


Reappraisal and the Revenue-Neutral Tax Rate

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Fall 2019

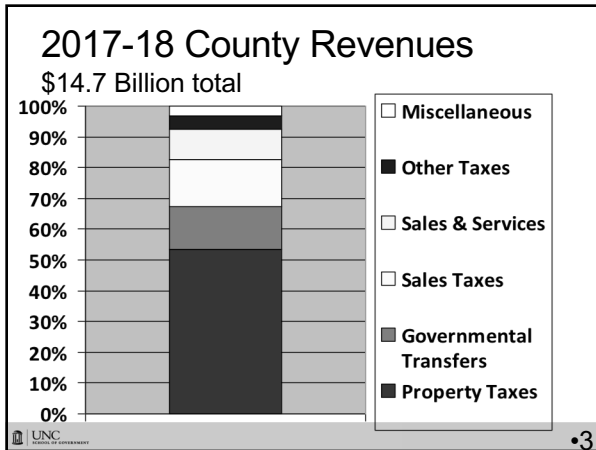


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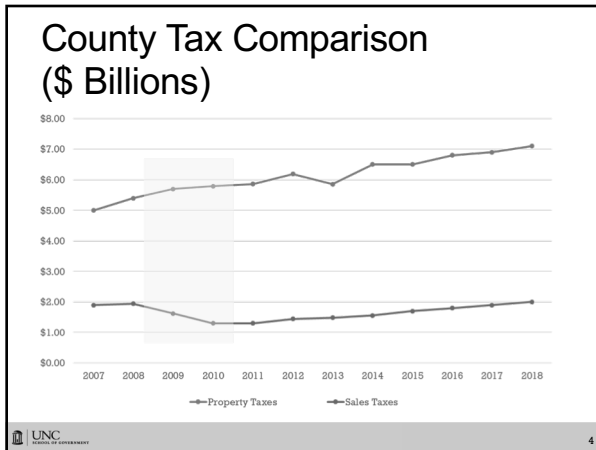
\$10 BILLION



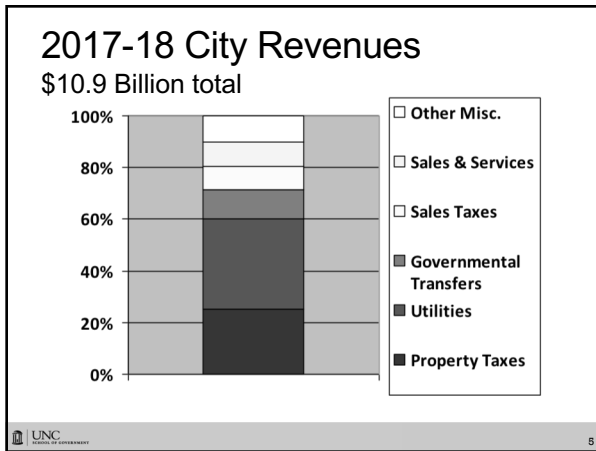

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- ### CAST OF CHARACTERS
- Assessor (county)
 - List: *What? Where? Who?*
 - Determine Taxability (*Exemptions/Exclusions*)
 - Appraise (Value)
 - Board of Equalization & Review (county)
 - taxability and valuation appeals
 - County Commissioners / City Council
 - Set tax rate
 - Collector (County and/or City)
 - Send bills & pursue enforced collections

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- ### Show Me the Money!
- #### 2020-21 Property Tax Collection Dates
- January 1, 2020: listing date
taxability, ownership, value
tax lien attaches to real property
 - July 1, 2020: fiscal year (tax year) begins
 - September 1, 2020: taxes due
discounts end
statute of limitations triggered
 - January 6, 2021: taxes are delinquent
interest begins to accrue
enforced collection may begin

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REAPPRAISAL CYCLES

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Uniform Appraisal Standard
NCGS 105-382

- “true value in money”
- In other words, **market value**

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Personal property must be revalued . . .

- Every year
- Every 4 years
- Every 8 years
- At least every 8 years.

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Real property must be revalued . . .

- Every year
- Every 4 years
- Every 8 years
- At least every 8 years
- Whenever we need more \$

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What is your county's reappraisal cycle?

- 8 years
- 7 years
- 6 years
- 5 years
- 4 years
- 1 to 3 years
- Huh?

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Sales Assessment Ratio

- Rough measure of the accuracy of a county's tax appraisals
- Ratio of:
Tax assessments ÷ Sales prices

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Sales Assessment Ratio

- If ratio is < 1, on average real property is _____
- If ratio is > 1, on average real property is _____

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What traditionally happens to a county's sales assessment ratio in the years following a reappraisal?

The ratio increases.

The ratio decreases.

The ratio remains roughly constant.

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Sales Assessment Ratio

- Prior to 2009, very few counties > 100%
- 2014: 74 counties > 100%
- 2018: 16 counties > 100%

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Post-Reappraisal Reverse Sticker Shock?

- Typical post-reappraisal increase in real property tax base: 25% to 40%

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**Post-Reappraisal
Reverse Sticker Shock?**

- 2013 Reappraisals:
 - Forsyth County: 8% decrease
 - Dare County: 29% decrease
 - Currituck County: 35% decrease

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**Post-Reappraisal
Reverse Sticker Shock?**

- 2017 Reappraisals:
 - Buncombe County 28% increase
 - Orange County 5% increase
- 2019 Reappraisal:
 - Durham County 20% increase

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Tax Rates

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PROPERTY TAX RATES

- Expressed as "tax owed per \$100 of assessed property value"

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Tax rate of \$.50.
Tax value of \$600,000.
What is the tax owed?

1. \$60
2. \$300
3. \$600
4. \$3,000
5. \$6,000

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True or False: A city or county may set one tax rate for real property and a different tax rate for registered motor vehicles.

True

False

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**COUNTY
PROPERTY TAX RATES**

- Average: .67
- Highest: 1.00 (*Scotland*)
- Lowest: .31 (*Carteret*)
- *Most of the lowest rates are where?*

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Revenue-Neutral Tax Rate

GS 159-11(e):

The rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred.

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Revenue Neutral Tax Rate

$$\text{Tax Base} \times \text{Current Tax Rate} = \$$$

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Revenue Neutral Tax Rate

$$\text{Tax Base} \times \text{Current Tax Rate} = \$$$

$$\text{Tax Base} \times \text{RNTR???} = \$$$

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If the municipal tax base increases after a county-wide reappraisal, how will the municipal RNTR compare to the current property tax rate ?

The RNTR will be greater than the current property tax rate.

The RNTR will be less than the current property tax rate.

The two rates will be identical.


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Revenue-Neutral Tax Rate


- Why does it exist?
- When must it be calculated?
- Must it be adopted?
- Guaranteed not to increase tax bills?

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Revenue-Neutral Tax Rate


1. Determine tax levy for current fiscal year.
2. Using the new tax base, determine tax rate that would produce a tax levy equal to the tax levy for the current fiscal year.
3. Increase the rate calculated in #2 by the growth factor.

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Revenue-Neutral Tax Rate

- “Growth Factor”
 - Average annual percentage increase in the taxing unit’s tax base due to new property and improvements to existing property

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Revenue-Neutral Tax Rate

- “Growth Factor”
 - Should exclude annexations, mergers and similarly “unusual” events
 - Increase RNTR by growth factor to account for “natural” growth in tax base that would have occurred even without reappraisal

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Revenue-Neutral Tax Rate

- Tax Collection Percentage?
- Annexations/Unusual Events in Reappraisal Year?

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Revenue-Neutral Tax Rate Discussion Question



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Communicating the RNTR

- To Elected Officials
- To Taxpayers
- To the Media

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Budgeting and the Property Tax Collection %

- GS 159-13(b)(6):

“The estimated percentage of collection of property taxes shall not be greater than the percentage of the levy actually realized in cash as of June 30 during **the preceding fiscal year.**”

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Budgeting and the Property Tax Collection %

- Must estimate collection % for the current (unfinished) fiscal year
- Bankruptcies? Appeals?
- 9 months for RMVs?

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Budgeting and the Property Tax Collection %

- SOG Local Government Law blog posts:

Budgets and the Tax Collection Percentage

Budgeting Under "Tag & Tax Together"

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