

Listing & Assessing Webinar

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UNC
SCHOOL OF GOVERNMENT

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January 1: Listing Date

GS 105-285

- House burns down at New Year's Day college football bowl-watching party?
- Boat sinks on January 2?
- Business personal property transferred to new owner on January 3?

January 1: Listing Date

GS 105-285

- Billy Blue Devil owns Parcel A as of Jan. 1, 2017.
- Billy sells it to the Church of Saint K on March 1, 2017.
- The church immediately begins to use Parcel A for religious purposes.
- Is Parcel A taxable for 2017?

January 1: Listing Date

GS 105-285

- The Church of Saint K owns Parcel B. It was exempt for 2016 taxes.
- The church sells it to Tommy TarHeel on June 1, 2017.
- Is Parcel B taxable for 2017?

January 1: Listing Date

GS 105-285

- Grandma Brown owns Parcel C. She is receiving the elderly/disabled exclusion.
- She sells Parcel C to Grandma Green on March 1, 2017
- Should Parcel C receive the elderly/disabled exclusion for 2017?

Property Subdivided After Jan. 1

GS 105-362(b)(2)

- Parcel A is 100 acres as of Jan. 1, 2017.
- Owner subdivides parcel into 50 2-acre lots on March 1, 2017.
- Begins building houses on the subdivided parcels.
- Billy BlueDevil buys one of the subdivided lots on December 1, 2017.

Heir Property

- Real property previously owned by as tenants by the entirety by spouses Mike and Mickey Kay. Mike passed away in 2016. Mickey continues to live on the property. The couple had two children, John and Debra.
- *In whose name should we list this property?*

Heir Property

- Property previously owned by Diane Deacon, who died in 2016. Diane's daughter, Wanda, appears in the tax office in January 2017 with a will signed by Diane Deacon that leaves all of Diane's property to Wanda.
- *In whose name should we list this property?*

Heir Property

- Real property previously owned by Bobby Jones, who died in May 2016. As far as the county can determine, three of Bobby's cousins (Jimmy, Jimbo, & Big Jim) were previously living on the property and continue to do so.
- *In whose name should we list this property?*

Corporate Property

- ABC, Inc. has been the listing owner of Parcel A for 10 years.
- John Smith is the sole shareholder and the incorporator of ABC, Inc.
- The 2016 taxes on Parcel A become delinquent.
- While researching the issue, the tax office learns that ABC, Inc. has not been an active NC corporation for several years.

Corporate Property

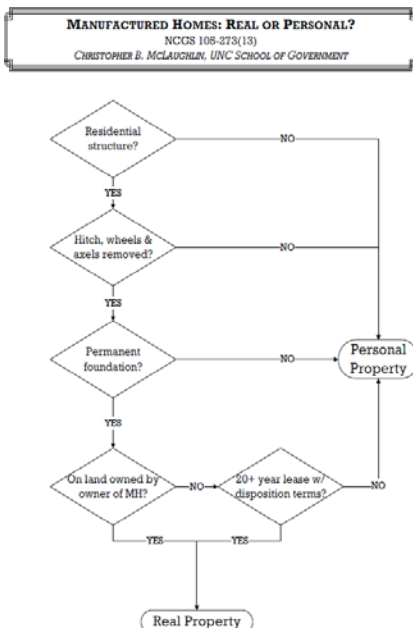
POLL:

- How should Parcel A be listed for 2017 taxes?
 - ABC, Inc.
 - John Smith
 - Unknown

Corporate Property

POLL:

- Which party can be held personally responsible for the delinquent 2016 taxes on Parcel A?
 - ABC, Inc.
 - John Smith
 - Neither. The only collection remedy is foreclosure.



Manufactured Home Problems

MH owned by Melissa Trump. Sited on land owned by spouses Melissa and Delvin Trump.

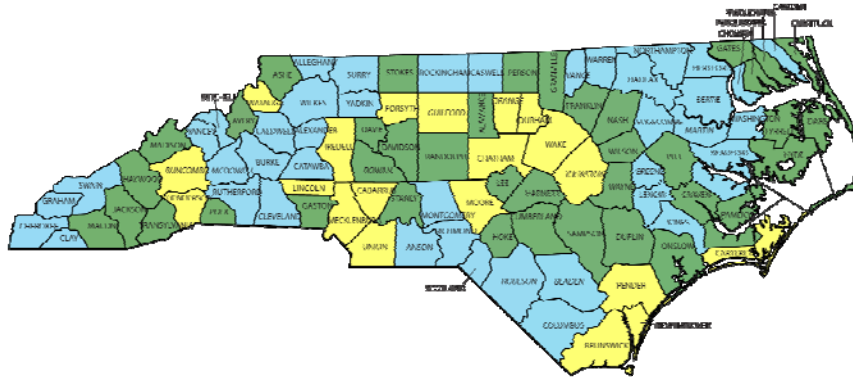
POLL: Should the MH be listed as real or personal property?

- Real Property
- Personal Property

Manufactured Home Problems

MH owned by John Edwards, sited on Parcel A, which is owned by his brother Jimmy Edwards. MH meets physical requirements for real property. John passes away in February 2016. Jimmy sells Parcel A to Bev Purdue in October 2016. Deed makes no mention of MH.

Situs



Situs

- **General rule:**
 - Owner's residence
 - Principal place of business in NC
- **Exceptions: property is "situated" at**
 - Seasonal residence
 - Other business location
 - Location of lessee or other business partner

Situs Problems

- Carnival ride operator is headquartered in Virginia but has a storage facility in Halifax County, NC.
- Its carnival rides travel up and down the East Coast for 10 months per year. Stored in Halifax County for 2 months per year.

Situs Problems

- Jet owned by Wake County corporation.
- In Delaware from September 2016 to January 2018 for repair/upfit.

Personal Property non-listers

- Carolina County practices “rolling forward” or “auto-billing” personal property not listed correctly.
- Can include boats, manufactured homes, or business personal property.
- Many personal property accounts in Carolina County are delinquent.
- What are the problems here?

Personal Property non-listers

1. Personal property must be listed annually. NCGS 105-285.
2. NCGS 105-312 -the legal process when there is a failure to list.
 1. Assessor’s duty to see proper listing.
 2. Send a discovery “notice” with tentative value, description, appeal rights.

Why not auto-bill non-listers?

- Creates illegal taxation.
- Creates “uncollectable” bills.
- The 105-312 process legally allows for:
 - Conference and discussion
 - Deadlines 15 and 30 days, and appeal
 - Legal compromise. (GS 105-312(k))

Is my BPP assessment too high?

- NCDOR Cost Index and Depreciation Schedules
- Value = Cost New – Depreciation
- NCGS 105-317.1(a)
 - Replacement Cost
 - Sale Price of similar property
 - Physical Condition
 - Remaining Life
 - Effect of obsolescence

Age/Life Analysis

- Can economic obsolescence be included in this?
- A life of 20 years is the correct life for a plant.
 - Marshall and Swift and State depreciation tables agree.
- M&S, “External...is not directly included in the tables”
- So what if there may be some external obsolescence?

Age/Life

- Our tables consider all forms of obsolescence, but sometimes too much.
- A plant with a 20-yr. life can be virtually new with primary components 50 yrs. old. (Life = Effective Age+remaining life)
- Marshall and Swift is still correct.
- Extended Life Expectancy – like us....

Extended Life Expectancy

- *“is the increased life expectancy due to seasoning and proven ability to exist. Just as a person will have a total normal life expectancy at birth which increases as he/she grows older, so it is with structures and equipment.”* —Marshall Valuation Service, Section 97 page 1, March 2009
- So what? Let's look at an example....

Which do we do in mass appraisal?

Same plant, 20 year life, 15 years actual age on assessment date, \$1 million cost

- | | |
|-----------------------------------|---|
| • Plant is 15 years old. | • Plant is 15 years old. |
| • 5 years remaining economic life | • Remaining life is recalculated each year. |
| • $5/20 = 1/4$ remaining value | • It has 15 years remaining. |
| • With index factor of 1.33 | • $15/20 = .75$ good |
| • Trended \$1,330,000 | • Trended \$1,330,000 |
| • Value = \$332,500 | • Value is \$997,500 |

Questions and Evaluation

- Please complete our evaluation:
- https://unc.az1.qualtrics.com/jfe/form/SV_0wdbNXXh6e9F9wF