

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 350 (Second Edition)

SHORT TITLE: Property Tax Uniformity for Conservation Land.

SPONSOR(S): Representatives McGrady, Starnes, Brubaker, and Harrison

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
REVENUES:					
Local Governments: *Insignificant Property Tax Revenue Change to Local Governments*					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Local Governments; NC Department of Revenue					
EFFECTIVE DATE: Effective for taxable years beginning on or after July 1, 2011.					

BILL SUMMARY:

HB 350 does the following:

- Clarifies and modifies the conservation property tax exemption by listing certain, enumerated conservation purposes.
- Creates a 5-year rollback for avoided taxes if conservation property is no longer used for conservation purposes, used to generate income inconsistent with conservation, or is sold or transferred without an easement requiring perpetual use of the listed conservation purposes.
- Expressly aligns definitions for educational and scientific purposes with the property tax exemption for property used for educational and scientific purposes.
- Requires, as does the income tax credit for real property donations for conservation purposes, that the entity owning the property must be "organized to receive and administer lands for conservation purposes".
- Adds the requirement that property qualifying under this exemption not earn income or earn income that is merely incidental to and not inconsistent with conservation purposes.

Source: Dan Ettefagh, Committee Counsel

ASSUMPTIONS AND METHODOLOGY:

HB 350 would potentially reduce property tax revenues to local governments by increasing the uses for which conservation land qualifies for a property tax exclusion. Under current law, property owned by a nonprofit and used “exclusively for scientific or educational purposes as a protected natural area” qualifies for a property tax exclusion under 105-275. HB 350 expands this exclusion by including five additional enumerated purposes in Section 1. Although the additional purposes may increase the property acreage that qualifies for the exclusion, the additional purposes are closely aligned with scientific and educational purposes and may be interpreted in some counties to qualify under current law.

The 5-year rollback included in the bill would potentially increase property tax revenues in circumstances in which property that is exempt under current law is disqualified as a result of a disqualifying event. In the event of a disqualification, the deferred taxes for the preceding five years will become due. The rollback will also serve to mitigate the property tax loss resulting from the expansion of purposes for which property can be excluded.

Because the bill includes provisions which will potentially reduce local revenues (the expansion of qualifying purposes) and increase local revenues (a 5-year roll-back for disqualifying events), it is not clear whether the bill will result in an overall reduction or increase in local revenues. The overall change in revenue is expected to be minimal.

SOURCES OF DATA: NC Department of Revenue

TECHNICAL CONSIDERATIONS: None

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