

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 315 Finance Committee Substitute

SHORT TITLE: Motor Vehicle Tax Value

SPONSOR(S): Rep. Connie Wilson

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(Millions)				
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
General Fund		* No General Fund Impact *			
Local Governments	0	(\$27.6)	(\$29.5)	(\$31.6)	(\$33.8)
PRINCIPAL DEPARTMENT (S) & PROGRAM (S) AFFECTED: County and City Governments.					
EFFECTIVE DATE: Effective for taxes imposed for taxable years beginning on or after July 1, 2000.					

BILL SUMMARY: Currently all vehicles are valued as of January in the year in which the registration is due. The taxes are due three months after the registration. The bill requires the assessors to value the vehicle as of the January proceeding the due date of the tax. The registration date is no longer a factor in determining tax value.

ASSUMPTIONS AND METHODOLOGY: Under the current system, vehicles can now be valued for property tax purposes on the January proceeding registration. This means that the property tax assessment can reflect values as old as 16 months. The bill effectively changes the vehicle tax bills due in the last four months of the year to reflect the value on the most recent January. For example, an automobile is purchased in the fall. The vehicle registration is due in November 1998. The taxes on that vehicle are due three months later in March 1999. Under current law, the tax is based on the vehicle's value on January 1, 1998. With this legislation the vehicle will be taxed on its value as of January 1, 1999.

The total **statewide value of all vehicles**, as reported to the Department of Revenue, for fiscal years 1995-96 through 1998-99 is as follows:

	1995-96	1996-97	1997-98	1998-99*
Vehicle Value	33,430,604,088	37,563,953,946	45,081,633,555	45,456,523,592

** Indicates this is preliminary data, with only 95 of 100 counties reporting.*

While growth in this sector has been very strong, it is expected to level off in the next few years. As such, this note assumes a 7% growth rate.

The 1997-98 weighted average property tax rate for all governmental jurisdictions in the state (cities and counties) was \$0.968 per \$100.00 of assessed value. The rate has varied from in the past ten years from a low of \$0.938 per \$100.00 (1988-89) to a high of \$0.994 per \$100.00 (1993-94 and 1994-95). Because of increasing pressures to build schools and provide other services, this note assumes a rate of \$1.00 per \$100.00 of assessed value for the five year period of the note.

Assuming 7% annual growth in the motor vehicle tax base, and a flat weighted average tax rate of \$1.00 per \$100.00 of assessed value, the expected property tax revenue from motor vehicles is as follows:

	1999-00	2000-01	2001-02	2002-03	2003-04
Vehicle Value	\$51,613,962,257	\$55,226,939,615	\$59,092,825,388	\$63,229,323,165	\$67,655,375,787
Property Tax	\$516,139,623	\$552,269,396	\$590,928,254	\$632,293,232	\$676,553,758

A statewide survey of county assessors indicates that most responding assessors expect to lose between 5% and 6% of the motor vehicle property tax base as a result of this proposal. No county reported a potential loss or gain outside of this range. Assuming 5% of the vehicle base is lost, the actual statewide county revenue loss is as follows:

	1999-00	2000-01	2001-02	2002-03	2003-04
Change	(\$25,806,981.15)	(\$27,613,469.80)	(\$29,546,412.70)	(\$31,614,661.60)	(\$33,827,687.90)

Because the bill does not become effective until July 1, 2000 the loss does not take effect until the FY 2000-01 fiscal year. This shift for the effective date is reflected in the chart.

FISCAL RESEARCH DIVISION 733-4910

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