

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 133 (First Edition)

SHORT TITLE: Exempt Disabled Veteran Vehicles

SPONSOR(S): Representative Rogers, et al.

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
EXPENDITURES					
<u>General Fund</u>					
Reimbursement to					
Cities and Counties	-	(\$283,581)	(\$288,118)	(\$293,881)	(\$298,877)
Administrative Cost	No impact				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: Effective for taxable years beginning on or after July 1, 1999.					

BILL SUMMARY: The proposed bill exempts from property tax those motor vehicles owned by totally disabled combat era veterans and reimburses local governments for their revenue loss.

ASSUMPTIONS AND METHODOLOGY:

As of April 14, 1998, the Veterans Administration reports 5,042 100% disabled veterans living in North Carolina. Section 1 of HB 133 limits the vehicle property tax exemption to combat veterans (38 USC section 1110). Of all veterans receiving service connected compensation in the state in 1998, 72.76% were combat veterans and 27.24% were peacetime veterans. Applying these percentages to the 100% disabled group, there are 3,668 veterans eligible for the vehicle property tax exemption and 1,374 peacetime veterans that are ineligible.

For this fiscal note, it is assumed that each veteran will claim the tax exemption for one vehicle. The average value of a vehicle in North Carolina is \$7,632 in 1999. This vehicle value is the average of vehicle valuations taken from Cabarrus, Orange, Haywood, Surry, Halifax, and

Sampson counties. The data was provided by TEC Data Systems, Inc., a company that provides vehicle tax values to county tax assessors statewide.

Since it is difficult to predict whether this veteran population will trade, buy, or retain their vehicles in the next five years, the average vehicle price is adjusted by a national inflation rate for light vehicles. A Standard & Poor's DRI national forecast for light vehicles (cars and trucks) in January 1999 predicted an increase in car values as follows:

1999	1%
2000	1.3%
2001	1.6%
2002	2.0%
2003	1.7%

Without a printout of addresses for disabled veterans, a statewide tax rate is used to estimate the fiscal impact of this bill. The unified property tax rate for all government jurisdictions in North Carolina has fluctuated from .994 per \$100 of assessed valuation in 1993-94 to .968 per \$100 in 1997-98. Due to pressures in many counties to build schools and provide other services, an estimated rate of \$1.00 per \$100 of assessed value is used in this note.

Using the variables mentioned above, the revenue impact is calculated as follows:

	<u>Average car values</u>	<u>DRI Inflation est.</u>	<u>100% Disabled Veterans</u>	<u>Value of Exempted Property</u>	<u>Unified Property Tax Rate</u>	<u>Property Tax Exempted</u>
1999-00	\$7,632	1.0%	3,668	\$27,994,176	\$1.00	\$279,942
2000-01	\$7,731	1.3%	3,668	\$28,358,100	\$1.00	\$283,581
2001-02	\$7,855	1.6%	3,668	\$28,811,830	\$1.00	\$288,118
2002-03	\$8,012	2.0%	3,668	\$29,388,066	\$1.00	\$293,881
2003-04	\$8,148	1.7%	3,668	\$29,887,664	\$1.00	\$298,877

The first payment of \$283, 581 will be made on or before May 31, 2001, thus the first impact to the state General Fund will be in FY 2000-01. The Department of Revenue will need to develop a simple spreadsheet application to track the reimbursements, but can absorb this administrative cost in their existing budget.

FISCAL RESEARCH DIVISION 733-4910

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