

The Property Tax

Chris McLaughlin
Associate Professor, School of Government
919-843-9167
mclaughlin@sog.unc.edu

Intro to Local Government Finance 2018



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www.sog.unc.edu

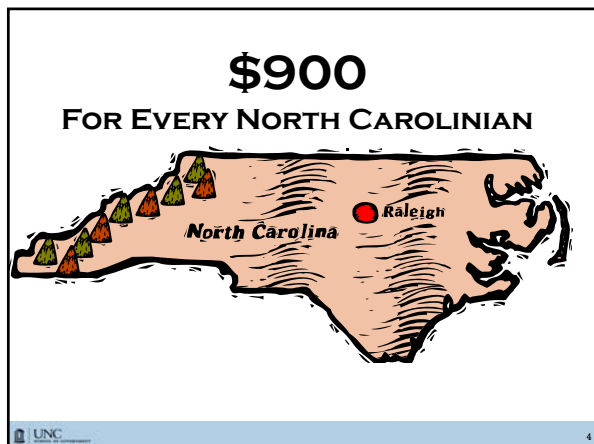
What is the first word that pops into your mind when you think of property taxes?

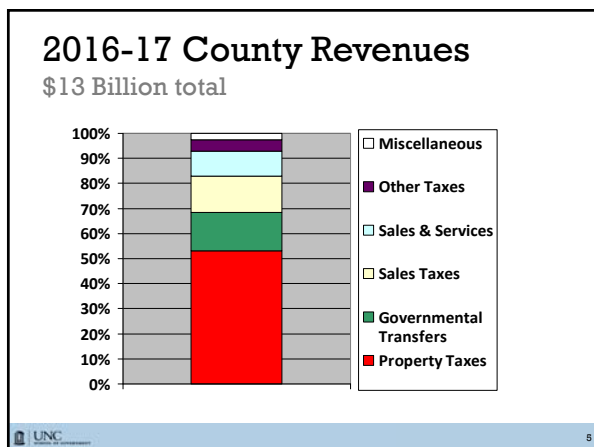
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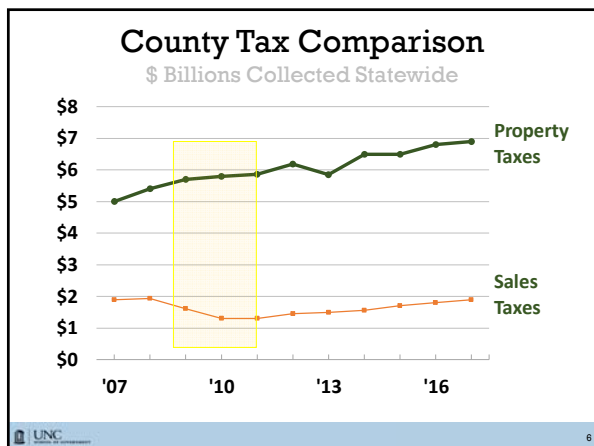
\$9 BILLION

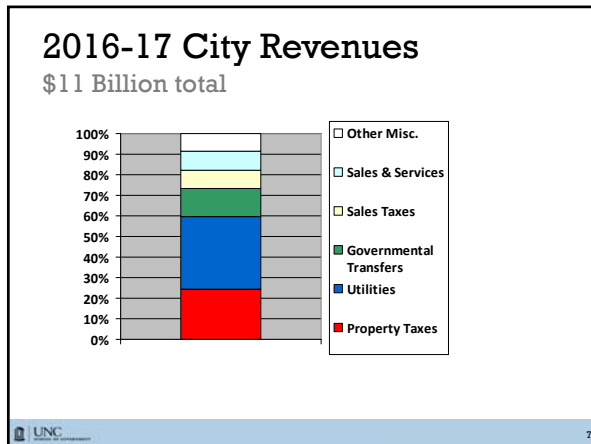


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- ### Show Me the Money!
- #### 2018-19 Property Tax Collection Dates
- January 1, 2018: listing date
taxability, ownership, value
tax lien attaches to real property
 - July 1, 2018: fiscal year (tax year) begins
 - September 1, 2018: taxes due
discounts end
statute of limitations triggered
 - January 6, 2019: taxes are delinquent
interest begins to accrue
enforced collection may begin
- UNC

- ### 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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L.A.C.E.

- List
- Assess
- Collect
- Enforce

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LIST

- To identify property for taxation
 - What?
 - Where (situs)?
 - Who?
 - Taxability?

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Listing Date: January 1

Ownership

Value

Situs

Taxability

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WHAT PROPERTY IS TAXED IN NC?

105-274. Property subject to taxation.

- (a) **All property**, real and personal, within the jurisdiction of the State shall be subject to taxation unless it is:
 - (1) **Excluded** from the tax base by a statute of **statewide** application enacted under the **classification** power accorded the **General Assembly** by the N.C. Constitution, or
 - (2) **Exempted** from taxation by the Constitution or by a statute of **statewide** application enacted under the authority granted the **General Assembly** by the N. C. Constitution.

Classification & Exemptions

- Blue Devil City, the largest municipality in Carolina County, has hit hard times. Its downtown is filled with abandoned buildings.
- The city and the county agree that tax incentives could help stimulate downtown development.

Can the city and county agree to exclude from property taxes 50% of the value of new improvements to real property in the downtown zone?

Can the city and the county do this?

Yes.

No.

Yes, but only if the NC Department of Revenue approves the new rule.

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Can the General Assembly pass a bill that excludes from property taxes 50% of the value of new improvements to real property in downtown Blue Devil City?

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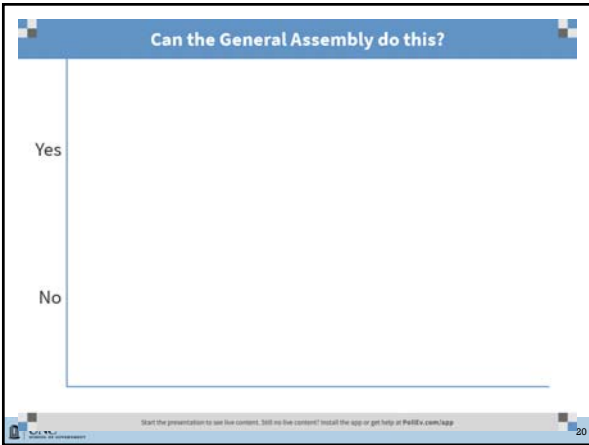
Can the General Assembly do this?

Yes

No

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Can the General Assembly pass a bill that excludes from property taxes 50% of the value of new improvements to real property in cities with populations of over 100,000 and with unemployment rates > 9%?



- EXEMPTIONS UNDER NC CONSTITUTION, ART. V, § 2 (3)**
- *GS 105-278.1 Units of Government*
 - *GS 105-278.2 Burial Property*
 - *GS 105-278.3 Religious Property*
 - *GS 105-278.4 Educational Property*
 - *GS 105-278.5 Religious Educational*
 - *GS 105-278.6 Charitable Property*

**EXEMPTIONS UNDER
NC CONSTITUTION, ART. V, § 2 (3)**

2 Questions:

1. Who owns the property?
2. How is the property used?*(
except for government property)



EXEMPT OR TAXABLE?



23

EXEMPT OR TAXABLE?



24

True or False? Commercial rental property owned by a church is exempt from taxation if the income from the rental property is used for religious purposes.

True

False

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PROPERTY TAX CLASSIFICATIONS (AKA "EXCLUSIONS")

- NCGS §105-275: 40+ complete exclusions
 - Inventories
 - Poultry, livestock, & feed
 - Non-business property:
 - "personal property that is used by the owner of the property for a purpose other than the production of income and is not used in connection with a business. The term includes household furnishings, clothing, pets, lawn tools, and lawn equipment. **The term does not include motor vehicles, mobile homes, aircraft, watercraft, or engines for watercraft.**" §105-275(16)

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EXCLUDED FROM TAXATION?

- Refrigerator located in rental apartment above a residential garage?
- Jets listed for sale by broker but also leased out for daily use?
- Newly built single-family home still owned by the builder?

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**Exemption
Discussion Questions**

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ASSESS

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Uniform Appraisal 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

True value = market value

January 1

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ASSESSMENT APPEALS

- Assessor (*informal*)
- Bd of Equalization and Review
- Property Tax Commission (*taxpayer*)
- NC Court of Appeals
- NC Supreme Court (*maybe*)



REVALUATION CYCLES

Personal property must be revalued . . .

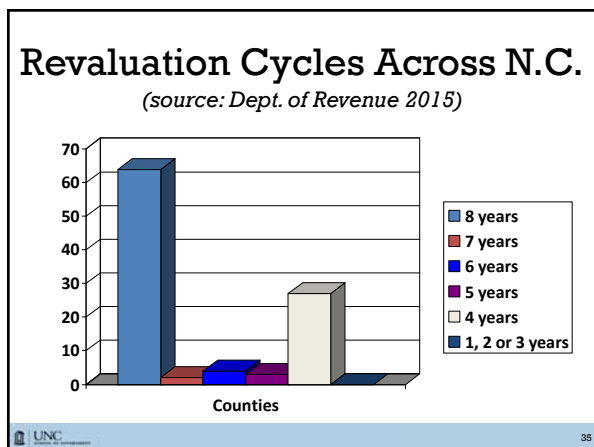
- Every year
- Every 4 years
- Every 8 years
- At least every 8 years.



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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Sales Assessment Ratio

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

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Sales Assessment Ratio

- Prior to 2009, usually 5 counties > 100%
- 2014: 74 counties > 100%
- 2017: 25 counties > 100%

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Post-Reappraisal Reverse Sticker Shock?

- Average sale price for existing NC homes:
 - 2009: \$200,000
 - 2013: \$210,000
 - 2017: \$249,000

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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**

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Revenue Neutral Tax Rate

 x Current Tax Rate = 

 x ??? = 

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Collect

- First step:
 - Set tax rate
 - Governing board
 - Part of budget ordinance
 - By when?

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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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PROPERTY TAX RATES

- Expressed as “tax owed per \$100 of assessed property value”
- Tax rate of \$.50.
- Tax value of \$600,000.
- What is the tax owed?

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COUNTY PROPERTY TAX RATES

- Average: .63
- Highest: 1.03 (*Scotland*)
- Lowest: .279 (*Macon*)
- *Most of the lowest rates are where?*

Source: NC Dept. of Revenue

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By what date must tax bills for the 2018-19 tax year be mailed?

July 1, 2018

September 1, 2018

January 1, 2019


None of the above.

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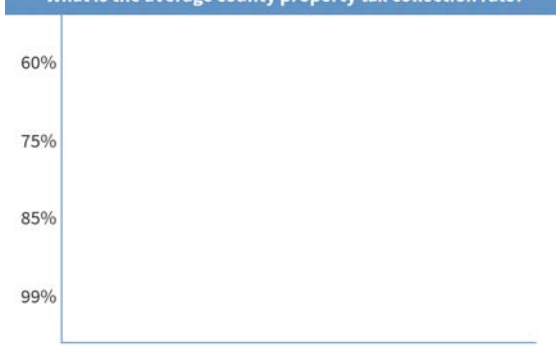
Registered Motor Vehicles

- September 2013: *Tag & Tax Together*
- Taxes paid at registration
- Previously: 3-month lag



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What is the average county property tax collection rate?



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ENFORCE

- Enforced collections can begin when?

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Show Me the Money!
Enforced Collection Remedies

- Attachment & Garnishment
- Levy (Seizure and Sale)
- Foreclosure
- Set-off Debt Collection

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Show Me the Money!
Enforced Collection Remedies

- Personal Property:
–Only Jan. 1 listing taxpayer liable
- Real Property:
–Tax liability follows ownership on and after Jan. 6 delinquency date

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Coach Roy sells his boat to Coach K on January 15, 2017. The 2017 property taxes on the boat remain unpaid as of August 2018. May the tax collector...

- Seize and sell Roy's Corvette
- Seize and sell the boat.
- Garnish Coach K's wages
- 2 & 3
- All of the above

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John Edwards sells his house to Eric Trump on January 15, 2018. The 2017 property taxes remain unpaid as of August 2018. May the tax collector...

- Seize and sell John's boat.
- Seize and sell Eric's Corvette
- Foreclose on the house
- 2 & 3 only
- All of the above

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REFUNDS AND RELEASES
G.S.105-380




Personal liability for board members who approve unlawful releases or refunds!

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REFUNDS AND RELEASES
WHEN ARE THEY LAWFUL?
G.S.105-381

When the tax is...

1. Imposed through clerical error
2. Illegal
3. Levied for illegal purpose



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REFUNDS AND RELEASES

TIME LIMITS FOR TAXPAYER REQUESTS? G.S.105-381

- No time limit for releases
- 5 year limit for refunds



GS 105-381(a)(2),(3)



REFUNDS AND RELEASES

G.S.105-381

- Roy's house sits very close to the Blue Devil City boundary line. For decades everyone assumed his house was located in the city. He has always paid Blue Devil City property taxes.
- In 2018 Roy has a new survey done that indicates his entire property is actually outside the city limits.
- Roy immediately demands a refund of all property taxes he's paid to the city.



REFUNDS AND RELEASES

G.S.105-381

- Mike's house was assessed at \$600,000 in Durham County's last reappraisal in 2014. He did not appeal his tax assessment.
- In early 2018, Mike learns that his neighbor, who owns a house identical to Mike's house, bought his house for \$500,000 in 2013.



REFUNDS AND RELEASES G.S.105-381

- Mike calls the Durham County Tax Office in March 2018 and demands that his assessment be reduced to \$500,000 and that he receive a refund for the “extra” taxes he paid in 2014 thru 2017.



Should the assessor lower Mike's tax valuation for 2018 and future years?

Yes

No



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Should Mike get a refund for excess taxes paid for 2014 to 2017?

Yes

No



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