

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1523 (2nd Edition)

SHORT TITLE: Amend Property Tax Laws

SPONSOR(S):

FISCAL IMPACT					
	Yes ()	No ()	No Estimate Available (X)		
	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>
REVENUES					
General Fund			<u>No General Fund Impact</u>		
Local Governments		Potential Revenue Increase – See Assumptions and Methodology			
Setoff Debt Collection Clearinghouse		Potential Revenue Increase – See Assumptions and Methodology			
EXPENDITURES					
Local Governments		Potential Cost Savings – See Assumptions and Methodology			
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Local Governments, North Carolina Department of Revenue, Property Tax Division.					
EFFECTIVE DATE: Sections 1 (worthless checks) and 4 (manufactured homes) are effective when they become law. The remainder becomes effective for taxes imposed on taxable years beginning on or after July 1, 2003.					

BILL SUMMARY: This proposal makes several changes to the property tax law and is recommended by the Revenue Laws Study Committee, the North Carolina Association of Assessing Officers and the North Carolina Department of Revenue.

Section 1 addresses the returned check fee charged by tax collectors. Under current statute, the collector can impose a 10% fee for returned checks, with a minimum of \$1.00 and a maximum of \$1,000. The proposal increases the minimum fee to \$25.00. The 10% rate and the \$1,000 maximum provisions are retained, however, the assessor is given the authority to reduce or waive the 10% penalty. Section 2 defines the procedures and time limits surrounding a property tax appeal of personal property taxes. Section 3 authorizes local boards of equalization and review to meet after their adjournment date to hear personal property appeals. Section 4 changes the effective date of several property tax changes made last session in regards to manufactured homes. Section 5 authorizes the Department of Revenue to collect a \$15 collection assistance fee on each local debt collected through the Setoff Debt Collection program. The funds are to be forwarded to the North Carolina Local Government Debt Setoff Clearinghouse.

ASSUMPTIONS AND METHODOLOGY:

Section 1: Because the proposal increases the minimum amount charged by tax collectors for returned checks, local fee revenues will increase. However, at least some of this increase may be offset by granting the assessor the authority to waive the fee. Fiscal Research is unable to offer an exact estimate of the increase, although it is expected to be relatively small.

Section 2: The statutory procedure for property tax appeals is oriented towards real estate and does not specifically address how to handle motor vehicle appeals. As a result, counties use a variety of procedures and timelines. Because the bill only clarifies procedure, it is not expected to have a fiscal impact.

Section 3: This section is not expected to have a fiscal impact as it merely extends the time limit for appeals.

Section 4: During the 2001 session, several changes were made regarding the classification of manufactured homes for property tax purposes. In particular, the statute laid out specific qualifications for a manufactured home to be considered real property. This included having multiple sections, being placed on a permanent foundation, and having several items (hitch, wheels, axles) removed from the home. The effective date for the changes was July 1, 2002. Since the legislation passed, many assessors have been unable to determine if all the manufactured homes in the county meet the new criteria. As a result, they are asking that the current effective date be delayed until July 1, 2003. Because some properties would continue to be valued as personal property for two extra years, some impact is expected on property taxes. However, Fiscal Research is unable to make a reliable estimate of the impact during that period.

Section 5: Under current law, counties and cities can submit debts for collection to the Department of Revenue as long as the request is forwarded through the League of Municipalities, the County Commissioners Association, or a clearinghouse established through interlocal agreement. However, when the government submits the debt for collection, they must absorb the \$15 fee themselves. The proposal authorizes the Department of Revenue to collect the \$15 fee from the delinquent payer, and requires the Department notify the taxpayer that the \$15 fee is being charged for collection assistance. This fee does not apply to child support. The proposal will reduce the cost of debt collection for local governments and will likely increase program usage. However, no firm estimate is available on the total financial impact for local governments.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Linda Struyk Millsaps

APPROVED BY: James D. Johnson

DATE: August 12, 2002



Signed Copy Located in the NCGA Principal Clerk's Offices