



Digging into the Details of Property Taxes

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WWI - Before & After

- Prior to WWI property taxes were the primary source of revenue for both the State and local government.
- Since 1921, the State has relied on other sources of revenue; primarily sales and income taxes.



1971 Forward

The 1971 General Assembly acted to enable counties and municipalities to levy property taxes based on a rate not to exceed \$1.50 per \$100 valuation.



Chapter 105

- Machinery Act of North Carolina
- Subchapter of Chapter 105
- NCGS 105-271. Official title.
“This Subchapter may be cited as the Machinery Act.”



Characteristics of the Property Tax

- Tax liability is determined *ad valorem*, that is, “according to value”

AND

- The tax is levied *in rem*.



N C Property Tax is a Tax on:

- Property, not people, being subject to taxation.
- Only the General Assembly has the power to classify property for taxation.
- Property taxed by “uniform rule.”



What is the role of the BOCC in the Property Tax System in North Carolina?

“Local tax official“

NCGS 105-273(10a) "Local tax official" includes a county assessor, an assistant county assessor, a member of a county board of commissioners, a member of a county board of equalization and review, a county tax collector, and the municipal equivalents of these officials.



Assessor vs. Collectors

- Two very different but related roles.
- Assessor's role is to assess property.
- Collector's role is to collect taxes.
- **BOCC must appoint the Assessor and the Collector.**



Tax Administrator

- Tax Administrator is not defined in the North Carolina General Statutes.
- This position was created by counties to combine the duties of the Assessor & Collector which are defined by NCGS.



Assessors and Collectors

- In the state we have the:
- The Splits and the United
- 20 of Splits
- 80 of United
- **BOCC must decide on this issue.**



Requirements for Assessor G.S. 105-294

- Assessors are appointed by the Board of County Commissioners for either a 2- or 4-year term.
- Must be 21 years of age
- High School Diploma/or five years of employment experience in a vocation which is reasonably related to the duties of a county Assessor



Certification

- Within two years of the date of appointment the following courses are required for certification of assessors:
- (1) Property Tax Listing and Assessing in N.C. – UNC School of Government.
- (2) IAAO Course 101 – The Fundamentals of Real Property Appraisal – NC Department of Revenue
- (3) Personal Property Appraisal and Assessment Course – NC Department of Revenue.
- (4) Tax Administration in N.C. – NC Department of Revenue



Certification

- Achieve a passing grade in a comprehensive examination by the NC Dept of Revenue
- Each period of 24 months, must attend at least 30 hours of instruction in the appraisal or assessment of property as provided in regulations of the NCDOR.



County Appraisers

- Under G.S. 105-296(b), every person employed in a county tax office as a real property or personal property appraiser must attend a course of instruction in his/her respective area of work, within his/her first year of employment.
- Achieve a passing grade in a comprehensive examination by the NC Dept of Revenue



Appraisers' Cont. Ed.

- A "course of instruction", as referenced in G.S. 105-296(b), is equal to at least 30 hours of instruction over that two-year period. These hours can be obtained by attending one 30-hour course or a combination of shorter courses that total up to at least 30 hours or more.
- **BOCC need to fund the education needs.**



Requirements for Collector G.S. 105-349

(b) **Qualifications.** - The governing body shall appoint as tax collector a person of character and integrity whose experience in business and collection work is satisfactory to the governing body.

(c) **Bond.** - No tax collector shall be allowed to begin his duties until he shall have furnished bond conditioned upon his honesty and faithful performance in such amount as the governing body may prescribe. A tax collector shall not be permitted to collect any taxes not covered by his bond, nor shall a tax collector be permitted to continue collecting taxes after his bond has expired without renewal.



Tax Collector Certification Requirements by NCTCA

- Must serve in Tax Collection for 2 years during the preceding 5 years
- Must be a member in good standing with NCTCA
- Must complete and pass the School of Government Fundamentals of Property Tax Collection & one other course approved by the certification committee
- Must complete 10 hours of CE



The Property Tax Calendar

- Property is listed, appraised and assessed on a calendar year basis as of January 1, of each year.
- Taxes are levied on a fiscal year basis as of July 1, of each year.



The Property Tax Calendar

- The property tax calendar is an 18-month time period.
- Property is listed, appraised and assessed of January 1, of each year.
- Taxed for the fiscal year that starts July 1 of the year property is required to be listed.
- Taxes are due on the September 1st of that year.
- Taxes are past due on following January 6th
- Tax year ends June 30th following the past due date.



Example

- Property is listed as of January 1st of 2023.
- Tax rate set for July 2023-June 2024 fiscal year.
- Taxes are billed and due September 1, 2023
- Taxes are past due on January 6, 2024.
- Tax year ends June 30, 2024.



Basic Steps in the Tax Office

- Listing
- Appraisal
- Assessment
- Appeals
- Setting the tax rate
- Billing
- Collection



§ 105-274. Property subject to taxation.

G.S. 105-274 All real and personal property within jurisdiction of the state shall be subject to taxation unless it is:

- (1) Excluded from the tax base by a statute of statewide application
- (2) Exempted from taxation by the Constitution or by a statute of statewide application



"Appraisal & "Assessment"

"Appraisal" means both the true value of property and the process by which true value is ascertained.

"Assessment" means both the tax value of property and the process by which the assessment is determined.



The Uniform Appraisal Standard is the Legal Standard

“All property, real and personal, shall as far as practicable be appraised or valued at its true value in money.”

G.S. 105-283



Uniform Assessment Standard

- “Except as otherwise noted...all property, real and personal, shall be assessed for taxation at its true value...”

G.S. 105-284(a)

- Appraised Value = Assessed Value



Four types of Property

- Real Property
- Personal Property
- Public Service Companies
- Motor Vehicles



Definition of Property

- Property is the right of any person to possess, use, enjoy, and dispose of a thing.
- Bundle of rights
- Relationship between persons and their rights of possession



Definition of Real Property

- Real Property
- The sum of tangible and intangible rights in land and improvement on the land.
- Refers to the rights, benefits and interest inherent in ownership of real estate.
- Real Estate: is the physical land and everything permanently attached to it.



Frequency of Appraisal

Real Property:

- **Octennial plan (8-year reappraisal cycle)**

N.C.G.S. 105-286(a)(1)

- **Mandatory Advancement**

N.C.G.S. 105-286(a)(2)

- **Non-reappraisal years** N.C.G.S. 105-287

BOCC must decide the reappraisal cycle



Current Schedules

45 Counties

4-year cycle

21 Counties

Less than 8 years

34 Counties

8-year cycle



BOCC must Fund the reappraisal

- **§ 153A-150. Reserve for reappraisal.**
- Before the beginning of the fiscal year immediately following the effective date of a reappraisal of real property conducted as required by G.S. 105-286, the county budget officer shall present to the board of commissioners a budget for financing the cost of the next reappraisal.

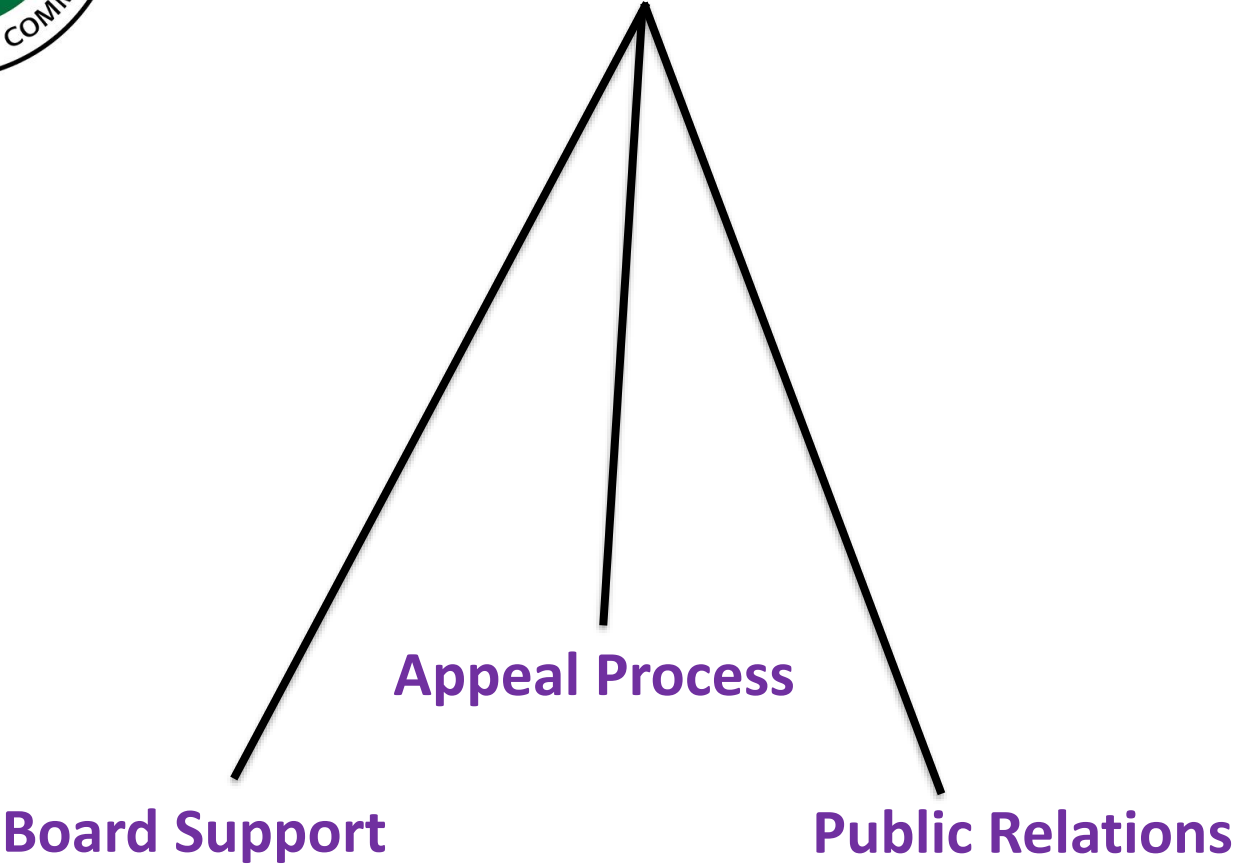


The Schedule of Values

- Usually abbreviated to “Schedule of Values,” this document is the manual, adopted by the county, which describes how real property is to be appraised.
- **BOCC must adopt this schedule.**



Reappraisal





Definition of Personal Property

- Personal Property
- Any property that is not real property.
- Movable items not permanently affixed or part of the real estate.
- Also known as personalty or chattels.
- Intangible personal property



Tangible vs. Intangible

- Tangible is actual physical property.
- Intangible is evidence of ownership of property rights.



Categories of Personal Property

- Inventories
- Intangible Personal Property
- Fixed Assets
- Leasehold Improvements



Frequency of Appraisal

Personal Property

“General Rule.-- Except as otherwise provided in this Chapter, the value, ownership, and place of taxation of personal property, both tangible and intangible, shall be determined **annually as of January 1.**” N.C.G.S. 105-285(b)



Appeals & Review

- Review by the assessor after listing period.
- Formal appeal to the board of equalization and review (Board of E & R). **BOCC must appoint a BOER or serve as such.** NCGS 105-322.
- Review requested by taxpayer after the Board of E & R has completed its duties. **BOCC must hear these appeals.** NCGS 105-325.
- Subsequent appeals to Property Tax Commission and the courts.



Who are the Public Service Companies?

- **Airline**
- **Bus**
- **Motor Freight**

- **Communication**
- **Gas**
- **Pipeline**
- **Power/EMC**
- **Railroad**
- **Wireless Companies**

Rolling Stock/Flight
Equipment

Unit



PSC Stats (From TY 2023)

- NCDOR appraised approximately 42 Billion in PSC Value
- On average, counties get about 4% of their property tax base from PSC.
- The amount of value certified to counties from PSC range from 11 million (smallest county) to 5.6 billion (largest county)



Equalization

- NCGS 105-284
- Uniform Assessment
- Sale Ratio drops below 90%
- PSC values equalized in first, fourth and seventh year of the reappraisal cycle.



Motor Vehicles

State of North Carolina



System



VTS

County Tax
Departments

DOR
Property Tax
Division

DOT & Tag
Agencies

Central Motor Vehicle Tax Database

- All Jurisdictions Tax Rates
- Standard Values for all Vehicles
- All Renewal Information
- Collection Reports for Each Jurisdiction
- Standard Value Adjustment for Mileage
- Standard Value Adjustment for Title Condition



Actual Tax Rates

$$\frac{\text{Budget Needs}}{\text{Assessment Base}} = \text{TAX RATE}$$

BOCC Must Set Tax Rate



Actual Tax Rates

Budget Needs: \$ 6,528,000

Assessment Base: \$ 960,000,000

$$\frac{6,528,000}{960,000,000} = .0068$$



Actual Tax Rates

- In North Carolina, expressed as cents (\$.__) per \$100 assessed value.
- Example: Tax rate of \$.68
Assessment of \$250,000
- Equals tax bill of \$1,700.00



Revenue Neutral Tax Rate NCGS 159-11(e)

- In each year in which a general reappraisal of real property has been conducted, the budget officer shall include in the budget a statement of the revenue-neutral property tax rate.
- The revenue-neutral property tax rate is the rate that is estimated to produce same revenue for the pass fiscal year.



Revenue Neutral Tax Rate

- <https://canons.sog.unc.edu/2011/06/the-revenue-neutral-tax-rate/>



Collections

The County Collector's job is to collect taxes.

NCGS 105-321 requires the **BOCC to charge the collector by order prior to the tax receipts being delivered by the assessor.**

NCGS 105-352 requires the tax receipts to be delivered to the collector **before September 1st.**



Tax Bills

- NCGS 105-348. All interested persons charged with notice of taxes.



Collections

- Tax bills normally are mailed out in July or August and are due on September 1st.
- Some counties give a discount for early payment of 1 or 2% and for the months of July and August. **BOCC must determine this if the county wants to give a discount.**
- Interest for late payments start on January 6th.



Delinquent Taxes

- For the period January 6 to February 1, interest accrues at the rate of two percent (2%).
- For the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of three-fourths of one percent ($3/4\%$) a month or fraction thereof.



Collection Remedies

- Mailing of a second notice
- Payment plans
- Levy on personal property
- Attachment and garnishment
- Foreclosure on real property
 - Mortgage type
 - In rem method



Tax Collection Percentages of Current Year Property Tax Levy

Population Grouping	2020	2021	2022
Statewide	98.78	99.09	99.22
100,000 or Above	99.10	99.36	99.45
50,000 to 99,999	97.91	98.50	98.56
25,000 to 49,999	97.94	98.29	98.35
Below 25,000	96.84	97.36	97.77



Collection Percentages

NCGS 159-13(b)(6) requires the local government to rely on the tax collection percentage from the preceding fiscal year in the current year's budgeting process.

Can only budget the percent of last fiscal year collection percentage.



Refunds & Releases

- G.S. 105-381: There are three legal “valid defenses” warranting a release or refund:
 - The tax was imposed through a clerical error, or
 - The tax is illegal, or
 - The tax is levied for an illegal purpose.
 - **BOCC must hear refund requests.**

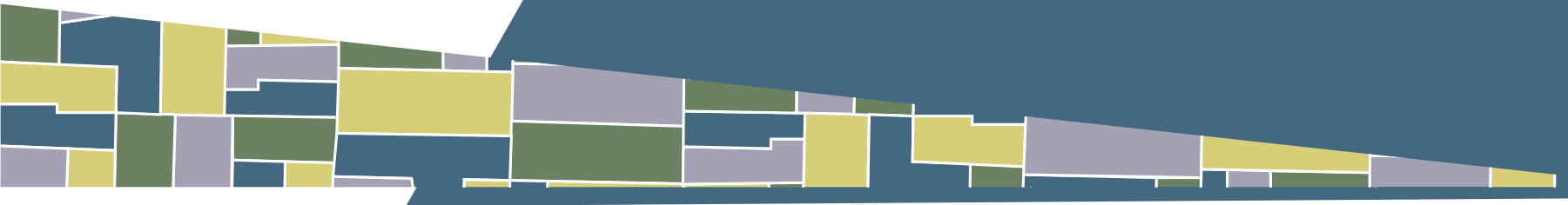


Refunds & Releases

- G.S. 105-380: No taxes may be released, refunded or compromised, except as expressly allowed.
- Board members voting for an unlawful release may be held personally liable.
- If wrongly released, refunded, or compromised:
 - Tax is deemed unpaid.
 - Tax is still collectible.
 - There is no effect on the lien.



North Carolina Property Tax Solution





What is NCPTS?

- **More than a property tax software system!**
- **It is a Members Service**

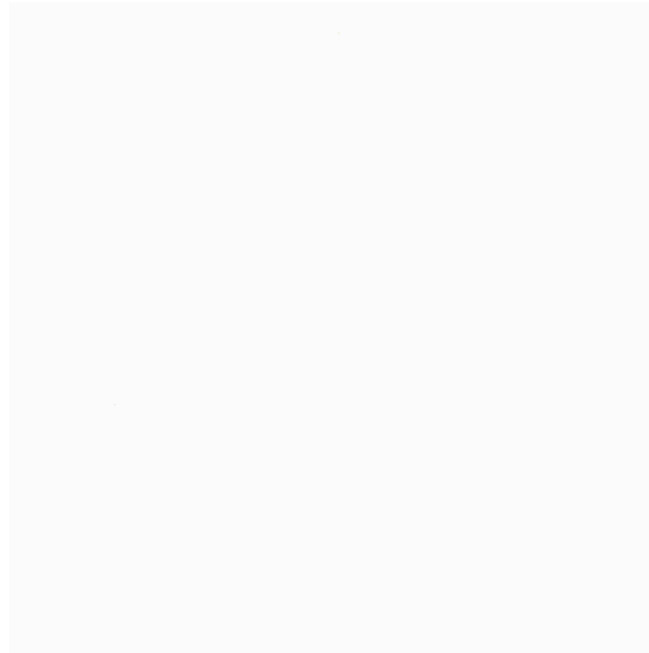


NCPTS is Unique

- A Collaborative Effort
- County Owned
- County Developed
- County Managed

It's a Partnership

Farragut



NCACC

Counties



What is the Goal of NCPTS?

- **Consistent application of property tax law by NCPTS counties through best business practices.**
- **Greater consistency in appraisals and higher collection rates.**
- **Best Property Tax System Possible**
- **A solution that will out last all of us.**



19 NCPTS Counties

**NCPTS Members Represent over 53% of
the NC Property Tax Base**



NCPTS Counties

Beaufort County

Buncombe County

Burke County

Catawba County

Cumberland County

Durham County

Forsyth County

Guilford County

Henderson County

Hertford County

Hyde County

Madison County

Mecklenburg County

Orange county

Pitt County

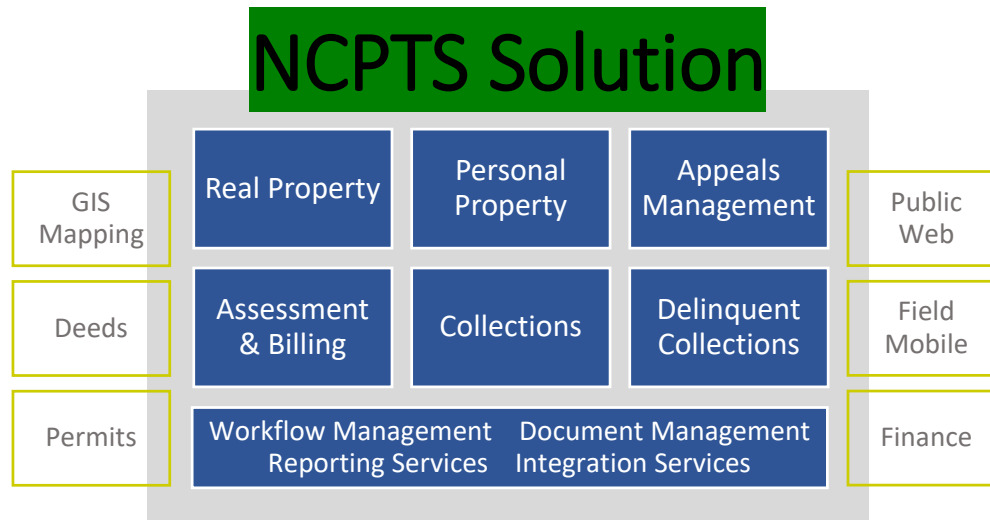
Randolph County

Rutherford County

Stokes County

Wayne County

Overview of NCPTS





Questions



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