

October 20, 2005

MEMORANDUM

TO: County Assessors and Tax Administrators

FROM: David B. Baker, Director
Property Tax Division

RE: 2005 Property Tax Legislation

We are enclosing a summary of the significant property tax legislation (having state wide application) enacted by the 2005 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 questions concerning any of this new legislation, please call our staff at 919-733-7711.

2005 PROPERTY TAX LEGISLATION

Bills Enacted by the 2005 Session of the N.C. General Assembly

Ratified House Bills

H.B. 1779

G.S.105-330 – A Combined Motor Vehicle Registration Renewal and Property Collection System: The following are the high points of this bill:

1. Taxes will be collected by DMV and its agents.
2. Taxes are due at the time the registration is renewed or purchased.
3. Counties will still situs and appraise the motor vehicles.
4. There will be one computer system that all counties will use to situs and appraise the vehicles.
5. A schedule of values for motor vehicles will be approved by NCDOR.
6. The billing will be centralized and controlled by NCDOR.
7. The interest for the first month on unpaid motor vehicle taxes will be increased from 2% to 5% effective January 1, 2006.
8. The additional 3% interest on unpaid motor vehicle taxes is to be remitted to the State Treasurer and to be used to pay for the new computer system.
9. A report is to be filed with the General Assembly by NCDOR and NCDMV by April 2006 detailing a plan for putting this system in place.

The language in Section 8 states that “Sixty percent (60%) of the interest collected on unpaid taxes pursuant to G.S. 105-330.4 shall be transferred on a monthly basis to Combined Motor Vehicle and Registration Account created within the Treasurer’s Office.” This was not the intent of the law. Only 60% of the first month’s interest was to be remitted to the Treasurer’s Office. **After discussions with the State Treasurer’s Office the counties should only send 60% of the first month’s interest.** There will be an amendment during the short session in 2006 to correct the language in the new law. There will be additional information coming out from the Treasurer’s Office as to how the money should be remitted.

(Sections 4 and 8 effective January 1, 2006, remaining sections effective July 1, 2009; HB 1779, S.L. 2005-294.)

H.B. 705

105-277.3: Allow Buyout Payments to Count Towards the One Thousand Dollar Gross Income Requirement for Agricultural Land for Present-use Value Taxation. This bill allows payments received under the tobacco quota buyout program to be counted towards the \$1,000 income requirement, which must be met before agricultural land can be assessed at present-use value for property tax purposes.

(Effective for taxes imposed on or after July 1, 2005; HB 705, S.L. 2005-293.)

H.B. 116

G.S. 105-277.2 - 105-277.7: Clarify the Property Tax Statutes Relating to Present-use Value Eligibility and Amend the Period for Appeal of a Present-use Value Determination or Appraisal. This bill codifies existing practice among county assessors and makes technical changes. The proposed committee substitute also clarifies the tax year for motor vehicles that are switched from an annual system of registration to a staggered system.

Section 1 of the bill amends the definition of horticultural land to allow some types of land currently classified as horticultural to be classified as agricultural. Section 2 of the bill changes the definition of unit. Under current law, farmland must be part of a unit engaged in commercial production to qualify for present-use value classification. If the unit is composed of multiple tracts, these tracts must be under the same ownership. Also, if the tracts are located within different counties, they must be within 50 miles of a tract that meets the definition of farmland and either share the same classification or use the same equipment or labor force. Section 2 of this bill would eliminate the qualification under use of the same equipment or labor force.

Section 3 amends the section of the statute that allows exceptions to ownership requirements of present-use classification. The current law allows an exception to ownership requirements when use-value land is transferred to a person who continues to use it as farmland and meets the other conditions for use value treatment and assumes deferred liability for taxes accrued under the previous owner. This proposal codifies the recognized practice of allowing an exception when there is no deferred liability upon transfer of the land. This occurs when the land being transferred is not appraised and taxed at the present-use value at the time of transfer.

Sections 4 and 7 add language that establishes 60 days as the time for a taxpayer to appeal an assessor's decision regarding the qualification or appraisal of the taxpayer's property as use-value property. The 60-day timeframe would

also apply as the time period for taxpayers to submit additional information to reverse a disqualification of property for present-use classification.

G.S. 105-330.5(a) and G.S. 105-330.6: Tax Assessors to Calculate Tax Bills, Corresponding with the One-Time Adjusted Registration Period for Vehicles.

Motor Vehicles converting from the annual to the staggered system due to S.B. 1083 passed during the 2004 Session of the NC General Assembly. Section 9 amends the property tax motor vehicle statutes by allowing for a motor vehicle tax year other than 12 months to correspond with the 7-18 month registration periods that will be issued. Section 9 also makes the necessary changes to the pro-ration statutes that originally assumed a 12-month motor vehicle tax year.

(Sections 1 through 7 of this act are effective for taxes imposed on or after July 1, 2005. Sections 8 and 9 of this bill are effective January 1, 2006; HB 116, S.L. 2005-313.)

H.B. 988

G.S. 105-330.2(b) - Prohibits Tax Assessors Who Use The Sales Price for Appraisal of Motor Vehicles From Including Any Highway Use Tax.

For purposes of determining the property tax owed on the vehicle, the assessor cannot include the highway use tax in the appraisal.

(Effective for taxable years beginning on or after July 1, 2005, HB 988, S.L. 2005-303.)

H.B. 105

N.C.G.S. 105-278.3 and N.C.G.S. 105-278.7: Expand the Property Tax Exemptions for Cultural and Literary Properties. Allow for Real and Personal Property used for cultural purposes and literary purposes to included non-profit theaters.

(Effective September 27, 2005, HB 105, S.L. 2005-435.)

H.B. 131

G.S. 161-31: Collection of Delinquent Property Taxes. Adds Johnston, Onslow, Robeson and Surry counties to the list of counties which may, by resolution, require the register of deeds not to accept any deed transferring real property for registration unless the county tax collector has certified that no delinquent taxes are a lien on the property described in the deed.

(Effective June 23, 2005. HB 131, S.L. 2005-109.)

Ratified Senate Bills

S.B. 622

SECTION 46.2 (a) adopts The Joint Conference Committee Report on Continuation, Expansion and Capital Budgets, dated August 8, 2005:

Twenty-five thousand dollars (\$25,000) in funding each year is made available to conduct a survey of cash rents paid for farmland relating to the present use-value property tax program for use by the Department of Revenue and the Use-Value Advisory Board.

(Effective July 1, 2005, SB 622, S.L. 2005-276.)

S.B. 537

G.S. 105-357: Allow the Payment of Taxes By Offset of an Obligation.

Removes the prohibition against payment of taxes by offset that arise from a lease or another contract entered into between the taxpayer and the taxing unit before July 1 of the fiscal year for which the taxes were levied.

(Effective June 23, 2005, SB 537, S.L. 2005-134.)

S.B. 1048

An Act Enacting the Identity Theft Protection Act of 2005. Section 4 of this bill deals with the collection and use of social security numbers. This section greatly changes the way social security numbers can be collected and used by taxing units. Chapter 132 of the general statutes is amended by adding a new section. We recommend that each taxing unit review its policies concerning the collection and use of social security numbers to ensure that they are in compliance with the provisions of this new section.

(Effective December 1, 2005 SB 1048, S.L. 2005-414.)