



North Carolina Department of Revenue

Michael F. Easley  
Governor

E. Norris Tolson  
Secretary

September 5, 2006

**MEMORANDUM**

TO: County Assessors and Tax Administrators

FROM: David B. Baker, Director  
Property Tax Division

RE: 2006 Property Tax Legislation

We are enclosing a summary of the significant property tax legislation (having state wide application) enacted by the 2006 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.

## 2006 PROPERTY TAX LEGISLATION

### Bills Enacted by the 2006 Session of the N.C. General Assembly

#### Ratified House Bills

##### **HB 1806**

**G.S. 161-31 — Collection of Delinquent Property Taxes:** Adds Tyrrell County 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 July 1, 2006; HB 1806, S.L. 06-16.)

##### **HB 2097**

**G.S. 105-304(a1) and G.S. 105-307 — Provides for the Electronic Listing of Personal Property:** This bill allows the county commissioners to adopt a resolution providing for the electronic listing of personal property and specifies that any general extension of the listing period for electronic listing applies only to business personal property electronic listings.

(Effective June 29, 2006; HB 2097, S.L. 2006-30 s. 1 and s. 2.)

**G.S. 105-330.10 — Clarifies the Proper Percentage of First's Month Interest on Unpaid Motor Vehicle Taxes to be Transferred to the Treasurer's Office:** This bill clarifies that sixty percent (60%) of only the first month's interest collected on unpaid taxes pursuant to G.S. 105-330.4 will be transferred to the Combined Motor Vehicle and Registration Account created in the Treasurer's Office.

(Effective June 29, 2006; HB 2097, S.L. 2006-30 s. 3.)

**G.S. 105-277.4(a1) — Provides for Untimely Applications for Present-Use Value Properties:** This bill adds new subsection (a1) which allows an applicant for present-use value classification to file an untimely application, where previously no such provision existed. The untimely application applies only to property taxes levied by the county or municipality in the calendar year in which the untimely application is filed. The applicant must show good cause for failure to file timely, and the untimely application may be approved by the board of equalization and review or, if that board is not in session, by the county commissioners.

(Effective June 29, 2006; HB 2097, S.L. 2006-30 s. 4.)

**G.S. 105-321(d) — Repealed due to enactment of new G.S. 105-378(d).**

(Effective June 29, 2006; HB 2097, S.L. 2006-30 s. 5.)

**G.S. 105-378(d) and G.S. 105-373(a) — Enforcement and Collection Delayed Pending**

**Appeal:** This bill replaces the provisions of G.S. 105-321(d) (repealed) which had previously prohibited the delivery of the tax receipt to the tax collector for any appeal to the Property Tax Commission until the appeal had been finally adjudicated. New subsection (d) in G.S. 105-378 allows the delivery of the tax receipt to the tax collector for any property that has been appealed to the Property Tax Commission. However, the tax collector cannot seek collection of taxes or enforcement of a tax lien resulting from the assessment until the appeal has been finally adjudicated. The collector may send an initial bill or notice to the taxpayer. At the annual settlement for current taxes, the tax collector will be credited with the principal amount of taxes for any assessment if the appeal has not been finally adjudicated.

(Effective June 29, 2006; HB 2097, S.L. 2006-30 s. 6 and s. 7.)

**HB 2339**

**G.S. 161-31 — Collection of Delinquent Property Taxes:** Adds Davie and Lincoln 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. Also allows these counties to require all taxes be paid before a building permit may be issued with respect to that property.

(Effective July 20, 2006; HB 2339, S.L. 06-150.)

**Ratified Senate Bills**

**SB 1372**

**G.S. 105-380 — Property tax due date changed:** Provides that the governing body of a taxing unit may collect property taxes for certain newly annexed property over a three-year period and delay the accrual of interest accordingly.

(Effective July 10, 2006; SB 1372, S.L. 06-72.)

**SB 1451**

**G.S. 39-60 — Property Tax Proration on Sale of Real Property:** This bill codifies an existing real estate industry practice by requiring that property taxes on real property being sold must be prorated between the buyer and seller on a calendar-year basis, unless otherwise specified by contract.

(Effective for contracts entered into on or after October 1, 2006; SB 1451, S.L. 2006-106 s. 7.)

**G.S. 105-273(8a) — Defines Certain Modular Homes as Inventory:** This bill expands the definition of “inventories” to include modular homes as defined in G.S. 105-164.3(21b) that are used exclusively as display models and held for eventual sale at the retail merchant’s place of business.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2006; SB 1451, S.L. 2006-106 s. 8.)

**G.S. 105-273(17) — Modifies Definition of Taxpayer for Delinquent Real Property Taxes:** This bill states that, for purpose of collecting delinquent real property taxes, “taxpayer” means the owner of record on the date the taxes become delinquent. “Taxpayer” also means any subsequent owner of record of the real property conveyed after the date the taxes became delinquent.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2006; SB 1451, S.L. 2006-106 s. 1.)

**G.S. 105-369 — Change Notice to Owner Requirements and Advertisement Requirements for Failure to Pay Real Property Taxes:** Notice of advertisement must no longer be sent to both the listing and record owner. Notice is sent only to the record owner as determined as of the date the taxes became delinquent. Advertisement in the newspaper will also be only in the name of the record owner as determined as of the date the taxes became delinquent.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2006; SB 1451, S.L. 2006-106 s. 2.)

**G.S. 105-374(c) — Parties to Summonses in Foreclosure Proceeding:** The listing owner will no longer be made party to a court action to foreclose a mortgage. The owner of record as of the date the taxes became delinquent and any subsequent owner shall be made parties to the action and served with summonses.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2006; SB 1451, S.L. 2006-106 s. 3.)

**G.S. 105-375 — Changes to Procedures for In Rem Method of Foreclosure:** This bill makes several changes due to the change in the definition of taxpayer in Section 1 of this bill and adds additional language regarding reasonable notice to the taxpayer. The certificate of taxes and notice to taxpayer must reflect the name of the taxpayer as now defined in G.S. 105-273(17) and any reference to the listing owner is removed. If the tax collector has not received a return receipt indicating the receipt of the notice to the taxpayer within 10 days of the mailing of the notice to the taxpayer, the tax collector must make reasonable efforts to locate and notify the taxpayer and all lienholders prior to the docketing of the judgment and the issuance of the execution. If the sheriff has not received a return receipt indicating the receipt of the notice of execution within 10 days of the mailing of the notice to the taxpayer, the sheriff must

make additional efforts to locate and notify the taxpayer and all lienholders of the sale under execution.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2006; SB 1451, S.L. 2006-106 s. 4, s. 5, and s. 6.)

**S.L. 2006-106 Section 9 — Revenue Laws Study Committee to Study Present-Use Value:**

The Revenue Laws Study Committee shall study and recommend any changes to the present-use value program. The study shall include: (1) expanding the present-use value program to include wildlife land and other conservation land, and (2) adding more specific land resource management criteria to the sound management programs for lands enrolled in the present-use value program. The Committee must make a report to the 2007 General Assembly.

(Effective July 13, 2006; SB 1451, S.L. 2006-106 s. 9.)

**SB 1523**

**Section 13 of S.L. 2005-294 (HB 1779)** is rewritten to change the effective dates of sections 1,2,3,5,6,7,9,10, and 11 to July 2010.

(Effective August 23, 2006; SB 1523, S.L. 06-259.)