

SECTION VII:
APPRAISAL OF PERSONAL PROPERTY

The Appraisal of Personal Property

This section covers the appraisal of personal property not used in connection with a business. There are types of personal property that will be discussed in this section that are sometimes used in connection with a business, but are not appraised like other business personal property.

We must first review the definition of personal property. G.S. 105-273 defines tangible personal property as "all personal property that is not intangible and that is not permanently affixed to real property." We must also look at the personal property that is exempted by statute. G.S. 105-275 exempts non-business property with the following definition:

Non-business Property - As used in this subdivision, the term "non-business property" means personal property that is used by the owner of the property for a purpose other than the production of income and is not used in connection with a business. The term includes household furnishings, clothing, pets, lawn tools, and lawn equipment. The term does not include motor vehicles, mobile homes, aircraft, watercraft, or engines for watercraft.

The properties not included as non-business property by the above statute are those that we will discuss in this section.

MANUFACTURED HOMES

Before we can discuss the listing, appraising and assessment of manufactured homes, we must first define the property. Below are definitions found in the North Carolina General Statutes.

G.S. 143-143.9(6)

Manufactured home. - A structure, transportable in one or more sections, which, in the traveling mode, is eight feet or more in width or is 40 feet or more in length, or when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning and electrical systems contained therein.

G.S. 105-316.7

For the purpose of G.S. 105-316.1 through 105-316.8, "mobile home" means a structure that (i) is designed, constructed, and intended for use as a dwelling house, office, place of business, or similar place of habitation and (ii) is capable of being transported from place to place on wheels attached to its frame. It also means a manufactured home as described in G.S. 105-273(13). This definition does not include trailers and vehicles required to be registered annually pursuant to Part 3, Article 3 of Chapter 20 of the General Statutes.

G.S. 105-164.3(21b) – Sales and Use Tax Definition

Modular home. - A factory-built structure that is designed to be used as a dwelling, is manufactured in accordance with the specifications for modular homes under the North Carolina State Residential Building Code, and bears a seal or label issued by the Department of Insurance pursuant to G.S. 143-139.1.

The North Carolina Manufactured Housing Institute defines manufactured homes and mobile homes in the following manner:

Manufactured Home: Factory-built housing built in compliance with the Federal Manufactured Home Construction and Safety Standards (the HUD code), which became effective June 15, 1976. One or more three dimensional units are transported to the site and installed. In 1980, Congress officially changed all references in federal law and regulations from the term "mobile" to the term "manufactured."

Mobile Home: Factory-built housing built prior to the enactment of HUD codes which became effective June 15, 1976. One or more three dimensional units are transported to the site and installed. In the 1960's, many mobile homes were built to a voluntary industry standard of the American National Standards Institute. North Carolina required all mobile homes manufactured, sold, or offered for sale in the state after July 1, 1970 to be built to the ANSL code. Mandatory factory inspection and a "label of compliance" from a state licensed agency were required after September 1, 1971.

It is apparent from the definitions above that the terms mobile home and manufactured home are used interchangeably. Property tax professionals tend to use the term mobile home while the housing industry prefers the term manufactured home. In this section we will use the term manufactured home, and this will include all types of manufactured housing.

The next question is to determine which of these manufactured homes should be appraised and assessed as personal property. G.S. 105-273(13) defines real property and includes the following type of manufactured home as real property:

“...These terms also mean a manufactured home as defined in G.S. 143-143.9(6) if it is a residential structure; has the moving hitch, wheels, and axles removed; and is placed upon a permanent foundation either on land owned by the owner of the manufactured home or 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. A manufactured home as defined in G.S. 143-143.9(6) that does not meet all of these conditions is considered tangible personal property.”

Before this definition was changed effective January 1, 2003, the language was not clear as to which manufactured homes had to be appraised and assessed as real property and which manufactured homes had to be carried as personal property. Because the statutes were silent or not clear on this issue, there were many different policies across the state. It is now clear that if any of the pertinent requirements are not met, as stated by statute, the home must be considered as tangible personal property and listed accordingly. Stated differently, all of the following requirements must be met for the unit to be considered “real property”:

1. It must be a residential unit.
2. It must have the moving hitch, wheels and axles removed.
3. It must be placed on a permanent foundation.
4. It must be located on land owned by the owner of the unit, or have a 20 year + lease with the land owner.

The most important issue is not whether a manufactured home is real property or personal property, but whether the manufactured home is appraised at its fair market value and appraised in an equitable manner. Each county should list and appraise all manufactured homes according to the market value standard of G.S. 105-283. Maybe even more important is that the policy meets the requirements of G.S. 105-284, the Uniform Assessment Standard.

If the hitch, wheel and axles are not removed from the home, then the home is personal property, regardless of the size and type of home.

The Department of Insurance has issued building codes for the installation of manufactured homes. The only foundation required by the building code for a manufactured home is footings and piers.

The footings are either of the poured concrete type or a pre-cast solid concrete pad. The size and depth of the footing depends on the type of home and the location of the home. The Building Code states that “The bottom of all footings shall be below the frost line or a minimum of 4 inches below finished grade, whichever is greater.” The frost line varies across the state and there is a chart in the Building Code that shows the frost line by County. The piers are either single stacked or double stacked. The number and placement of the piers is dictated by the Building Code. It is our opinion that all manufactured homes have a permanent foundation if their installation is in compliance with the Building Code.

Manufactured homes must be located on land owned by the owner of the home or have a 20 year + lease with the land owner in order to be assessed as real property. Prior to the changes of the 2001 N.C. General Assembly, there was little statutory guidance regarding what was real versus personal property as it relates to manufactured housing. What was often relied upon was the language in requests for reappraisal bids (RFP’s), simply stating that all doublewides would be picked up as real property. This practice has greatly contributed to the difficult situation many counties currently face; a large number of manufactured housing units treated as “leasehold real” or carried as leasehold improvements to real property. Under the current law, there are no “leasehold reals” permitted for manufactured housing. All homes located on the land of someone other than the owner of the home should be assessed as personal property. There are many homes across the State, which have been assessed as real and now will have to be assessed as personal property.

Prior to the above changes in the definition a manufactured home located on the land of another and assessed as real property was a lien on the land pursuant to G.S. 105-355. Under the current law, manufactured homes that are located on leased land or on the land of another and don’t meet the definition of real property, will be assessed as personal property and will no longer be a lien on the land on which the home is located.

Modular homes are built under the North Carolina Building Code just like site built homes and should be appraised and assessed as real property. Even those that may be on the land of someone other than the owner of the home should be considered real property. The only difference between the assessment of modular homes and site built homes is the following: a modular home used exclusively as a display model and held for eventual sale at the retail merchant’s place of business is considered exempt inventory under G.S. 105-273(8a).

Situs of Manufactured Homes

While manufactured homes are not as transportable as motor vehicles, they do present a problem for assessors and collectors. The situs rules under G.S. 105-304 apply to manufactured homes. The taxable situs of a manufactured home is determined as of the assessment date. The property is taxable where it is located on January 1 of the tax year in question. Even if the home is moved the next day it is still taxable in the tax jurisdiction were it was located on January 1.

Collection Issues with Mobile Homes

One of the biggest problems with the taxation of manufactured homes comes from the homes being moved before the taxes are paid. If the owner sells a manufactured home and it is moved out of the taxing county's jurisdiction, collecting the taxes on the home becomes much more difficult. The following statutes are in place to help deal with these situations.

§ 105-316.1. Tax permit required to move mobile home.

(a) In order to protect the local taxing units of this State against the nonpayment of ad valorem taxes on mobile homes, it is hereby declared to be unlawful for any person other than a mobile home manufacturer or retailer to remove or cause to be removed any mobile home situated at a premises in this State without first obtaining a tax permit from the tax collector of the county in which the mobile home is situated. The tax permit shall be conspicuously displayed near the license tag on the rear of the mobile home at all times during its transportation. Permits required by G.S. 105-316.1 through 105-316.8 may be obtained at the office of the county tax collector during normal business hours.

(b) Except as provided in G.S. 105-316.4, manufacturers, retailers and licensed carriers of mobile homes shall not be required to obtain the tax permits required by this section. Persons or firms transporting mobile homes shall, however, be responsible for seeing that a proper license tag, and when required under this section, a tax permit, are properly displayed thereon at all times during their transportation. (1975, c. 881, s. 1; 1977, 2nd Sess., c. 1187, ss. 1, 2.)

§ 105-316.2. Requirements for obtaining permit.

(a) In order to obtain the permits herein provided, persons other than manufacturers and retailers of mobile homes shall be required to (i) pay all taxes due to be paid by the owner to the county or to any other taxing unit therein; or (ii) show proof to the tax collector that no taxes are due to be paid; or (iii) demonstrate to the tax collector that the removal of the mobile home will not jeopardize the collection of any taxes due or to become due to the county or to any taxing unit therein.

(b) In addition to complying with the provisions of subsection (a) above, owners of mobile homes required to obtain the permits herein provided shall also furnish the following information to the tax collector:

- (1) The name and address of the owner,
- (2) The address or location of the premises from which the mobile home is to be moved,
- (3) The address or location of the place to which the mobile home is to be moved, and
- (4) The name and address of the carrier who is to transport the mobile home. (1975, c. 881, s. 1.)

§ 105-316.3. Issuance of permits.

(a) Except as otherwise provided in G.S. 105-316.2 above, no permit required by G.S. 105-316.1 through 105-316.8 shall be issued by the tax collector unless and until all taxes due to be paid by the owner to the county or to any other taxing unit therein, including any penalties or interest thereon, have been paid. Any taxes which have not yet been computed but which will become due during the current calendar year shall be determined as in the case of prepayments.

(b) Upon compliance with the provisions of G.S. 105-316.1 through 105-316.8, the tax collector shall issue, without charge, a permit authorizing the removal of the mobile home. He shall also maintain a record of all permits issued. (1975, c. 881, s. 1.)

§ 105-316.4. Issuance of permits under repossession.

Notwithstanding the provisions of G.S. 105-316.2(a) and 105-316.3(a), above, any person who intends to take possession of a mobile home, whether by judicial or nonjudicial authority, as a holder of a lien on said mobile home shall apply for, and be issued, the permit herein provided without paying all taxes due to be paid by the owner of the mobile home being repossessed, upon notifying the tax collector of the location in North Carolina to which the mobile home is to be taken. At the time of notification the tax collector shall render to the holder of the lien a statement of taxes due against only the mobile home. Within seven days of the issuance of the permit the applicant shall pay to the tax collector the taxes due as set forth in the statement.

Notwithstanding the foregoing, any applicant who is a nonresident of North Carolina must pay the taxes due as set forth above at the time of notification to the tax collector and application for the permit.

Upon issuance of the permit and the payment of any taxes as prescribed herein, the mobile home shall no longer be subject to levy or attachment of any lien for any other taxes then owed by the owner thereof, whether or not previously determined. (1975, c. 881, s. 1; 1977, 2nd Sess., c. 1187, s. 3.)

§ 105-316.5. Form of permit.

The permit shall be in substantially the form provided by this statute.

§ 105-316.6. Penalties for violations.

(a) Any person required by G.S. 105-316.1 through 105-316.8 to obtain a tax permit who fails to do so or who fails to properly display same shall be guilty of a Class 3 misdemeanor. This penalty shall be in addition to any penalties imposed for failure to list property for taxation and interest for failure to pay taxes provided by the general laws of this State.

(b) Any manufacturer or retailer of mobile homes who aids or abets any owner covered by G.S. 105-316.1 through 105-316.8 to defeat in any manner the purpose of G.S. 105-316.1 through 105-316.8 shall be guilty of a Class 3 misdemeanor.

(c) Any person who transports a mobile home from a location in this State for an owner other than a manufacturer or retailer of mobile homes without having properly displayed thereon the tax permit required by G.S. 105-316.1 through 105-316.8 shall be guilty of a Class 3 misdemeanor.

(d) Any law-enforcement officer of this State who apprehends any person violating the provisions of G.S. 105-316.1 through 105-316.8 shall detain such person and mobile home until satisfactory arrangements have been made to meet the requirements of G.S. 105-316.1 through 105-316.8. (1975, c. 881, s. 1; 1977, 2nd Sess., c. 1187, ss. 1, 4, 5; 1993, c. 539, s. 719; 1994, Ex. Sess., c. 24, s. 14(c).)

§ 105-316.8. Taxable situs not presumed.

Nothing in G.S. 105-316.1 through 105-316.8 shall be interpreted so as to subject to taxation any mobile home which does not have a taxable situs within this State under the general rules of law appropriate to such a determination. (1975, c. 881, s. 1.)

Listing of Manufactured Homes

Manufactured homes are required to be listed during the listing period which is the month of January unless the listing period has been extended. The situs, taxability, and value are determined as of that date. The owner of the manufactured home should supply the necessary information for the appraiser to determine the fair market value of the home.

Appraising Manufactured Homes

Over 35% of all new home starts in North Carolina are manufactured homes. In many counties across the State the number of new homes starts which are manufactured homes outnumber those built on site. With the increase in this type of home and the most current change in the law it is essential that all counties become more uniform in the appraising and assessing of manufactured homes. Below is a set of guidelines to help develop more uniformity across the State.

1. All homes that meet the definition provided in 105-273(13) must be appraised and assessed as real property using the county's schedule of values from its last general reappraisal.
2. All homes that do not meet the definition provided in 105-273(13) must be appraised and assessed as personal property.
3. Counties should develop a schedule to appraise all manufactured homes based on the market in their county. This schedule should be part of the real property schedule of values but also be used to assess homes considered as personal property. Below are some factors to consider in developing these schedules:
 - Newer units tend to appreciate over time versus depreciating over time, regardless of whether they have been listed as real property or as personal property. Exceptions might include rental units located in manufactured home parks.
 - Homes built prior to January 15, 1976 were not required to be built according to the Federal HUD Code and tend to have accelerated depreciation, even to the point where the final value approaches that from the TEC schedules.
 - There is no requirement that units listed as personal property must have a change in assessed valuation each year. While it can be reasonably expected that values might change, given the lack of sales data available for personal property, it can be argued that the change is not so easily measurable over a one or two-year period. Thus a schedule for real property units might also see duty for personal property units.
 - Manufactured housing units listed, as real property should be appraised from schedules created specifically for manufactured housing. NOTE: Modular housing can certainly be appraised from the residential schedule of values. In some instances, manufactured housing may be as well, but the schedule should be separate if by nothing more than its title.

4. All manufactured homes, except those older than 1976 and possibly those located in manufactured homes parks, should be measured and listed and placed on a property record card. All additions such as decks, porches, and extra rooms should be appraised according to the developed schedule.
5. The value of those homes assessed as personal property should be reviewed each year and adjusted as the market indicates.
6. Those homes located on the land of someone other than the owner of the home shall be appraised the same as other homes. Any adjustments that are indicated by the market in a county should be recognized by the appraiser. These homes located on the land of another are to be assessed as personal property if they don't meet the definition of real property.

Most of the counties in the state use some type of pricing guide to appraise the manufactured homes in their county. The guides are based on sales of manufactured homes across the country, and there are regional adjustments. The appraising of manufactured homes over the past 25 years has not been given as much attention as other types of more conventional housing. The thinking over this time period was that manufactured homes depreciate each year as they get older and that they do not appreciate, as is the case with real property. The new designs, quality of construction and demand for this type of home is challenging this way of thinking. Sales in counties in this state indicate that many of the newer manufactured homes do in fact appreciate over time and should be appraised like more conventional housing.

Manufactured homes are becoming more like real property than any other type of personal property, and the way they are appraised and assessed needs to be reviewed and changes made. Counties collect information and measure all residential structures that are considered real property. The same effort should be made to measure and collect information on all manufactured homes that are assessed as personal property.

Most manufactured homes have some type of addition such as decks, porches, and extra rooms. If a pricing guide is used to appraise the manufactured homes, these additions are either not picked up or are carried as real property on a separate card. A unit appraisal where everything is picked up and carried on a property record card would show one value for the manufactured home. Each year the property record cards can be compared to the listing to see if the manufactured homes have been listed. Any new manufactured homes can be measured and picked up for the current year. The manufactured homes are still assessed as personal property and reappraised each year. Appraising manufactured homes in this manner will require more resources and staff time, but the appraisals will be more accurate and uniform. As stated earlier the real issue is not "real" versus "personal" but whether the appraisal is correct and uniform.

Watercraft

The Machinery Act makes it clear that all watercraft are subject to ad valorem taxes but does not give a definition for the term watercraft. So we turn to other statutes to find the following definition of "vessel." G.S. 75A-2 defines vessel as:

" every description of watercraft or structure, other than a seaplane on the water, used or capable of being used as a means of transportation or habitation on the water."

With this definition, it is clear that all "vessels" are taxable in North Carolina, if located here. This would include the smallest rowboat, the largest yacht, and jet skis.

Situs of Boats

Trying to determine which watercraft are taxable in North Carolina and determining where in the state they are taxable is the hardest part of assessing property taxes on watercraft. Boats are very mobile and many have more than one port or docking location during a year. If it is clear that a boat is taxable in North Carolina, the situs rules found in G.S. 105-304 apply the same as for other personal property. The most difficulty comes in trying to determine if a boat is taxable in North Carolina or in another location. We will look at the following three situations concerning the taxable situs of boats.

1. Boats owned by North Carolina residents operated in U.S. waters.
2. Boats owned by non-residents of North Carolina located in North Carolina.
3. Boats owned by North Carolina residents operated in foreign waters.

The domicile of tangible personal property is the residence of the owner. The domicile state has jurisdiction to tax the property whether or not it is physically located in the state on the tax date. When tangible property is removed from the owner's domicile state and becomes more or less permanently located in another state, it is taxable there.

The U.S. Supreme Court stated in *Southern P. Co. v. Kentucky*, 222 U.S. 63,67,56 L.Ed. 96,98,32 S.Ct. 13,14 (1911) "To determine that [a ship] has acquired an actual situs in one port rather than another would involve such grave uncertainty as to result in an entire escape from taxation." In this case, the taxpayer operated seagoing merchant vessels between New York and New Orleans, New York and Galveston, and New Orleans and Havana, Cuba. The taxpayer listed the home port of the vessels as New York, attempting to escape property taxation at its residence in Kentucky. *Id.* The Supreme Court found the situs to be the domicile of the owner, and it said Kentucky's tax was legal. *Id.* at 75, 56 L.Ed. at 101,32 Ct at 18. In this case, the vessel was taxable in Kentucky, even though the vessel could never actually be in Kentucky.

The North Carolina Supreme Court has also addressed the issue in *Billings Transfer Corporation v. County of Davidson*, 276 N.C. 19, 34-35, 170 S.E. 2d 873, 884-885 (1969). In this case the Court ruled that the state of domicile may not tax the tangible personal property of its citizens if the property was permanently located in another state. The Court also ruled that the burden is on the owner of the property to prove that the property has acquired a tax situs in a jurisdiction other than the state of domicile.

Boats owned by North Carolina residents are taxable at the owner's residence unless the owner can prove that the property has acquired a taxable situs at another location.

Boats that are owned by non-residents of North Carolina are taxable by the owner's state of domicile unless the property has acquired a taxable situs in North Carolina.

A county assessor gets a list of boats from a marina in his\her county. After reviewing the list, there are several boats that have not been listed by the owner during the listing period. The owner claims the boats are owned by an out of state corporation and therefore not taxable in North Carolina. The courts have addressed this issue in *Texas Company v. Elizabeth City*, 210 N.C. 454, 187 S.E. 551 (1936). A Delaware Corporation maintained boats in Elizabeth City, North Carolina. The owner used the boats for business purposes. The court ruled that the boats were taxable by Elizabeth City.

It must always be remembered that the domicile state has the right to tax property unless the property has acquired situs in another state. Proving a boat has acquired a situs somewhere other than the state of domicile is difficult. There are no set rules for determining situs between two states. Each case has to be looked at individually. Below is a list of questions which can be asked to help determine the situs of a boat.

1. How much time does the boat stay in the county?
2. Does the owner lease a boat slip in the county?
3. Is the boat used for business purposes in the county?
4. Does the owner pay property tax on the boat in another state?
5. Does the owner of the boat own any real property in the county?
6. Is the boat registered in North Carolina?

" All vessels equipped with propulsion machinery which are in the jurisdiction of the United States must have a number issued by the issuing authority in the State in which the vessel is principally used." 33 C.F.R. Ch. 1 (7-1-91 Edition) Sections 173.11 and 172.15(a) See 46 U.S.C.A. G.S. 12301. The numbers issued are only good for 60 days after a vessel is moved to another state of operation.

7. Is the boat documented by the U.S. Coast Guard?

Merchant vessels over five net tons operating in U.S. waters must be documented. Pleasure vessels over five net tons may be documented.

These are a few questions to ask to try to determine situs of a boat. If you are unsure of the situs of a boat, always tax it until the owner proves otherwise. Many of these boats will escape taxation if only those we are sure of the situs were taxed.

U.S. flagged vessels that operate in international waters or kept in a foreign country are taxable at the owner's state of domicile. Only when these boats acquire a tax situs in a new tax jurisdiction can another state tax them. Since a foreign country cannot tax a U.S. flagged vessel, a foreign country cannot be another taxing jurisdiction.

Listing of Watercraft

Watercraft are required to be listed during the listing period which is the month of January unless the listing period has been extended. The situs, taxability, and value are determined as of that date. The owner of the watercraft should supply the necessary information for the appraiser to determine the fair market value of the property.

Appraising Watercraft

Most counties use some type of pricing guide to appraise watercraft in North Carolina. These guides are based on sales of boats much like the books used to appraise motor vehicles. The listing of the boats should give the information needed to correctly apply whichever pricing guide is used.

The original historical cost can be listed, trended and depreciated to arrive at market value. However, the cost approach would not be the best method when there are enough sales to use the sales comparison or market approach. The cost approach could be used on unique vessels for which there are not many sales. The cost approach could also be used as a check to be sure the market approach is arriving at fair market value.

Aircraft

As with watercraft the Machinery Act does not give a definition for aircraft, so we must look at other North Carolina statutes for guidance. G.S. 63-1(a)(3) reads "Aircraft means any contrivance now known, or hereafter invented, used or designed for navigation of or flight in the air." This would include the largest jet, smallest plane, and even hot air balloons.

Situs of Aircraft

Aircraft, like boats, are very mobile and determining the taxable situs of the property can be difficult. The situs rules of G.S. 105-304 apply to all aircraft that are taxable in North Carolina. The following questions can be asked to assist a county in determining where an aircraft is taxable.

1. How long has the aircraft been located in the county?
2. Does the owner of the aircraft live in the county?
3. Does the owner of the aircraft own real property in the county?
4. Does the owner of the aircraft own or lease a hanger for the aircraft in the county?
5. Does the owner pay taxes in another taxing jurisdiction?
6. Which airports are used by the aircraft and how often?
7. Is the aircraft used by a business located in North Carolina?

The above questions can be used to determine the situs of aircraft in North Carolina as well as if an aircraft is taxable in this State. Like all personal property, aircraft are taxable at the owner's state of domicile unless it acquires a situs in another State. In the *Texas Company v. Elizabeth City*, 210 N.C. 454, 187 S.E. 551 (1936), the Supreme Court held:

The situs of personal property for purposes of taxation is ordinarily the domicile of the owner. Where, however, the owner maintains said property in a jurisdiction other than that of his domicile, in the conduct of his business within such jurisdiction, the situs of said property for purposes of taxation is its actual situs, and not that of his domicile. The exception to the general rule is now universally recognized by the courts, both Federal and state.

Another case *Bassett Furniture Industries, Inc. v. Rockingham County*, 79 N.C. App. 258, 339 S.E. 2d 16, appeal dismissed, 316 N.C. 553 S.E.2d 4 (1986) involved the situs of an airplane. Bassett was a foreign corporation having no principal place of business in North Carolina but owning a jet aircraft hangared in Rockingham County, North Carolina for approximately one year. The Court of Appeals stated the following:

the stipulated facts and evidence presented by Bassett establish that the jet aircraft was "situated" or "more or less permanently located" in Rockingham County on January 1, 1984. Therefore it had a tax situs in Rockingham County on that date. Because the property acquired a tax situs in this State, imposition of the ad valorem tax does not violate the provisions of the Fourteenth Amendment to the U.S. Constitution.

This case is an example of the exception of the general rule of personal property being taxable at the domicile of the owner. As with all property, if you are unsure of the taxability of the property, tax it until the owner proves otherwise.

Listing of Aircraft

Aircraft are required to be listed during the listing period which is the month of January unless the listing period has been extended. The situs, taxability, and value are determined as of that date. The owner of the aircraft should supply the necessary information for the appraiser to determine the fair market value of the property.

Appraisal of Aircraft

Most counties use some type of pricing guide to appraise aircraft in North Carolina. These guides are based on sales much like the books used to appraise motor vehicles. The listing of the aircraft should give the information needed to correctly apply whichever pricing guide is used.

The original historical cost can be listed, trended and depreciated to arrive at market value. However, the cost approach would not be the best method when there are enough sales to use the sales comparison or market approach. The cost approach could be used on unique aircraft for which there are not many sales. The cost approach could also be used as a check to be sure the market approach is arriving at fair market value.

§ 105-277.12. Antique airplanes.

(a) For the purpose of this section, the term "antique airplane" means an airplane that meets all of the following conditions:

- (1) It is registered with the Federal Aviation Administration and is a model year 1954 or older.
- (2) It is maintained primarily for use in exhibitions, club activities, air shows, and other public interest functions.
- (3) It is used only occasionally for other purposes.
- (4) It is used by the owner for a purpose other than the production of income.

(b) Antique airplanes are designated a special class of property under Article V, Sec. 2(2) of the North Carolina Constitution and shall be assessed for taxation in accordance with this section. An antique airplane shall be assessed at the lower of its true value or five thousand dollars (\$5,000). (1997-355, s. 1.)

MOTOR VEHICLES

Motor vehicles are defined under G.S. 20-4.01(23) as “...every vehicle which is self-propelled and every vehicle designed to run upon the highways which is pulled by a self-propelled vehicle. Except as specifically provided otherwise, this term shall not include mopeds or electric assisted bicycles.”

Classification

The statutes classify certain motor vehicles, which determines how the property tax for the vehicle will be billed: by the county or through the North Carolina Vehicle Tax System (NCVTS). We will discuss the NCVTS later in this section.

§ 105-330.1. Classification of motor vehicles.

(a) Classification. - All motor vehicles other than the motor vehicles listed in subsection (b) of this section are designated a special class of property under Article V, Sec. 2(2) of the North Carolina Constitution and are considered classified motor vehicles. Classified motor vehicles must be listed and assessed as provided in this Article and taxes on classified motor vehicles must be collected as provided in this Article.

(b) Exceptions. - The following motor vehicles are not classified under subsection (a) of this section:

- (1) Motor vehicles exempt from registration pursuant to G.S. 20-51.
- (2) Manufactured homes, mobile classrooms, and mobile offices.
- (3) Semitrailers or trailers registered on a multiyear basis.
- (4) Motor vehicles owned or leased by a public service company and appraised under G.S. 105-335.
- (5) Repealed by Session Laws 2000, c. 140, s. 75(a), effective July 1, 2000.
- (6) Motor vehicles registered under the International Registration Plan.
- (7) Motor vehicles issued permanent registration plates under G.S. 20-84.
- (8) Self-propelled property-carrying vehicles issued three-month registration plates at the farmer rate under G.S. 20-88.
- (9) Motor vehicles owned by participants in the Address Confidentiality Program authorized under Chapter 15C of the General Statutes. (1991, c. 624, s. 1; 1991 (Reg. Sess., 1992), c. 961, s. 3; 1993, c. 485, s. 18; c. 543, s. 4; 1993 (Reg. Sess., 1994), c. 745, s. 1; 2000-140, s. 75(a); 2007-471, s. 6; 2009-445, ss. 24(a), 25(a); 2010-95, s. 22(c), (d); 2013-414, ss. 70(b), (c), 72.)

A classified registered motor vehicle will then be identified as all currently registered motor vehicles that have not been excepted by §105-330.1(b). Motor vehicles that are not registered as of January 1 of each year are to be treated as classified unregistered vehicles and are to be listed with all other personal property during the January listing period.

Motor vehicles which are not currently registered in North Carolina, but have a situs in North Carolina on the assessment date should be treated as classified unregistered vehicles and listed during the January listing period. This also means vehicles which may be registered in another state, but have a situs in our state, are to be considered unregistered for the purposes of ad valorem taxation.

Case Problem

MOTOR VEHICLES

G.S. 105-330 designates motor vehicles a special class of property. Which of the following are not considered classified motor vehicles under the current law.

1. Semi-Trailers or trailers registered on a multi-year basis.
2. Manufactured homes, mobile classrooms, and mobile offices.
3. Motor vehicles owned by a public service company.
4. Unregistered motor vehicles.
5. Motor vehicles leased to a public service company.
6. Motor vehicles leased to a town or city.
7. Motor vehicles owned by a church.
8. "U-drive it" passenger vehicles registered under G.S. 20-87(2).
9. An unregistered antique automobile, 40 years old, used for display purposes and parades.
10. A 1935 Ford with historic license plates used only for exhibitions.

NC Vehicle Tax System

DMV serves as the collection authority for all 100 local governments of North Carolina. The NC Vehicle Tax System (NCVTS) integrates with existing systems (e.g. STARS) and is responsible for determining vehicle values, verifying situs addresses, applying tax districts, and calculating vehicle taxes.

House Bill 1779, ratified in 2005, and signed into law under Session Law 2005-294, modified the collection process for vehicle property taxes and registration fees on registered motor vehicles in the State. The law mandates combining the payment of taxes and registration fees at the time of registration and became effective on July 1, 2013. Benefits of the changed business process include:

- Improving the experience for taxpayers by providing additional payment options and single bill for registration and vehicle property tax.
- Increasing revenue for the counties.
- Improving vehicle property tax collection timeframe for the counties.

§ 105-330.2. Appraisal, ownership, and situs.

(a) **Determination Date for Registered Vehicle.** - The ownership, situs, and taxability of a registered classified motor vehicle is determined annually as of the date on which the vehicle's current registration is renewed, regardless of whether the registration is renewed after it has expired, or on the date an application for a new registration is submitted. The situs of a registered classified motor vehicle may not be changed until the next registration date. The value of a registered classified motor vehicle is determined as follows:

- (1) For a registration expiring or an application for a new registration during the period January 1 through August 31, the value is determined as of January 1 of the current year.
- (2) For a registration expiring or an application for a new registration during the period September 1 through December 31, the value is determined as of January 1 of the following year.
- (3) For a new motor vehicle whose value cannot be determined as of January 1 of the year specified in subdivision (1) or (2) of this subsection, the value is determined as of the date that model of motor vehicle is first offered for sale at retail in this State.
- (4) For a motor vehicle whose value cannot be determined as of the date set under any other subdivision in this subsection, the value is determined using the most currently available January 1 retail value of the vehicle.

(a1) **Determination Date for Unregistered Vehicle.** - The ownership, situs, and taxability of an unregistered classified motor vehicle is determined as of January 1 of the year in which the registration of the motor vehicle expires and is not renewed or the motor vehicle is acquired and the owner does not submit an application for registration. The value of an unregistered classified motor vehicle is determined as of January 1 of the year the vehicle is required to be listed.

(b) **Value.** - An assessor must appraise a classified motor vehicle at its true value in money as prescribed by G.S. 105-283. The sales price of a classified motor vehicle purchased from a dealer, including all accessories attached to the vehicle when it is delivered to the purchaser, is considered the true value of the vehicle, and the assessor must appraise the vehicle at this value. The sales price excludes the tax imposed under Article 5A of this Chapter. The Property Tax

Division of the Department of Revenue must annually adopt a schedule of values, standards, and rules to be used in the valuation of all other classified motor vehicles to ensure equitable statewide valuations, taking into account local market conditions and allowing adjustments for mileage and the condition of the vehicles.

(b1) Valuation Appeal. - The owner of a classified motor vehicle may appeal the appraised value of the vehicle by filing a request for appeal with the assessor within 30 days of the date taxes are due on the vehicle under G.S. 105-330.4. An owner who appeals the appraised value of a classified motor vehicle must pay the tax on the vehicle when due, subject to a full or partial refund if the appeal is decided in the owner's favor.

The combined tax and registration notice or tax receipt for a classified motor vehicle must explain the right to appeal the appraised value of the vehicle. A lessee of a vehicle that is required by the terms of the lease to pay the tax on the vehicle is considered the owner of the vehicle for purposes of filing an appeal under this subsection. Appeals filed under this subsection shall proceed in the manner provided in G.S. 105-312(d).

(b2) Exemption or Exclusion Appeal. - The owner of a classified motor vehicle may appeal the vehicle's eligibility for an exemption or exclusion by filing a request for appeal with the assessor within 30 days of the assessor's initial decision on the exemption or exclusion application filed by the owner pursuant to G.S. 105-330.3(b). Appeals filed under this subsection shall proceed in the manner provided in G.S. 105-312(d).

(c) Repealed by Session Laws 2008-134, s. 61, effective July 28, 2008. (1991, c. 624, s. 1; 1991 (Reg. Sess., 1992), c. 961, s. 4; 1995, c. 510, s. 1; 1995 (Reg. Sess., 1996), c. 646, s. 24; 1997-6, s. 10; 1999-353, s. 1; 2005-294, s. 2; 2005-303, s. 1; 2006-259, s. 31.5; 2007-527, s. 22(b); 2008-134, ss. 61, 65; 2009-445, s. 24(a); 2010-95, s. 22(c); 2011-330, s. 42(a); 2012-79, ss. 3.2, 3.6; 2013-414, ss. 70(b), (d), 71(a), (b).)

§ 105-330.3. Listing requirements for classified motor vehicles; application for exempt status.

(a1) Unregistered Vehicles. - The owner of an unregistered classified motor vehicle must list the vehicle for taxes by filing an abstract with the assessor of the county in which the vehicle is located on or before January 31 following the date the owner acquired the unregistered vehicle or, in the case of a registration that is not renewed, January 31 following the date the registration expires, and on or before January 31 of each succeeding year that the vehicle is unregistered. If a classified motor vehicle required to be listed pursuant to this subsection is registered before the end of the fiscal year for which it was required to be listed, the following applies:

- (1) The vehicle is taxed as a registered vehicle, and the tax assessed pursuant to this subsection for the fiscal year in which the vehicle was required to be listed shall be released and/or refunded.
- (2) **(Effective for taxes imposed for taxable years beginning before July 1, 2017)** For any months for which the vehicle was not taxed between the date the registration expired and the start of the current registered vehicle tax year, the vehicle is taxed as an unregistered vehicle as follows:
 - a. The value of the motor vehicle is determined as of January 1 of the year in which the registration of the motor vehicle expires.
 - b. In computing the taxes, the assessor must use the tax rates and any additional motor vehicle taxes of the various taxing units in effect on the date the taxes are computed.

- c. The tax on the motor vehicle is the product of a fraction and the number of months for which the vehicle was not taxed between the date the registration expires and the start of the current registered vehicle tax year. The numerator of the fraction is the product of the appraised value of the motor vehicle and the tax rate of the various taxing units. The denominator of the fraction is 12.
 - d. The taxes are due on the first day of the second month following the month the notice was prepared.
 - e. Interest accrues on unpaid taxes for these unregistered classified motor vehicles at the rate of five percent (5%) for the remainder of the month following the month the taxes are due. Interest accrues at the rate of three-fourths percent (3/4%) for each following month until the taxes are paid, unless the notice is prepared after the date the taxes are due. In that circumstance, the interest accrues beginning the second month following the date of the notice until the taxes are paid.
- (2) **(Effective for taxes imposed for taxable years beginning on or after July 1, 2017)** For any months for which the vehicle was not taxed between the date the registration expired and the start of the current registered vehicle tax year, the vehicle is taxed as an unregistered vehicle as follows:
- a. The value of the motor vehicle is determined as of January 1 of the year in which the taxes are computed.
 - b. In computing the taxes, the assessor must use the tax rates and any additional motor vehicle taxes of the various taxing units in effect on the date the taxes are computed.
 - c. The tax on the motor vehicle is the product of a fraction and the number of months for which the vehicle was not taxed between the date the registration expires and the start of the current registered vehicle tax year. The numerator of the fraction is the product of the appraised value of the motor vehicle and the tax rate of the various taxing units. The denominator of the fraction is 12.
 - d. The taxes are due on September 1 following the date the notice was prepared. Taxes are payable at par or face amount if paid before January 6 following the due date. Taxes paid on or after January 6 following the due date are subject to interest charges. Interest accrues on taxes paid on or after January 6 pursuant to G.S. 105-360.
 - e. Repealed by Session Laws 2017-204, s. 5.1(a), effective for taxable years beginning on or after July 1, 2017.
- (3) A vehicle required to be listed pursuant to this subsection that is not listed by January 31 and is not registered before the end of the fiscal year for which it was required to be listed is subject to discovery pursuant to G.S. 105-312.

(b) **Exemption or Exclusion.** - The owner of a classified motor vehicle who claims an exemption or exclusion from tax under this Subchapter has the burden of establishing that the vehicle is entitled to the exemption or exclusion. The owner may establish prima facie entitlement to exemption or exclusion of the classified motor vehicle by filing an application for exempt status with the assessor within 30 days of the date taxes on the vehicle are due. When an approved application is on file, the assessor must omit from the tax records the classified motor vehicles described in the application. An application is not required for vehicles qualifying for the

exemptions or exclusions listed in G.S. 105-282.1(a)(1). The remaining provisions of G.S. 105-282.1 do not apply to classified motor vehicles.

(c) Duty to report changes. - The owner of a classified motor vehicle that has been omitted from the tax records as provided in subsection (b) of this section must report to the assessor any classified motor vehicle registered in the owner's name or owned by that person but not registered in the person's name that does not qualify for exemption or exclusion for the current year. This report must be made within 30 days after the renewal of registration or initial registration of the vehicle or, for an unregistered vehicle, on or before January 31 of the year in which the vehicle is required to be listed by subsection (a1) of this section. A classified motor vehicle that does not qualify for exemption or exclusion but has been omitted from the tax records as provided in subsection (b) is subject to discovery under the provisions of G.S. 105-312, except that in lieu of the penalties prescribed by G.S. 105-312(h) a penalty of one hundred dollars (\$100.00) is assessed for each registration period that elapsed before the disqualification was discovered.

(d) Criminal Sanction. - A person who willfully attempts, or who willfully aids or abets another person to attempt, in any manner to evade or defeat the taxes subject to this Article, whether by removal or concealment of property or otherwise, is guilty of a Class 2 misdemeanor. (1991, c. 624, s. 1; 2008-134, s. 62; 2009-445, s. 24(a); 2010-95, s. 22(c); 2012-79, s. 3.3; 2013-414, ss. 70(b), 71(a), (c); 2017-204, s. 5.1(a).)

§ 105-330.4. Due date, interest, and enforcement remedies.

(a) Due Date. - The registration of a classified motor vehicle may not be issued unless a temporary registration plate is issued for the motor vehicle under G.S. 20-79.1A or the taxes for the motor vehicle's tax year that begins after the issuance of the registration are paid upon registration. A registration of a classified motor vehicle may not be renewed unless the taxes for the motor vehicle's tax year that begins after the registration expires are paid upon registration. If the registration of a classified motor vehicle is renewed earlier than the date the taxes are due, the taxes must be paid as if they were due. Taxes on a classified motor vehicle are due as follows:

- (1) For an unregistered classified motor vehicle, the taxes are due on September 1 following the date by which the vehicle was required to be listed.
- (2) For a registered classified motor vehicle that is registered under the staggered system, the taxes are due each year on the date the owner applies for a new registration or the fifteenth day of the month following the month in which the registration renewal sticker expires pursuant to G.S. 20-66(g).
- (3) For a registered classified motor vehicle that is registered under the annual system, taxes are due on the date the owner applies for a new registration or 45 days after the registration expires.
- (4) For a registered classified motor vehicle that has a temporary registration plate issued under G.S. 20-79.1 or a limited registration plate issued under G.S. 20-79.1A, the taxes are due on the last day of the second month following the date the owner applied for the plate.

(a1) Repealed by Session Laws 2009-445, s. 24(a), effective July 1, 2013, and applicable to combined tax and registration notices issued on or after that date.

(b) Interest. - Interest accrues on unpaid taxes and unpaid registration fees for registered classified motor vehicles at the rate of five percent (5%) for the remainder of the month the taxes are due under subsection (a) of this section. Interest does not accrue for the first month following the due date. Interest accrues at the rate of three-fourths percent (3/4%) beginning the second month following the due date and for each following month until the taxes and fees are paid.

Subject to the provisions of G.S. 105-395.1, interest accrues on delinquent taxes on unregistered classified motor vehicles as provided in G.S. 105-360(a) and the discounts allowed in G.S. 105-360(a) apply to the payment of the taxes.

(c) Remedies. - The enforcement remedies in this Subchapter apply to unpaid taxes on an unregistered classified motor vehicle and to unpaid taxes on a registered classified motor vehicle for which the tax year begins before October 1, 2013.

(d) Payments. - Tax payments submitted by mail are deemed to be received as of the date shown on the postmark affixed by the United States Postal Service. If no date is shown on the postmark or if the postmark is not affixed by the United States Postal Service, the tax payment is deemed to be received when the payment is received by the collecting authority. In any dispute arising under this subsection, the burden of proof is on the taxpayer to show that the payment was timely made.

(e) Waiver. - Notwithstanding G.S. 105-380, the governing board of a county may adopt a resolution to create a uniform policy to allow the reduction or waiver of interest or penalties on delinquent motor vehicle taxes for registered classified motor vehicles for tax years prior to July 1, 2013. (1991, c. 624, s. 1; 1991 (Reg. Sess., 1992), c. 961, s. 5; 1995, c. 510, s. 2; 2001-139, s. 8; 2005-294, ss. 3, 4, 5; 2006-259, s. 31.5; 2007-471, s. 3; 2007-527, s. 22(b); 2008-134, s. 65; 2009-445, ss. 24(a), 25(a); 2010-95, s. 22(c), (d); 2011-330, ss. 40, 42(a); 2012-79, ss. 3.4, 3.6; 2013-414, ss. 70(b)-(d), 71(a), (d); 2015-204, s. 1.)

§ 105-330.5. Notice required; distribution and collection fees.

(a) Notice for Registered Vehicle. - The Property Tax Division of the Department of Revenue or a third-party contractor selected by the Property Tax Division must prepare a combined tax and registration notice for each registered classified motor vehicle. The combined tax and registration notice must contain all county and municipal corporation taxes and fees due on the motor vehicle as computed by the assessor in the county of registration. If the motor vehicle has a temporary or limited registration plate issued under G.S. 20-79.1 or G.S. 20-79.1A, the combined tax and registration notice must state that the vehicle registration fees for the plate have been paid and that the vehicle's registration becomes valid for the remainder of the year upon payment of the county and municipal corporation taxes and fees that are due. A combined tax and registration notice that sets out the required information on a vehicle issued a limited registration plate constitutes the registration certificate for that vehicle.

In computing the taxes, the assessor must appraise the motor vehicle in accordance with G.S. 105-330.2 and must use the tax rates and any additional motor vehicle taxes of the various taxing units in effect on the date the taxes are computed. The tax on the motor vehicle is the product of a fraction and the number of months in the motor vehicle tax year. The numerator of the fraction is the product of the appraised value of the motor vehicle and the tax rate of the various taxing units. The denominator of the fraction is 12. This procedure constitutes the listing and assessment of each classified motor vehicle for taxation.

The combined tax and registration notice must contain the following:

- (1) The appraised value of the motor vehicle.
- (2) The tax rate of each taxing unit.
- (3) A statement that the appraised value and the taxability of the motor vehicle may be appealed to the assessor in writing within 30 days of the due date.
- (4) The registration fee imposed by the Division of Motor Vehicles and any other information required by the Division of Motor Vehicles to comply with the provisions of Chapter 20 of the General Statutes.

(5) Instructions for payment.

(a1) Proration. - When a new registration is obtained for a registered classified motor vehicle that is registered under the annual system, the taxes are prorated for the remainder of the calendar year. The amount of prorated taxes due is the product of the proration fraction and the taxes computed according to subsection (a) of this section. The numerator of the proration fraction is the number of full months remaining in the calendar year following the registration application date and the denominator of the fraction is 12.

(a2) Repealed by Session Laws 2009-445, s. 24(a), effective July 1, 2011, and applicable to combined tax and registration notices issued on or after that date, or when the Division of motor vehicles and the Department of Revenue certify that the integrated computer system or registration renewal and property tax collection for motor vehicles is in operation, whichever occurs first.

(b) Distribution and Collection Fees. - The Property Tax Division of the Department of Revenue or a third-party contractor selected by the Property Tax Division must send a copy of the combined tax and registration notice for a registered classified motor vehicle to the motor vehicle owner, as defined in G.S. 20-4.01. Upon receiving written consent from the motor vehicle owner, the notice required under this subsection may be sent electronically to an e-mail address provided by the motor vehicle owner. The Department must establish a fee equal to the actual cost of preparing, printing, and sending the notice. The Department may receive a fee for each notice generated for a vehicle registered in a county or municipal corporation from the taxes and fees remitted to the county or municipal corporation in which the vehicle is registered. The collecting authority is responsible for collecting county and municipal taxes and fees assessed under this Article and may receive a fee for collecting these taxes and fees. The amount of this fee for an agent contracting with the Division of Motor Vehicles must equal at least the applicable amount set under G.S. 20-63(h). The amount of this fee for the Division of Motor Vehicles is the amount set by the memorandum of understanding entered into under G.S. 105-330.11 but shall not exceed the amount set under G.S. 20-63. The Property Tax Division must establish procedures to ensure that tax payments and fees received pursuant to this Article and Chapter 20 of the General Statutes are properly accounted for and taxes and fees due other taxing units and the Division of Motor Vehicles are remitted at least once each month.

(b1) Repealed by Session Laws 1995, c. 329, s. 2.

(c) Notice for Unregistered Vehicle. - The assessor must prepare and send a tax notice for each unregistered classified motor vehicle before September 1 following the January 31 listing date. The notice must include all county and special district taxes due on the motor vehicle. In computing the taxes, the assessor must use the tax rates of the taxing units in effect for the fiscal year that begins on July 1 following the January 31 listing date. Municipalities must list, assess, and tax unregistered classified motor vehicles as provided in G.S. 105-326, 105-327, and 105-328.

(d) Scope of Levy. - A county must include taxes on registered classified motor vehicles in the tax levy for the fiscal year in which the taxes are collected.

(e) Repealed by Session Laws 2012-79, s. 3.5, effective June 26, 2012. (1991, c. 624, s. 1; 1991 (Reg. Sess., 1992), c. 961, s. 6; 1995, c. 24, s. 1; c. 329, s. 2; c. 510, s. 3; 2005-294, s. 6; 2005-313, s. 8; 2006-259, s. 31.5; 2007-471, ss. 4, 5; 2007-527, s. 22(b); 2008-134, s. 65; 2009-445, ss. 24(a), 25(a); 2010-95, s. 22(c), (d); 2011-330, s. 42(a); 2012-79, ss. 3.5, 3.6; 2013-372, s. 2(b); 2013-414, s. 70(b)-(d); 2014-3, s. 13.3; 2015-108, s. 1.)

§ 105-330.6. Motor vehicle tax year; transfer of plates; surrender of plates.

(a) Tax Year. - The tax year for a classified motor vehicle listed pursuant to G.S. 105-330.3(a)(1) and registered under the staggered system begins on the first day of the first month following the date on which the former registration expires or the new registration is applied for and ends on the last day of the month in which the current registration expires. The tax year for a classified motor vehicle listed pursuant to G.S. 105-330.3(a)(1) and registered under the annual system begins on the first day of the first month following the date on which the registration expires or the new registration is applied for and ends the following December 31. The tax year for a classified motor vehicle listed pursuant to G.S. 105-330.3(a)(2) is the fiscal year that opens in the calendar year in which the vehicle is required to be listed.

(a1) Change in Tax Year. - If the tax year for a classified motor vehicle changes because of a change in its registration for a reason other than the transfer of its registration plates to another classified motor vehicle pursuant to G.S. 20-64, and the new tax year begins before the expiration of the vehicle's original tax year, the taxpayer may receive a credit, in the form of a release, against the taxes on the vehicle for the new tax year. The amount of the credit is equal to a proportion of the taxes paid on the vehicle for the original tax year. The proportion is the number of full calendar months remaining in the original tax year as of the first day of the new tax year, divided by the number of months in the original tax year. To obtain the credit allowed in this subsection, the taxpayer must apply within 30 days after the taxes for the new tax year are due and must provide the county tax collector information establishing the original tax year of the vehicle, the amount of taxes paid on the vehicle for that year, and the reason for the change in registration.

(b) Transfer of Plates. - If the owner of a classified motor vehicle listed pursuant to G.S. 105-330.3(a)(1) transfers the registration plates from the listed vehicle to another classified motor vehicle pursuant to G.S. 20-64 during the listed vehicle's tax year, the vehicle to which the plates are transferred is not required to be listed or taxed until the current registration expires or is renewed.

(c) Surrender of Plates. - If the owner of a classified motor vehicle, who pays the tax as required by G.S. 105-330.4(a), either transfers the motor vehicle to a new owner or moves out-of-state and registers the vehicle in another jurisdiction, and the owner surrenders the registration plates from the listed vehicle to the Division of Motor Vehicles, then the owner may apply for a release or refund of taxes on the vehicle for any full calendar months remaining in the vehicle's tax year after the date of surrender. To apply for a release or refund, the owner must present to the county tax collector within one year after surrendering the plates the receipt received from the Division of Motor Vehicles accepting surrender of the registration plates. The county tax collector shall then multiply the amount of the taxes for the tax year on the vehicle by a fraction, the denominator of which is the number of months in the tax year and the numerator of which is the number of full calendar months remaining in the vehicle's tax year after the date of surrender of the registration plates. The product of the multiplication is the amount of taxes to be released or refunded. If the taxes have not been paid at the date of application, the county tax collector shall make a release of the prorated taxes and credit the owner's tax notice with the amount of the release. If the taxes have been paid at the date of application, the county tax collector shall direct an order for a refund of the prorated taxes to the county finance officer, and the finance officer shall issue a refund to the vehicle owner. (1991, c. 624, s. 1; 1991 (Reg. Sess., 1992), c. 961, s. 7; 1995, c. 510, s. 4; 1998-139, s. 3; 2001-406, s. 1; 2001-497, s. 1(a); 2005-313, s. 9; 2017-204, s. 5.2.)

Vehicle Billing

The ownership and situs of a registered motor vehicle are determined on the date the application for a new registration is submitted, or the date the registration is renewed, regardless if untimely. The license plate agency can update the situs address on a renewal to recalculate the renewal for the proper tax liability. Once registered, no situs changes are permitted until the next registration.

Valuation Date

The valuation date for a registered, classified motor vehicle is determined annually as of the registration month. For vehicles registered during the months of January through August, the valuation date is January 1 of the current year. For vehicles registered during the months of September through December, the valuation date is January 1 of the following year.

Appraisal

For new registrations, the value should reflect the purchase price of the vehicle, excluding the highway use tax. For registration renewals, the average retail value will be placed on the vehicle through the NCVTS, as provided by the Department of Revenue. Counties may adjust values for any factor affecting the value, such as high mileage, condition, or truck bodies. The license plate agencies do not have access to the NCVTS and are not permitted to change the value on a vehicle. If a taxpayer disagrees with the value of the vehicle on the notice, the LPA must instruct the taxpayer to go to the county tax office to correct the value, or pay the full amount due and request a refund from the county tax office.

Tax Rate and Levy

The tax rate to be used is the rate that is in effect when the tax is computed. Taxes are included in the levy for the fiscal year they are collected in.

Due Date and Interest

For new registrations, the tax is due on the date of the new registration. If a limited registration plate (LRP) is issued, the tax is due on the last day of the second month following the date the owner applied for the plate.

For registration renewals, the tax is due on the 15th of the month following the expiration. On the 16th of the month following expiration, interest is added in the amount of 5% for the remainder of the month through the last day of the next month; then at a rate of $\frac{3}{4}\%$ on the first of each month thereafter until paid.

Annual Registrations

For annual registrations, the tax year is the calendar year. Taxes are due on the date of the new registration. For renewals, the tax is due 45 days after the plate expiration.

Unregistered Motor Vehicles

Motor vehicles that are unregistered as of January 1 are required to be listed during the regular listing period. If unlisted, they may be discovered under G.S. 105-312. Notices must be sent before September 1 and are due September 1. They become delinquent on January 6 of the following year.

Exemptions

Owners requesting exemption must meet all requirements at the time of registration and file an application using Form AV-10V. The application must be filed within 30 days of the due date (before or after, including unregistered). Exempt and non-taxable vehicles will be identified by the plate and a use code in the DMV system that prevents them from populating in the NCVTS queues.

Appeals

Any owner wishing to appeal the value or taxability of their registered motor vehicle must do so in writing within 30 days of the due date (before or after). If not appealed prior to the due date, they must pay the tax when it becomes due, then request a refund. The situs of a vehicle may be appealed under G.S. 105-381.

Plate Transfer

If an owner transfers registration from one car to another, the second car is not taxed until the registration is renewed.

Pro-rations

An owner may apply for a release or refund of tax if all of the following conditions are met:

- Vehicle sold or owner moves out of state and registers the vehicle in another jurisdiction.
- Registration plate is surrendered to DMV.
- Owner presents the receipt (FS-20) to the collector within one year of the surrender.

A credit will be issued for any full months remaining in the tax year after the date of surrender. It should be noted that no partial refunds will be issued for city or county vehicle tag fees.

Gap Billing

The Gap Billing Report in NCVTS lists all vehicles that have had a new plate issued or have had a new sticker that changes the renewal cycle where one or more months of taxes have been omitted. These omitted months should be billed directly by the county tax office. The value should be determined as of January 1 and the tax rate as of the date the tax is computed is used. Ownership, situs and taxability are based on the owner's current registration.

Automotive Dealers

Because a motor vehicle dealer is in the business of selling motor vehicles does not necessarily mean that all vehicles owned by the dealership are held for sale. Wreckers and car carriers owned by the dealership are not part of their inventory and must be listed if they carry a dealer plate. In addition, employees using dealer tags on their personal vehicles, for personal use, would not be exempt. This may present a problem if the dealer insists that the vehicle is inventory "held for sale" and should not be listed. An important part of the inventory definition is that the property must be held for sale during the regular course of business. Some helpful questions to ask the dealer in this situation are:

- (1) Is the vehicle kept on the sales lot with other vehicles for sale?
- (2) Is the vehicle readily available at any time to be test driven?
- (3) When was the last time the vehicle was test driven?
- (4) Is the vehicle advertised for sale anywhere?
- (5) What is the current asking price of the vehicle?

Sometimes these questions will help the dealer understand the difference between a vehicle used for personal use and one that is actually held for sale in the regular course of business.

Gross Receipts Tax and Rental Vehicle Exemption

Senate Bill 1076 became effective July 1, 2000, which exempted motor vehicles held for short term lease or rental. This bill replaced the property tax on these vehicles with a tax on the gross receipts at a rate up to 1.5%. The gross receipts tax is optional, and may be adopted by ordinance. The exemption is not optional.

The specifics of the gross receipts tax on rental vehicles are numerous. Essentially §105-275(42) exempts vehicles whose lease or rental term is less than 365 continuous days and are owned or leased by an entity engaged in the business of leasing or renting vehicles to the general public. These vehicles include those owned by the car rental companies as well as truck rental companies such as U-Haul, Ryder, Penske, Budget, etc. The laws governing the gross receipts procedures are found in §160A-208 for municipalities and §153A-148 for counties.

The same administrative provisions of Chapter 105 that apply to the state sales tax on rentals apply to this tax. The most important of those provisions is G.S. 105-164.16, which sets forth reporting and return requirements. Generally, a taxpayer must file a return by the 15th of each month showing the receipts and tax for the preceding month. The tax is due when the return is filed. The counties and cities levying the tax must furnish the taxpayer with the forms needed for filing the returns.

G.S. 105-260.1 authorizes the Secretary of Revenue to delegate to a deputy or assistant secretary the authority to hold hearings. This statute can be used as authority for the board of commissioners or city council to delegate to the tax collector authority to hear requests from taxpayers for relief from or compromise of penalties and other administrative matters involving collection of this tax. Enforcement of the tax is governed by Article 9 of Chapter 105 of the General Statutes.

§ 105-330.9. Antique automobiles.

(a) Definition. - For the purpose of this section, the term "antique automobile" means a motor vehicle that meets all of the following conditions:

- (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, or owned directly or indirectly through one or more pass-through entities, 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.

(b) Classification. - Antique automobiles are designated a special class of property under Article V, Sec. 2(2) of the North Carolina Constitution and must be assessed for taxation in accordance with this section. An antique automobile must be assessed at the lower of its true value or five hundred dollars (\$500.00). (1995, c 512, s 2; 2009-445, s. 24(a); 2013-414, s. 70(b); 2017-10, s. 2.8.)

Related Statutes

§ 105-325.1. Special committee for motor vehicle appeals.

The board of county commissioners may appoint a special committee of its members or other persons to hear and decide appeals arising under G.S. 105-330.2(b). The county shall bear the expense of employing the committee. (1991 (Reg. Sess., 1992), c. 961, s. 9.)

G.S. 105-373(h)

Relief from Collecting Taxes on Classified Motor Vehicles. The board of county commissioners may, in its discretion, relieve the tax collector of the charge of taxes on classified motor vehicles listed pursuant to G.S. 105-330.3(a)(1) that are one year or more past due when it appears to the board that the taxes are uncollectible. This relief, when granted, shall include municipal and special district taxes charged to the collector.

G.S. 105-321(f)

Minimal Taxes. - Notwithstanding the provisions of G.S. 105-380, the governing body of a taxing unit that collects its own taxes may, by resolution, direct its assessor and tax collector not to collect minimal taxes charged on the tax records and receipts. Minimal taxes are the combined taxes and fees of the taxing unit and any other units for which it collects taxes, due on a tax receipt prepared pursuant to G.S. 105-320 in a total original principal amount that does not exceed an amount, up to five dollars (\$5.00), set by the governing body. The amount set by the governing body should be the estimated cost to the taxing unit of billing the taxpayer for the amounts due on a tax receipt or tax notice. Upon adoption of a resolution pursuant to this subsection, the tax collector shall not bill the taxpayer for, or otherwise collect, minimal taxes but shall keep a record of all minimal taxes by receipt number and amount and shall make a report of the amount of these taxes to the governing body at the time of the settlement. These minimal taxes shall not be a lien on the taxpayer's real property and shall not be collectible under Article 26 of this Subchapter. A resolution adopted pursuant to this subsection 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 of the taxing unit. A resolution adopted pursuant to this subsection shall not apply to taxes on registered motor vehicles.

§ 20-50.4. Division to refuse to register vehicles on which county and municipal taxes and fees are not paid and when there is a failure to meet court-ordered child support obligations.

(a) Property Taxes Paid with Registration. - The Division shall refuse to register a vehicle on which county and municipal taxes and fees have not been paid.

(b) Delinquent Child Support Obligations. - Upon receiving a report from a child support enforcement agency that sanctions pursuant to G.S. 110-142.2(a)(3) have been imposed, the Division shall refuse to register a vehicle for the owner named in the report until the Division receives certification pursuant to G.S. 110-142.2 that the payments are no longer considered delinquent. (1991, c. 624, s. 5; 1995, c. 538, s. 2(g); 1995 (Reg. Sess., 1996), c. 741, ss. 1, 2; 2005-294, s. 11; 2006-259, s. 31.5; 2007-527, s. 22(b); 2008-134, s. 65; 2011-330, s. 42(a); 2012-79, s. 3.6; 2013-414, s. 70(d).)

G.S. 20-66(i)

Property Tax Consolidation. - When the Division receives an application under subsection (a) for the renewal of registration before the current registration expires, the Division shall grant the application if it is made for the purpose of consolidating the property taxes payable by the applicant on classified motor vehicles, as defined in G.S. 105-330. The registration fee for a motor vehicle whose registration cycle is changed under this subsection shall be reduced by a prorated amount. The prorated amount is one-twelfth of the registration fee in effect when the motor vehicle's registration was last renewed multiplied by the number of full months remaining in the motor vehicle's current registration cycle, rounded to the nearest multiple of twenty-five cents (25¢).

Case Problem

NCVTS ISSUES

- 1) Name three types of vehicles that are not included in the Vehicle Tax System (VTS):

- 2) Vehicle records can be identified by plate and use code as being either exempt or not taxable and these do not show up in the VTS queues. True or False?

- 3) What is the due date for a November 2014 registration renewal month?

- 4) What is the last day a vehicle owner can appeal their vehicle value if a new car is registered on March 20th, 2014?

- 5) Interest begins on June 16th following a vehicle renewal registration month of May 2014 and it accrues at a rate of 3% for two months before it changes to ¾%. True or False?

- 6) If a vehicle owner presents their invitation to renew to the License Plate Agency (LPA) clerk and that owner voices displeasure with the value of the vehicle on the notice, what can the clerk do for the vehicle owner?

- 7) If a vehicle owner has moved since receiving their invitation to renew, and that owner tells the LPA clerk about the new address, the clerk is prohibited from allowing STARS/VTS to re-calculate the correct tax liability based on the new address. True or False?

- 8) During a pro-rated refund, a vehicle owner is entitled to a partial refund from the city or county vehicle tag fee. True or False?