 733-4910
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DATE: Tuesday, April 06, 1999

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