

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: S.B. 817 Real Property Tax Penalty

SHORT TITLE: Real Property Tax Penalty

SPONSOR(S): Sen. Ballance

FISCAL IMPACT

	Yes (X)	No ()	No Estimate Available (X)		
	<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 Government

* See Assumptions and Methodology *

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: County and municipal governments, the North Carolina Department of Revenue, Property Tax Division.

EFFECTIVE DATE: Section 3 of this act is effective for taxes imposed for taxable years beginning on or after July 1, 2004. The remainder of this act is effective for taxes imposed for taxable years beginning on or after July 1, 1999. Section 2 of this act is repealed effective for taxes imposed for taxable years beginning on or after July 1, 2004.

BILL SUMMARY: The legislation makes two changes to real property tax law. First, it provides an exception to the late listing penalty for property that has not been improved or transferred since it was last listed. This is generally referred to as unimproved discovered property. This applies only in counties where there is no permanent listing system. Second, it requires that each county install a permanent listing system. This system must be approved by the Department of Revenue, and implemented by the 2004 tax year.

ASSUMPTIONS AND METHODOLOGY: According to the Department of Revenue, as of January 1, 1999 there were six counties without a permanent listing system. These counties are Clay, Graham, Swain, Vance, Warren, and Yancey. All of the remaining 94 counties have some version of a permanent listing system.

Under a permanent listing system, real property is assumed to remain the same, unless the county has reason to believe otherwise. In counties without a permanent system, the assessor requires property owners to listing their real property each year. According to the Department of

Revenue, many counties have a permanent system, but also use a post card reminder system to give property owners a convenient opportunity to declare any significant modifications or unrecorded transfers. In the case of residential property, a significant modification would include building a deck or garage, or increasing the overall footprint of the home. When a permanent listing system is used, assessors often depend on inspection and permit officials for much of their information on property improvements.

According to the Department of Revenue, the amount of discovered property in a county is generally very insignificant each year, unless the county performs an audit. Counties are only required to audit one-eighth of their exempt property each year. There are no requirements to audit property that produces income for the county. Because there is no data available on the amount of discovered property, the associated penalty amounts, or how much of that property is held by the same owner and unimproved, no fiscal estimate is possible on this portion of the bill. However, the bill has the potential to decrease penalty income in the six counties that do not have a permanent listing system. Since provision of the bill expires in 2004, there will be no fiscal impact after that date.

The requirement that all counties have a permanent listing system by 2004 could have a fiscal impact on the six counties without such a system. No information is available at this time on the cost of developing a permanent system.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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DATE: Monday, May 17, 1999



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