GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 1130 (First Edition)

SHORT TITLE: Senior Prop 13 Property Tax Relief.

SPONSOR(S): Representatives Womble and Mobley

FISCAL IMPACT

	Yes (x)	No ( )	No Estimate Available ( )		
	FY 2009-10	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**
REVENUES:					
Local Governments	*See Assumptions and Methodology*				
EXPENDITURES					
State Board of Elections	*Negligible Cost – See Assumptions and Methodology*				
Dept of Sec of State	*Additional cost of $400 associated with Constitutional Amendment Notifications*				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Local Governments, NC Department of Revenue; State Board of Elections; Secretary of State

EFFECTIVE DATE: Effective for taxable years beginning on or after July 1, 2010, but only if the constitutional amendment is adopted.

BILL SUMMARY:

HB 1130 proposes to amend Section 2 of Article V of the North Carolina Constitution to authorize the General Assembly to adopt a general law, uniformly applicable across the state, that caps the increase in the assessed value of permanent residences and that varies the increase in assessed value of permanent residences on the basis of whether an owner has occupied the property as a permanent residence for at least five years. It requires the proposed amendment to be submitted to the voters at a general election on November 2, 2010.

HB 1130 also amends GS 105-277.1(b)(3a) and GS 105-283 to make conforming changes and is effective for taxable years beginning on or after July 1, 2010, but only if the constitutional amendment is adopted.

The bill adds a new section to Article 12 of Chapter 105 of the General Statutes to create a new senior homestead property tax relief. It also prohibits the increase in appraised value of a permanent residence of a qualifying owner pursuant to general reappraisals conducted after July 1, 2010. The bill defines qualifying owner as an owner who meets all of the following requirements as of January 1 preceding the taxable year for which the benefit is claimed: (1) the owner is at least 70 years old, (2) the owner has occupied the property as a permanent residence for at least five years, and (3) the owner is a North Carolina resident. It also specifies that qualifying owner does not lose the benefit because of temporary absences from permanent residence for health reasons or because the owner is confined to a rest home or nursing home, so long as the residence is unoccupied or occupied by the owner's spouse or other dependent. If a permanent residence is owned and occupied by two or more persons other than a husband and wife, no property tax relief is allowed unless all the owners qualify. The bill specifies certain application requirements and exceptions to the benefit and makes conforming changes to GS 105-282.1(a)(2) and GS 105-309(f).
Source: Bill Digest

ASSUMPTIONS AND METHODOLOGY:

HB 1130 provides for a constitutional amendment that would allow the General Assembly to require local governments to freeze the property tax assessment for homeowners 70 years or older who have lived in their homes for 5 years or more. According to the American Community Survey (U.S. Census), in 2007 there were approximately 300,000 homeowners aged 70 or older with an average home value of $148,000. The number of homeowners is assumed to grow by 4% annually and the home values are assumed to grow by 2.7% annually, based on data from Moody's Economy.com. The percentage of homeowners who have lived in their homes for 5 years or more is estimated to be 65% based on the Census data. Applying this percentage to the number of homeowners over age 70 results in a total number of eligible homeowners of 200,000.

The total property tax revenue generated by the eligible homeowners is calculated by multiplying the number of homeowners by the average home value and the average weighted property tax rate for counties and cities (93.4 cents per $100 valuation). The fiscal impact of the bill is then determined by comparing the tax revenue generated by eligible homeowners under current law with the tax revenue assuming property values remain constant in years subsequent to homeowners becoming eligible for the program.

It is important to note that the fiscal impact in any particular year will be concentrated in those counties with revaluations. The estimate impacts below assume the same amount of property is revaluated in the state each year; the actual impacts will vary depending on the number of counties with revaluations in any given year.

Estimated Fiscal Impact of HB 1130 ($millions)					
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Local Governments	$0	$0	-$9.5	-$18.4	-$26.7

State Board of Elections

According to the State Board of Elections, the amendment set out in Section 1 of this act would be included as part of the General Election in November 2010, and would thus have a minimal cost to the State Board of Elections and to the County Boards of Election.

Department of Secretary of State

The Department of Secretary of State would incur minor costs associated with notification of county boards of election and the media.

SOURCES OF DATA: American Community Survey; Moody's Economy.com; NC Department of Revenue; State Board of Elections; Secretary of State

TECHNICAL CONSIDERATIONS: None

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