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Legislative Bulletin #08-05

Thursday, June 12, 2008

### **SENATE COMMITTEE PASSES BILL TO REPEAL LAND TRANSFER TAX**

On the same day the N.C. Association of Realtors announced it would spend \$10 million to keep citizens from having the option of funding needs through a land transfer tax instead of the property tax, the Senate Finance Committee voted Wednesday to repeal the 0.4 percent land transfer tax authority granted to counties in the 2007-09 state budget. During testimony at the meeting, numerous Senators spoke in favor of repealing the authority, based on the results seen in the counties that have so far tried to get voter approval to levy the tax. NCACC General Counsel Jim Blackburn testified that it was premature to make any general assumptions about the viability of the tax. "We worked very hard over a number of years to get a revenue option," he said. "It is much more important than it ever has been before. We oppose repeal of this option." The full Senate was scheduled to vote on **S1951** Thursday, but bill sponsor Sen. David Hoyle (Gaston) pulled the bill from the calendar. It has been rescheduled for Tuesday, June 17.

### **SENATE APPROVES CHANGES TO REVAL SCHEDULE, LOW-INCOME HOUSING**

The Senate unanimously approved **S1878** on third reading Thursday. The bill makes many changes to property tax laws, but of primary interest to counties are changes to the revaluation schedule and how to determine the value for property tax purposes of low-income housing. The original version of the bill required all counties to revalue property at least every four years. The Association worked with legislators to remove this mandate. The revised bill maintains the current eight-year cycle but does require counties to revalue property 2 1/2 years after their sales/assess ratio dips below .90. Counties maintain the flexibility to revalue more often, if they wish. Another part of the bill changes how low-income housing property is valued. The bill allows the property tax to be based upon the income generated by the property rather than the market value. According to a fiscal note prepared by the General Assembly Fiscal Research Division, this could cost local governments as much as \$21 million annually in lost property tax revenue.

### **DISCUSSIONS CONTINUE ON H1889**

A bill that has the potential to significantly erode the local government property tax base is being discussed in the Senate Finance Committee. **H1889** passed the House last year in the waning days of the session. The bill extends the present-use value (PUV) system to include property that is managed and maintained primarily to protect wildlife habitats. The property must be at least 10 acres and no more than 100 acres in any one county and be under a wildlife management plan certified by the N.C. Wildlife Commission in order to be appraised at present-use value. If the property lost its classification, the taxpayer would be required to pay five years of deferred taxes. The bill in its current state could result in out-of-state interests purchasing large tracts of land for future development and receiving the PUV benefit until the land is developed. The Association and the N.C. Farm Bureau oppose this bill because it dilutes the value of the PUV system for farmers and is likely to result in a shift of property tax burden to individual homeowners.

### **HOUSE COMMITTEE APPROVES ANNEXATION MORATORIUM**

The House Finance Committee approved on Thursday **H2367**, which would impose a moratorium of effective dates of involuntary municipal annexation activities until July 1, 2009. Proponents of the bill stated that a pause would enable the House Select Committee on Municipal Annexation to develop recommendations for the 2009 General Assembly that would “modernize” the municipal annexation laws. The bill was opposed by the N.C. League of Municipalities. The Association Board of Directors supports the concept of a moratorium on involuntary annexations and study.

### **REVISED SENATE BILL CREATES FACILITIES FEE TO PAY FOR COURT PHONES**

The Senate Finance Committee approved a revised bill Thursday that returns to the state the responsibility for funding courthouse phone systems. **S2107**, sponsored by Sen. Dan Clodfelter, would repeal the 2008 state budget special provision that transferred the responsibility for funding and maintaining courthouse phone systems to counties on July 1, 2008. To backfill state budget costs, **S2107** would also increase court facility fees by \$5, with \$1 to be used to pay for the installation and maintenance of courthouse phone systems, and \$4 to create a state judicial department facilities fund. If the special provision is not overturned, the AOC estimated that court telephone expenses would cost counties about \$3.7 million annually.

### **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](http://www.ncacc.org/legislation/about.html) for updates on key legislation, including the bills listed below.

**Bill: SB1852**

**Sponsors:** Brunstetter (R31)

**Title:** TAX ON SHORT-TERM HEAVY EQUIPMENT RENTALS

**Status:** 06/12/2008 – Passed in the Senate

**Comments:** This bill eliminates property taxes on heavy equipment for companies that rent heavy equipment and instead authorizes counties to impose, by resolution, a 1.2 percent gross receipts tax on short-term leases or rentals of heavy equipment. It authorizes cities to impose a gross receipts tax of 0.8 percent. It unanimously passed third reading in the Senate on Thursday and was sent to the House.

**Bill: SB1876**

**Sponsors:** Clodfelter (D37)

**Title:** DEFERRED PROPERTY TAX PROGRAMS CHANGES

**Status:** 06/11/2008 – House Committee On Finance

**Position:** Support

**Comments:** This bill, which passed the Senate earlier this week and has been referred to the House Finance Committee, makes four substantive changes to the circuit breaker program that was passed last year. The changes are administrative or technical in nature and do not have any significant fiscal impact. The changes make the tax collector, and not the tax assessor, responsible for notifying qualifying owners of the cumulative amount of deferred taxes, including interest. It also converts the application process from a one-time application to an annual application because the annual income is needed to determine if a person qualifies for the circuit breaker and at which level.

**– NCACC Legislative Team**