



## North Carolina Department of Revenue

James B. Hunt, Jr.  
Governor

August 25, 1995

Janice H. Faulkner  
Secretary

### MEMORANDUM

TO: County Assessors and Tax Administrators

FROM: W. R. Underhill, Director  
Ad Valorem Tax Division *WRU*

RE: 1995 Property Tax Legislation  
Senate Bill 229

Senate Bill 229 was inadvertently left off our August 11, 1995 memo concerning 1995 property tax legislation. Attached is a short write-up of this bill. We have also included corrected summaries of the ratified bills from the August 11 memo.

If you do not serve as "tax collector", please make copies of this memorandum and summary available to the person holding that position in your county. In addition, please provide him/her with copies of any bills applicable to tax collection.

If you have any questions, please do not hesitate to contact our office at (919) 733-7711.

WRU:jt

## 1995 PROPERTY TAX LEGISLATION

### Bills Enacted by 1995 Session of N.C. General Assembly

#### Ratified Senate Bills

**S.B. 229 (Chapter 443) AN ACT TO REMOVE IMPEDIMENTS AND DISINCENTIVES TO DONATING CONSERVATION LAND OR PRESERVATION STRUCTURES OR SITES.** This bill amends G.S. 105-277.4 by adding a new subsection as follows:

- (e) Notwithstanding the provisions of subsection (c) of this section, if real property qualified for present use appraisal is conveyed by gift to a non profit organization and qualifies for exclusion from the tax base pursuant to G.S. 105-275(12) or G.S. 105- (29) or is conveyed by gift to the State, a political subdivision of the State or the United States, no deferred taxes shall be owed, and all present use value tax liens are extinguished.

This means that there is no roll back of deferred taxes any time land is given to one of the following:

1. a unit of government,
2. a nonprofit corporation or association who holds the land for educational and scientific purposes as a natural area,
3. a nonprofit historical association or institution who uses the land for nonprofit historic preservation purposes.

**S.B. 237 (Chapter 454) AN ACT TO CLARIFY THE USE VALUE TAX LAW, TO UPDATE THE LAW TO CONFORM TO MODERN FAMILY TRANSACTIONS, AND TO EXPAND THE CATEGORY OF PERSONS WHO MAY QUALIFY FOR USE VALUE PROPERTY TRANSFERS.** This bill amends G.S. 105-277.2 and G.S 105-277.3 by adding other persons and business entities who can qualify as owners of Agricultural, Horticultural, and Forestland in addition to individuals and family corporations. The amendment includes a trust or a beneficiary of a trust, a general or limited partnership, or a partner of the partnership, a limited liability company or a member of such a company.

The amendment also includes a testamentary trust (by will) if the trust income is used for educational, scientific, literary, cultural, charitable, or religious purposes, and meets other very restrictive conditions.

The amendment extends the definition of "relative" to include nieces, nephews, aunts and uncles to the list of persons who can receive present-use value land from a qualifying owner without triggering a roll back of deferred taxes.

This act is effective January 1, 1995 provided an application for the 1995-96 tax year is filed on or before September 1, 1995.

**S.B. 496 (chapter 329) AN ACT TO ALLOW LOCAL GOVERNMENTS TO FORGO COLLECTION OF AD VALOREM TAX BILLS WHEN THE ORIGINAL PRINCIPAL AMOUNT DUE IS UNDER FIVE DOLLARS.** G. S. 105-321 was amended by adding a new subsection which allows local governments to forgo collection of ad valorem tax bills when the original principal amount due is under five dollars. Local governments by adopting a resolution may set the minimal amount at any figure under five dollars but the amount set should be the estimated cost to the taxing unit for billing. A resolution must be adopted on or before June 15 preceding the first taxable year to which it applies and remains in effect until amended or repealed by resolution. The tax collector shall not bill the taxpayer for minimal taxes but must keep a record of all taxes by receipt number and amount and make a report to the governing body at the time of settlement. Minimal taxes are the combined taxes and fees of the taxing unit and any other units for which it collects taxes. If a county collects for a town the minimal taxes are both county and city taxes added together.

A resolution adopted under G.S. 105-330.5(b1) prior to the effective date of this bill is considered adopted under this act. This means any resolution adopted for motor vehicle is still in affect although this bill repeals G.S. 105-330.5(b1). Any resolution adopted by June 30, 1995 applies to the 1995-96 taxable year.

This act is effective for taxes imposed for taxable years beginning on or after July 1, 1995.

**S.B. 693 (Chapter 510) AN ACT TO MAKE TECHNICAL AMENDMENTS TO IMPROVE THE ADMINISTRATION OF THE PROPERTY TAX ON MOTOR VEHICLES.** This bill amends G.S. 105-330.2,.4,.5, and .6 as follows:

**G.S. 105-330.2**

The first change in G.S. 105-330.2(a) is to eliminate the problem of the correct evaluation date when an owner with a registration that expires December 31 renews during the January grace period. The second change

adds language to make it clear that ownership, situs, and taxability are determined on the actual date of renewal, even if the renewal is late.

The change in G.S. 105-330.2(b) deletes taxability and situs from the requirement that appeals must be taken within 30 days of the date of notice. Because of incorrect information in DMV records, many situs appeals must be handled more than 30 days after the date of the notice. Under the amended statute, appeals of situs and taxability will be handled under G.S. 105-381, and the time limits stated in that statute will apply.

#### **G.S. 105-330.4**

The change in G.S. 105-330.4(a)(2), together with the new G.S. 105-330.5(a1), establishes a new procedure for prorating taxes on vehicles registered under the annual system. Currently, when a vehicle is first registered under the annual system in a month other than December, no taxes are due on that vehicle until after the registration is renewed. This amendment makes prorated taxes due on that vehicle four months after it is registered.

The change in G.S. 105-330.4(b) is intended to postpone the accrual of interest when, for whatever reason, the tax notice is not prepared until some time after the tax due date for a vehicle. In such a case, the amendment provides that interest will begin to accrue the second month following the date of the notice. For example, if the tax due date for a particular vehicle is September 1, but the notice is prepared on November 15, interest would not begin to accrue until January 1.

#### **G.S. 105-330.5**

The change in G.S. 105-330.5(a)(4) changes the requirements of what the tax notice must contain. The changes correspond with the changes in G.S. 105-330.2(b) regarding the deletion of appealing taxability and situs within 30 days. Only value must be appealed within 30 days.

New G.S. 105-330.5(a1) establishes a formula for prorating taxes on vehicles registered under the annual system. For example, if a new annual registration is obtained in July, five months remain in the calendar year, so the taxes on that vehicle would be 5/12 of the full amount. These taxes will be due November 1.

The change in G.S. 105-330.5(b) requires the county to remit municipal and special district taxes at least once a month rather than the current 30 days after collection. The proposed amendment also requires the county to furnish municipalities and special districts reasonable information to allow

them to account for the tax payments remitted to them.

The amendment to G.S. 105-330.5(d) changes the rule concerning the levy year in which a tax is to be included when the notice is prepared after the tax due date. For example, under current law if a tax is due June 1 but the notice is prepared in August, the tax must be included in the previous fiscal year's levy. The amendment changes this rule so that in the previous example the tax would be included in the levy for the current fiscal year.

### **G.S. 105-330.6**

The amendments to G.S. 105-330.6(a) establish a tax year for vehicles registered under the annual system that is based on a Jan. 1-Dec. 31 calendar year. The addition of this tax year to the statute is necessary to deal with prorated refunds and releases of prorated taxes due on annual system registrations.

The amendment to G.S. 105-330.6(b) increases from 60 days to 120 days the time a taxpayer has to request a refund or release after surrendering plates.

This act is effective for taxes imposed for taxable years beginning on or after July 1, 1995. The first motor vehicles that this act applies to are the June 1995 renewals.

### Ratified House Bills

**H.B. 1001 (chapter 512) AN ACT TO PROVIDE THAT ANTIQUE AUTOMOBILES SHALL BE VALUED AT NO MORE THAN FIVE HUNDRED DOLLARS FOR PROPERTY TAX PURPOSES.** G.S. 105-330.9 was enacted to provide that antique automobiles be valued at no more than five hundred dollars for property tax purposes. The five following conditions must be met before the vehicle is considered an "antique automobile":

- (1) It is registered with the Division of Motor Vehicles and has an historic vehicle special license plate under G.S. 20-79.4.
- (2) It is maintained primarily for use in exhibitions, club activities, parades, and other public interest functions.
- (3) It is used only occasionally for other purposes.
- (4) It is owned by an individual.
- (5) It is used by the owner for a purpose other than the production of income and is not used in connection with a business.

This act is effective for taxes imposed for taxable years beginning on or after October 1, 1995. The first motor vehicles that this act applies to are the September 1995 renewals.