



North Carolina Department of Revenue

Michael F. Easley
Governor

August 26, 2003

E. Norris Tolson
Secretary

MEMORANDUM

TO: County Assessors and Tax Administrators

FROM: David B. Baker, Assistant Director *DB*
Property Tax Division

RE: 2003 Property Tax Legislation

We are enclosing a summary of the significant property tax legislation (having state wide application) enacted by the 2003 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 chaptered bills.

If you do not serve as the 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 question concerning any of this new legislation, please call our staff at 919-733-7711.

2003 PROPERTY TAX LEGISLATION

Bills Enacted by the 2003 session of the N.C. General Assembly

Ratified Senate Bills

S.B. 97: AN ACT TO MAKE TECHNICAL AND CLARIFYING CHANGES TO THE REVUNUE LAWS AND RELATED STATUTES.

Section 9 of the bill moves a comma to make a technical correction in G.S 105-299, which does not change the meaning.

Section 10 of the bill amends 105-358(a) by removing "ten percent (10%)" and leaving just "penalty." Clarifies that the collector may upon making a record of the reasons therefore reduce or waive the penalty imposed on giving a worthless check under G.S. 105-357(b)(2).

Section 20 of the bill amends 105-277(d) by removing all language which deals with cotton stored in this State.

This act becomes effective August 14, 2003; S.B. 97, S.L. 2003-416

S.B. 725: AN ACT TO AMEND THE NORTH CAROLINA CONSTITUTION TO PERMIT CITIES AND COUNTIES TO INCUR OBLIGATIONS TO FINANCE THE PUBLIC PORTION OF CERTAIN ECONOMIC DEVELOPMENT PROJECTS.

Section 2 of the bill rewrites G.S. 105-107 by adding the following subsections:

Subsection (a) is rewritten to require the county assessor to determine the base valuation of the district according to the assessed value of all the property in the district on January 1 immediately preceding the effective date of the district. The taxing unit which establishes the district must notify the county assessor of the county in which the district is located.

Subsection (b) is rewritten to require that the base valuation as they existed on January 1 immediately preceding the effective date of the district be increased if the schedule of values, standards, and rules approved by the board of county commissioners indicates that the values will be increased due to the revaluation. Each time the base valuation is adjusted the county assessor must certify the new valuation to the issuing unit, the county if not the issuing unit, and any special district, as defined in G.S. 159-7 in which the development financing district is located.

Subsection (d) is rewritten to require that the county assessor determine the incremental valuation of the district each year. The incremental value is the difference between current value and the base valuation of the district. If there is no incremental valuation all proceeds of the taxes are retained by the county, city or special district. If there is an incremental valuation the proceeds are distributed as provided in 159-107(d)(2).

Section 2 of the bill rewrites G.S. 105-108 by adding the following two subsections:

Subsection (c) requires the county assessor to assess property subject to a development financing district agreement at its true value or at the minimum value set out in the agreement, whichever is greater.

Subsection (d) requires that the minimum value set out in a development financing district agreement be adjusted after a county reappraisal of real property to ensure the taxing unit receives the same amount of tax on the property.

Section 20 amends G.S. 105-284 by adding a new subsection (d) which reads: Property that is in a development financing district and that is subject to an agreement entered into pursuant to G.S. 159-108 shall be assessed at its true value or at the minimum value set out in the agreement, whichever is greater.

Section 21 reenacts and rewrites G.S. 105-277.11 to read: Property that is in a development financing district established pursuant to G.S. 160A-515.1 or G.S. 158-7.3 and that is subject to an agreement entered into pursuant to G.S. 159-108, shall, pursuant to Article V, Section 14 of the North Carolina Constitution, be assessed for taxation at the greater of its true value or the minimum value established in the agreement.

This act is effective August 7, 2003; S.B. 725, S.L. 2003-403

S.B. 936: AN ACT TO WAIVE VARIOUS DEADLINES, FEES, AND PENALTIES FOR DEPLOYED MILITARY PERSONNEL.

Section 4(a) allows deployed military personnel 90 days after the end of their deployment to pay property taxes at par.

Section 4(b) allows deployed military personnel 90 days after the end of their deployment to list property.

This act is effective July 4, 2003; S.B. 936, S.L. 2003-300

S.B. 511: AN ACT TO REQUIRE LOCAL GOVERNMENTS TO PUBLISH THE REVENUE-NEUTRAL TAX RATE IN YEAR WHEN THERE IS A GENERAL REVALUATION OF REAL PROPERTY.

The act amends G.S. 159-11 by requiring the local government budget officer to publish the revenue-neutral tax rate in years when there is a general revaluation of real property. The revenue-neutral tax rate is the rate estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. A growth factor, equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal, is applied to the rate determined by the budget officer.

This act is effective July 26, 2003; S.B. 511, S.L. 2003-264

Ratified House Bills

H.B. 972: AN ACT TO ALLOW AN INTERNET-BASED ALTERNATIVE TO PROPERTY TAX CERTIFICATION PROCEDURES.

The act allows the governing body of a taxing unit to adopt an ordinance to allow a person to rely on information obtained from the taxing unit's web site as if it were a certificate issued pursuant to G.S. 105-361(a). The ordinance may provide for disclaimers concerning the information. Any person who relies on the web site information must keep a copy and present a copy of the information as necessary. The tax collector shall be liable on the tax collector's bond for any loss to the taxing unit arising from an understatement of the taxes contained in the information available on the web site unless the taxing unit's ordinance provides the disclaimers. This service is not required and does require that an ordinance be adopted by the governing body of a taxing unit.

This act is effective August 7, 2003; H.B. 972, S.L. 2003-399

H.B. 1006: AN ACT TO GRANT GREATER CONSUMER PROTECTION TO RESIDENTS OF MANUFACTURED HOUSING IN NORTH CAROLINA, TO CLARIFY THE SALES TAX ON MODULAR HOMES, AND TO ESTABLISH MINIMUM CONSTRUCTION AND DESIGN STANDARDS FOR SINGLE-FAMILY MODULAR HOMES.

Section 4 amends the definition of real property to include a manufactured home on land in which the owner of the manufactured home has a leasehold interest pursuant to a lease with a primary term of at least 20 years for the real property on which the manufactured home is affixed and where the lease expressly provides for disposition of the manufactured home upon termination of the lease. The home has to meet all the other parts of this definition which are: it is a residential structure; has the moving hitch, wheels, and axles removed; is placed upon a permanent foundation either on land owned by the owner of the manufactured home or on lease land as defined above.

The act is effective August 7, 2003; H.B. 1006, S.L. 2003-400

H.B. 397: AN ACT TO APPROPRIATE FUNDS FOR CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS FOR STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES, AND TO IMPLEMENT A STATE BUDGET THAT ENABLES THE STATE TO PROVIDE A SUSTAINABLE RECOVERY THROUGH STRONG EDUCATIONAL AND ECONOMIC TOOLS.

This act is the State budget and appropriations bill.

Section 43A.1 amends G.S. 105-275(8)c to include in the current property tax exclusion, all parts of a ventilation or air conditioning system that are integrated into a system used for the prevention or reduction of cotton dust, except for chillers and cooling towers. Previously, if the air conditioning or ventilation system was used for any additional purpose other than cotton dust removal, they were not considered to qualify for the exclusion.

This act is effective July 1, 2003, Section 43A.1; H.B. 397, S.L. 2003-284

H.B. 1301: AN ACT TO AUTHORIZE LOCAL GOVERNMENTS THAT ARE JOINTLY UNDERTAKING A DEVELOPMENT PROJECT TO ENTER INTO AGREEMENTS TO FINANCE THE PROJECT.

This act amends G.S. 106A-466 and G.S. 158-7.3 to authorize local governments that are jointly undertaking a development project to enter into agreements to finance the project. The local governments may agree to place the proceeds from some or all property taxes levied on the park or site into a common fund or transfer those proceeds to a nonprofit corporation or other entity.

This act is effective August 14, 2003; H.B. 1301, S.L. 2003-417