

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 664 (1st Edition)

SHORT TITLE: Exempt Church Construction

SPONSOR(S): Sen. Ballantine

FISCAL IMPACT

Yes (X)	No ()	No Estimate Available ()
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<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
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REVENUES

General Fund

*** No General Fund Impact ***

Local Governments

*** See Assumptions and Methodology ***

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: NC Dept. of Revenue and local governments.

EFFECTIVE DATE: This act is effective for taxes imposed for taxable years beginning on or after July 1, 2004.

BILL SUMMARY: The legislation exempts from local property taxes real property held by an exempt religious organization if it is held for no more than three years as a future site for a building intended to be used for a religious purpose. The amount of taxes that would otherwise be due on the property, as well as appropriate interest, is held as a lien on the property. That lien is extinguished when, within three years, construction on the site of a building for religious purposes occurs, or payment is made for all deferred taxes and interest.

ASSUMPTIONS AND METHODOLOGY: Under current law, property is exempt from taxation if it is owned by a defined religious organization and used for a religious purpose (G.S. 105- 278.3). However, until the land is actually used for a religious purpose, it is taxable even if it is held by a qualifying religious organization. Therefore, vacant land held by a religious organization is generally not assumed to be “used for a religious purpose,” and thereby exempt, unless the property is directly adjacent to the main property. Thus, vacant land that is held by a religious organization for future construction is taxable because it is not actually yet being “used for a religious purpose.” This legislation broadens the definition of exempt religious property to include property held as a future site of a religious organization, as long as construction of a religious facility occurs within three years.

According to county assessors and the NC Department of Revenue, in 2001-02, \$8,595,674,157 of religiously held property was exempt from county and municipal taxes statewide. County assessors are aware of other land held by religious organizations that is taxable because it is not used for a religious purpose. At least some of that land will become exempt under the bill, resulting in a revenue loss for local governments. However, no estimate is possible on the amount of currently taxable land that will be exempt, as assessors currently have no information on how the owners intend to use the land over the next three years. They also have no information on how many of those parcels held for future religious development will actually end in construction within three years, and which owners will ultimately have to pay the deferred taxes with interest. Therefore, no exact fiscal estimate of the loss associated with this bill is possible.

SOURCES OF DATA: NC Department of Revenue and county tax assessors.

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