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Legislative Bulletin #08-07

Thursday, June 26, 2008

TRANSFER TAX REPEAL REFERRED TO HOUSE RULES

Legislation approved last week by the Senate to repeal the authority granted to counties to call for referenda on a 0.4 percent land transfer tax has been referred to the House Rules Committee. Prior to passage, the Senate amended [S1951](#) to allow flexibility in the ballot language used in any referendum on a quarter-cent local option sales tax, but did not change the part of the bill repealing the land transfer tax authority. Similar legislation introduced in the House earlier in the session had also been referred to the House Rules Committee.

HOUSE FINANCE COMMITTEE APPROVES TIPPING TAX DELAY

The House Finance Committee approved [H2541](#) on Thursday morning and the bill was placed on the House calendar for a floor vote in the near future. Rep. Pryor Gibson (Anson) promoted the legislation on behalf of "20 or so counties who need more time to get ready to collect the new tax." If enacted, H2541 would delay the effective date of the new \$2 per ton tipping tax from July 1, 2008, to January 1, 2009.

COLLECTIVE BARGAINING LEGISLATION REMAINS IN PLAY

There was no formal action taken this week on [S1271](#) (Firefighter/EMS Payroll Deductions), but it remains a concern that proponents of the legislation may push to have the committee vote reconsidered in the House Local Government II Committee next week. While the bill sounds innocuous, the implementation of a dues payroll deduction system will serve as the first step toward unionization of public employees in North Carolina. A related bill, [H1583](#) (Restore Contract Rights to State/Local) remains in the House Committee on Appropriations. In its original form, H1583 would have eliminated the prohibition on collective bargaining between employee organizations and state/local government.

BUDGET DISCUSSIONS: 'WE'LL GET THERE'

Despite a jack-rabbit start on the budget conference committee process, House and Senate leadership remain at odds on spending and taxing priorities a week after negotiations began. Shuttle diplomacy continues on the Legislative Office Building's sixth floor as House and Senate leaders trade spending proposals. Joint appropriations subcommittees have largely submitted their recommendations, and specific items are being flagged for further discussion and negotiation. On Tuesday, K-12 education leaders complained bitterly about a joint education proposal that would result in a marked decrease in state expansion dollars, prompting an emergency meeting of the State Board of Education. Speaker of the House Joe Hackney said during Thursday's session that he hopes to see a budget on Monday. Rep. Mickey Michaux (Durham), senior chairman of the House Appropriations Committee, said House leaders were running into roadblocks with Senate leadership, but added that "we'll get there."

HOUSE COMMITTEE APPROVES ANNEXATION MORATORIUM

The House Judiciary Committee No. 2 this week approved and sent to the House floor a bill to impose a "moratorium" on involuntary annexations by North Carolina municipalities. The bill was originally recommended by a select House committee created at the end of the 2007 session. Prior to approving the [H2367](#), the committee amended it to narrow the period during which

involuntary annexations will be suspended. The revised moratorium will extend from July 31, 2008, through April 30, 2009. The bill appeared on Thursday's House calendar for second and third reading, but no discussion or voting took place. If approved by the full House, it must still be considered by the Senate.

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: [S1876](#)

Sponsors: Clodfelter (D37)

Title: DEFERRED PROPERTY TAX PROGRAMS CHANGES

Status: 06/25/2008 – Ratified in the Senate

Comments: This bill, which passed the House on June 24 and was ratified by the Senate one day later, 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. The N.C. Association of Assessing Officers had sought a delay in implementation of the program. Counties must begin accepting applications on Jan. 1, 2009.

Bill: [S1878](#)

Sponsors: Clodfelter (D37)

Title: PROPERTY TAX MODIFICATIONS

Status: 06/26/2008 – Passed Second Reading in the House

Comments: This bill passed second reading in the House on Thursday. Substitute language requires counties to revalue property within 2 1/2 years after their sales/assess ratio dips below 0.90 or exceeds 1.10. Counties still have the flexibility to revalue more often, if they wish. The original version of the bill eliminated the current eight-year reval cycle and required all counties to revalue property every four years. The Association worked with legislators to remove this mandate. The bill also changes how low-income housing property is valued, allowing 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's Fiscal Research Division, this could cost local governments as much as \$21 million in lost property tax revenue annually. The Revenue Laws Study Committee will examine how income will be calculated for the homestead exemption.

– NCACC Legislative Team