



Bulletin #07-09

Thursday, March 22, 2007

FOOD FOR THOUGHT

New figures from the U.S. Census Bureau released this week show five North Carolina counties ranked among the 100 fastest growing counties in the nation since 2000 among counties with at least 10,000 residents. Union County was the highest N.C. county on the list, coming in at No. 15.

\$2 BILLION SCHOOL BOND BILL FILED

Sen. David Hoyle filed updated legislation earlier this week that would provide for a \$2 billion school bond referendum. [S1144](#) included county-by-county allocations. The \$2 billion was divided into three pots – 50 percent is divided up by ADM, 25 percent to counties experiencing ADM growth over the last five years, and 25 percent to “low wealth” counties. Each county is guaranteed at least \$1 million. The distribution formula appears to be very similar to that which was pushed by the “Education: Everybody’s Business” Coalition during the winter. If the bond bill gets any traction, the allocation formula is likely to be changed during negotiations. For instance, seven counties are actually slated to receive significantly more money than what DPI has listed for their five-year facility needs. County officials are urged to examine the bill to see if the funds would be significant to their county and contact their legislators to make sure they understand county public school capital needs. The legislation calls for the election to be held Tuesday, Nov. 6.

THEY MAY GIVETH, AND THEY MAY TAKETH

While members of the General Assembly are discussing the Association’s proposal for a local-option land transfer tax as part of the Medicaid relief/infrastructure plan – no bill has yet been filed – they are also discussing ways to eliminate some county revenues. Numerous bills have already been filed to create property tax exemptions for certain groups, and two more bills were filed this week to expand the Homestead Exemption. [S1091](#), filed by Sen. Steve Goss (Watauga), increases the income threshold to qualify for the current exemption from \$20,000 to \$25,000 and includes senior citizens whose primary residence is a retirement home, as long as the retirement facility is receiving a property tax exemption. This bill also limits the sales tax refund that a qualified retirement home is eligible to receive to the percentage of residents receiving a homestead exemption. [H972](#), filed by Rep. Cary Allred (Alamance), would increase the income limit to \$30,000. The Senate bill has emerged from a working group that included staff from the Association. This group is also recommending that the state reform its property tax revaluation system. [S1309](#), filed by Sen. Dan Clodfelter (Mecklenburg), changes the schedule of revaluation from at least once every eight years to require a county to revalue in the year after the sales/assessment ratio drops below .90. The bill also requires that the value of homes will be used to determine the sales/assessment ratio in commercial areas. [S1442](#) (Goss) establishes a “circuit breaker” system, providing property tax relief for all permanent residents meeting income requirements. The property taxes paid by a taxpayer are limited to a percentage of the taxpayer’s income. [H412](#), filed by Rep. Susan Fisher (Buncombe), lowers the threshold for agricultural lands eligible for present use value taxation from 10 to five acres. Sen. Walter Dalton (Rutherford) has filed [S1180](#), which prohibits a county or city from imposing or exacting in a development agreement, a tax, fee or financial contribution not authorized by law. This bill would impact a county’s ability to impose an adequate public facilities ordinance if fees are involved.

BILL PROPOSES INCREASE IN DEED STAMP TAX FOR STATE INFRASTRUCTURE

Sen. Clodfelter has also filed a bill ([S1201](#)) that would increase the current deed stamp tax from 0.2 percent to 0.5 percent and would institute a 1 percent excise tax on mortgages. The proceeds would go to the state to create the

Capital and Infrastructure Fund (75 percent) with the Parks and Recreation Trust Fund receiving 18.75 percent and the Natural Heritage Trust Fund receiving 6.25 percent. The latter two trust funds already receive the state revenues from the existing 0.1 percent deed stamp tax. Counties would continue to receive the revenues from the existing county 0.1 percent deep stamp tax and would appear to receive 20 percent of the revenues generated by the excise tax on mortgages.

LOCAL DEADLINES PASS WITH FLURRY OF ACTIVITY

The House deadline for local bills to be submitted to bill drafting passed this week, and there was a flurry of late activity as counties attempted to get bills filed for local-option revenues. Franklin County ([H952](#)) and Martin County ([H874](#)) were the latest to join the club. Franklin's bill calls for a local-option half-cent sales tax for public school capital needs by referendum. Martin's bill is for a one-cent sales tax by referendum for public school capital and community college needs. Through March 22, five counties had local bills for land transfer taxes, nine counties had local bills for a half-cent sales tax and six had bills filed for a one-cent sales tax. In addition, several counties were attempting to have local bills for revenue options filed before the deadline. These bills must be introduced by March 28. If a county is interested in a local revenue bill but did not submit a bill prior to the deadline, it is possible to be added to an existing bill once these bills start showing up in committees.

BILLS OF INTEREST

The Association has created a section on its Web site to track bills of interest to county officials. Visit www.ncacc.org/legislation/about.html for updates on key legislation, including the bills listed below.

Bill: [SB1125](#)
Sponsors: Clodfelter (D37)
Title: SALES TAX ADJUSTMENT FACTOR CORRECTION
Summary: An Act to Correct an Error in the Calculation of the Amount of Sales Tax Revenue to be Allocated Among the Counties.
Status: 03/22/2007 – Senate Committee On Finance
Comments: This bill would eliminate the adjustment factor (G.S. 105-486[b]) that is used to determine each county's per capita share of the Article 44 sales tax, which is distributed half based on point of sale and half based on per capita. When the General Assembly enacted legislation in 2000 and 2001 to revise the definition of point of sale from the location of the retailer's place of business to the location where the goods were delivered, the need for the adjustment factor was eliminated.

Bill: [SB1203](#)
Sponsors: Nesbitt (D49)
Title: PRESENT-USE VALUE CHANGES
Summary: An Act to Provide Property Tax Relief for Qualifying Wildlife Conservation Land, to Reduce the Acreage Requirement for Agricultural Land, and to Clarify the Presentuse Valuation of Property Subject to a Conservation Easement.
Status: 03/21/2007 – Filed in the Senate
Comments: This would reduce from 10 to five the number of acres needed for farmland to qualify for the present-use value system of taxation. The bill also allows wildlife conservation land to be classified as either forestland or agricultural land if it is managed and maintained under a written sound management plan that has been certified by the North Carolina Wildlife Commission and meets several other conditions. The land must consist of at least 10 acres. The fiscal impacts to counties are not yet known.

– NCACC Legislative Team