



North Carolina Department of Revenue

Michael F. Easley
Governor

December 13, 2001

E. Norris Tolson
Secretary

MEMORANDUM

TO: County Assessors and Tax Administrators

FROM: John C. Bailey, Director *JCB*
Property Tax Division

RE: 2001 Property Tax Legislation

We are enclosing a summary of the significant property tax legislation (having state wide application) enacted by the 2001 Session of the North Carolina General Assembly. The summary includes the bill number, purpose of the bill, and brief comments as to each ratified bill. We are also enclosing copies of the ratified bills.

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 bill applicable to tax collection.

If you have any questions concerning any of this new legislation, please call our staff at (919) 733-7711.

2001 PROPERTY TAX LEGISLATION

Bills Enacted by the 2001 Session of the N.C. General Assembly

Ratified Senate Bills

S.B. 162: AN ACT TO AMEND VARIOUS PROPERTY TAX LAWS.

This act amends or clarifies various ad valorem tax statutes. Section 1 of the act amends G.S. 105-282.1 to clarify the frequency with which qualifying owners of exempt or excluded properties must make application. This section also amends G.S. 105-282.1(d) to require the counties to provide the Department of Revenue a summary report of exempt or excluded properties each year rather than send a complete roster of such properties. The act does require that a complete roster be submitted upon the Department's request.

Section 2 of the act clarifies that a change in a property value can occur in a non-revaluation year due to a physical change, boundary change, legal change, etc. whether or not these changes are within the control of or at the request of the property owner.

Section 3, 4 and 5 of the act require owners of exempt or excluded property to provide the assessor with requested information to complete the mandatory annual one-eighth audit within 60 days of the written request for information. If the requested information is not submitted within the 60-day period, the property then loses its exemption or exclusion. The assessor must reinstate the property's exemption or exclusion if the owner subsequently makes the requested information available unless it discloses that the property is no longer eligible for exemption or exclusion.

Section 7 of the act amends G.S. 105-322(g)(5) to allow a board of equalization and review to meet after it has adjourned from its duties under (g)(1) and (g)(2) to carry out the following duties:

- a. To hear and decide appeals relating to discovered property under G.S. 105-312(d) and (k).
- b. To hear and decide all appeals relating to the appraisal, situs, and taxability of classified motor vehicles under G.S. 105-330.2(b).
- c. To hear and decide all appeals relating to audits conducted under G.S. 105-296(j) and relating to audits conducted under G.S. 105-296(j) and (l) of property classified at present-use value and property exempted from taxation.

Section 8 of the act provides that the interest on unpaid taxes on classified motor vehicles accrues at the rate of 2% for the first month following the date the taxes were due and $\frac{3}{4}$ % for each month thereafter until the taxes are paid.

Section 9 of the act amends G.S. 105-375(i) to provide that the issuance of execution can now begin within three months rather than six months as was previously provided. The act also requires that a notice of the impending sale must be submitted to

the listing owner at his last known address at least 30 days prior to the date of the sale and that the notice must also be mailed to the current owner by registered or certified mail if notice was required to be mailed to the current owner pursuant to subsection (c) of this section.

Section 10 of the act clarifies that health care facilities financed with Medical Care Commission bonds or notes may be exempted from property taxes as provided in G.S. 131A-21 if a timely application is made as required under G.S.105-282.1.

Section 2 of this act becomes effective July 1, 2002. Section 9 becomes effective July 1, 2001, and applies to an in rem foreclosure proceeding begun on or after that date. All other Sections become effective July 1, 2001.

S.B. 365: AN ACT TO PROVIDE FOR ELECTRONIC LISTING OF BUSINESS PERSONAL PROPERTY FOR AD VALOREM TAXES AND TO ALLOW COUNTIES TO EXTEND THE LISTING PERIOD FOR ELECTRONIC LISTING.

This act allows the counties, by resolution of the board of county commissioners, to provide for electronic listing of business personal property in accordance with procedures prescribed by the board. The listing period for electronic filing may be extended up to June 1. The act provides that the affirmation on an electronic filing must be signed electronically by the property owner in accordance with the Electronic Commerce Act, Article 11A of Chapter 66 of the General Statutes.

This act became effective July 1, 2001.

Ratified House Bills

H.B. 42: AN ACT TO PROVIDE PROPERTY TAX REDUCTIONS BY AUTHORIZING LOCAL GOVERNMENTS TO REDUCE PROPERTY TAXES IN LIGHT OF THE GOVERNOR'S UNANTICIPATED RELEASE OF WITHHELD REIMBURSEMENTS AND BY EXPANDING HOMESTEAD PROPERTY TAX RELIEF FOR ELDERLY AND DISABLED HOMEOWNERS.

Section 1 of the act amends GS 105-277.1 to change the amount of the appraised value of the property that may be excluded. The exclusion amount is the greater of \$20,000 or 50% of the appraised value of the residence.

The act is also amended to increase the income eligibility limit to \$18,000 for 2002 and adjusts the limit each year thereafter by the percentage of any cost-of-living adjustment made to the benefits under Titles II and XVI of the Social Security Act for the preceding calendar year, rounded to the nearest one hundred dollars (\$100.00). By July 1 of each year the Department of Revenue will determine the income eligibility amount that will be in effect for the taxable year beginning the following July 1 and will notify each assessor of the amount that will be in effect for the next taxable year. This act also

amends the statute to provide that the application may be filed and must be accepted through June 1 preceding the tax year for which the exclusion is claimed.

Section 2 of the act rewrites the language in the notice to reflect the changes in the income and exclusion amount.

Section 3 of the act provided for a governing board to reduce their property tax levy if after July 1 the local government received additional and unanticipated revenue.

Section 1 and 2 of this bill are effective for taxable years beginning on or after July 1, 2001. Section 3 was effective for July 1, 2001 and expired October 1, 2001.

H.B. 72: AN ACT TO EXTEND THE DEADLINE FOR APPLYING FOR A RELEASE OR REFUND OF PROPERTY TAXES AFTER THE OWNER HAS SURRENDERED THE VEHICLE LICENSE PLATE, AND TO CAP THE HIGHWAY USE TAX ON CERTAIN RECREATIONAL VEHICLES AT \$1,500 PER VEHICLE.

This act amends G.S. 105-330.6(c) to allow an owner of a classified motor vehicle up to one year after surrendering the license plates to apply for a release or refund of property taxes.

This act is effective December 5, 2001.

H.B. 108: AN ACT TO AUTHORIZE COUNTIES TO REQUIRE THE PAYMENT OF DELINQUENT PROPERTY TAXES BEFORE RECORDING DEEDS CONVEYING PROPERTY.

This act provides that the board of county commissioners in a county may, by resolution, require the tax collector to certify that no delinquent taxes are owed on a property before the register of deeds can accept a deed transferring real property. The act was effective for the following counties: Alleghany, Anson, Beaufort, Cabarrus, Camden, Cherokee, Chowan, Currituck, Forsyth, Graham, Granville, Harnett, Haywood, Jackson, Lee, Madison, Montgomery, Pasquotank, Perquimans, Pitt, Stanly, Swain, Vance, Warren, and Yadkin. The following counties were added to this list through an amendment to GS 161-31(b) in H.B. 231: Carteret, Cleveland, Davidson, Gaston, Iredell, Martin, Person, Rockingham, Rowan, and Washington.

This act is effective November 16, 2001.

H.B. 193: AN ACT TO PROVIDE A PROPERTY TAX EXCLUSION FOR CERTAIN QUALIFIED RETIREMENT FACILITIES THAT PROVIDE CHARITY CARE AND/OR COMMUNITY BENEFITS.

This act rewrites G.S. 105-278.6A to provide a partial or full exemption for qualifying continuing care retirement facilities that have at least the minimum percent, as stated in the bill, of resident revenue provided in charity care to its residents, in

community benefits, or in both. A full exemption is provided if at least 5% of the resident revenue is provided in charity care to its residents and/or in community benefit. A partial exemption would be provided if the amount of resident revenue provided for charity care and/or community benefit were as follows: 80% exclusion for 4% resident revenue, 60% exclusion for 3% resident revenue, 40% exclusion for 2% resident revenue, or 20% exclusion for at least 1% resident revenue.

This act is effective for taxable years beginning on or after July 1, 2001.

H.B. 253: AN ACT TO PROVIDE THAT MANUFACTURED HOMES NEED NOT HAVE MULTIPLE SECTIONS TO QUALIFY AS REAL PROPERTY FOR PROPERTY TAX PURPOSES, TO REQUIRE AN OWNER TO SURRENDER CERTIFICATE OF TITLE WHEN THE MANUFACTURED HOME BECOMES REAL PROPERTY, AND TO REQUIRE AN OWNER TO FILE EVIDENCE OF THE SURRENDER OF TITLE WITH THE REGISTER OF DEEDS.

This act rewrites G.S. 105-273(13) to eliminate the requirement that manufactured homes must have more than one section before they can be classified as real property. The act does require that the certificate of title be surrendered to the Department of Motor Vehicles when the manufactured home is classified as real property.

This act is effective for taxable years beginning on or after July 1, 2002.

H.B. 1427: AN ACT TO AMEND THE PRESENT-USE VALUE STATUTES AND TO ESTABLISH THE PROPERTY TAX STUDY COMMISSION.

This act provides that land currently receiving the present-use classification can be transferred from one qualifying owner to another without the payment of the deferred taxes. If the land qualifies for the classification the new owner becomes liable for the deferred taxes and the deferred taxes become payable if the land fails to meet the conditions for classification.

The act also establishes a commission to study, examine, and if necessary, recommend changes to the property tax system.

This act becomes effective for taxable years beginning on or after July 1, 2002.

H.B. 1432: AN ACT TO PREVENT DOUBLE TAXATION OF MOTOR VEHICLES WHOSE TAX YEAR CHANGES DUE TO A CHANGE IN REGISTRATION.

This act provides that if a motor vehicle tax year changes for a reason other than transferring the plates to another motor vehicle, then the taxpayer may receive a credit, in the form of a release against the taxes for the new year, if applied for within 30 days after the taxes are due for the new tax year. The credit is equal to the number of full

overlapping months of the two tax years divided by 12 and multiplied by the taxes due for the original tax year.

Example: Taxpayer has a vehicle with an August expiration date and renews it on August 15, 2001. This creates a bill for \$300.00 for tax year September 2001 – August 2002. In December the taxpayer cancels his insurance, keeps the car in North Carolina and goes abroad. March 15 2002 he returns and obtains a new tag. This created a new bill for \$250 with a tax year of April 2002 – March 2003. There are five overlapping months, April 2002 through August 2002. The taxpayer may apply for a credit in the form of a release of $5/12 \times \$300$ or \$125 against the new \$250 tax bill.