GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 816 (First Edition)

SHORT TITLE: Property Tax Exclusion Disabled Veterans.

SPONSOR(S): Representatives Sutton, McGee, Pate, and Underhill

FISCAL IMPACT ($millions)

	Yes (X)	**No ( )**	**No Estimate Available ( )**		
	FY 2005-06	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**
EXPENDITURES:					
General Fund	**$7.1**	**$7.6**	**$8.1**	**$8.7**	**$9.3**

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Revenue; North Carolina Local Governments

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: This bill provides a property tax exclusion of the greater of $48,000 or 50% of the property value of the permanent residence of disabled veterans and their surviving spouses. The bill provides for the state to reimburse local governments for the resulting revenue loss.

ASSUMPTIONS AND METHODOLOGY: According to the North Carolina Division of Veterans Affairs, there are 8,829 veterans in the state who are 100% permanently disabled due to service-related disabilities. Under G.S. 105-275.21, "The first $38,000 in assessed value of housing together with the necessary land thereof, owned and used as a residence by a disabled veteran who receives benefits under 38 U.S.C. 2101" is exempt from local property taxes.

Based on a survey of county assessors, the average property value of disabled veterans who qualify for this special tax treatment is $159,040. Although this exemption applies only to veterans who qualify for a federal program for housing modifications, the average property value is assumed to be similar to property values of disabled veterans who would be eligible under this bill and is used to calculate the fiscal impact. An inflation factor of 7% is used to project property values in future years. The inflation factor is obtained by averaging the change in home sales prices as reported by the National Association of Home Builders over the last five years.

Applying the exclusion amount of 50% to the inflation-adjusted average property value and multiplying by the number of eligible taxpayers results in the total value of exempted property.

The next step is to apply the average weighted tax rate for North Carolina counties and municipalities, which results in a revenue loss of $7,023,980 for FY 2005-06. The table below illustrates how the fiscal impact is calculated for each year using the stated variables:

	Average Property Values	50% of Value	Inflation Estimate	Disabled Veterans	Value of Exempted Property	Unified Property Tax Rate	Property Tax Exempted
2005-06	$170,173	85,086	7.0%	8,829	$751,227,826	$0.935	$7,023,980
2006-07	$182,085	91,042	7.0%	8,829	$803,813,773	$0.935	$7,515,659
2007-08	$194,831	97,415	7.0%	8,829	$860,080,738	$0.935	$8,041,755
2008-09	$208,469	104,234	7.0%	8,829	$920,286,389	$0.935	$8,604,678
2009-10	$223,062	111,531	7.0%	8,829	$984,706,436	$0.935	$9,207,005

SOURCES OF DATA: NC Division of Veterans Affairs, North Carolina Association of Assessing Officers; National Association of Home Builders

TECHNICAL CONSIDERATIONS: None

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Official Fiscal Research Division Publication

DATE: March 22, 2005

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