

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 1253 (First Edition)

**SHORT TITLE:** Amend Pollution Abatement Tax Exclusion

**SPONSOR(S):** Senator Odom

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>	<b><u>FY 2006-07</u></b>
<b>REVENUES</b>					
General Fund					*No Impact*
Local Governments					*See Assumptions and Methodology*
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	Local Governments				
<b>EFFECTIVE DATE:</b>	The act is effective when it becomes law. Section 1 of the act applies to taxes imposed for taxable years beginning on or after July 1, 2002.				

**BILL SUMMARY:** The proposed legislation excludes certain animal waste management systems from qualifying for special property classification and exclusion from the tax base. The new section specifies the criteria on which the Environmental Management Commission can exempt an animal waste management system from property taxes. The bill also directs the Revenue Laws Study Committee to study issues related to the tax exclusion, as recommended by the Environmental Review Commission.

**ASSUMPTIONS AND METHODOLOGY:** The bill would affect revenue from the property tax base in each county in the state. The state General Fund would not be affected.

Under current law, property tax exclusions are granted for real and personal property that is used exclusively for air cleaning or waste disposal or to abate, reduce, or prevent the pollution of air or water. The new section would require animal waste management systems to meet the requirements laid out by the Environmental Management Commission (EMC) to qualify for such an exemption. Although requests are received, few county assessors are currently approving the property tax exclusion for facilities. However, if the proposed legislation were enacted, the counties would again realize property tax revenues from a portion of the facilities that are now receiving an exemption. It is not possible to estimate how many exclusions would continue to be granted under the new law until the EMC inspects each facility. **Thus, no estimate is available**

**for the potential property tax revenues gained from the bill; however, it is expected to be small.**

If the proposed legislation were not enacted, the potential revenue losses would be split among the counties based on the number of animal waste management systems maintained in each county. Again, it is not possible to estimate the number of exclusions under current law granted by the EMC in the future; however, a base estimate on county revenue losses can be determined by looking at the property tax base of the facilities. The most recent records from the Division of Water Quality of the Department of Environment and Natural Resources list a total of 2,276 swine facilities in the state. Those counties with higher concentrations of these facilities would experience the most impact. For example, 59% of all the swine facilities are located in five counties in North Carolina: Duplin, Sampson, Wayne, Bladen, and Greene. The total number of poultry facilities is estimated to be 4,557. The top five counties in chicken production are: Iredell, Union, Randolph, Nash, and Alexander. The top five counties in turkey production are: Sampson, Duplin, Wayne, Onslow, and Union. The number of facilities is expected to remain constant. These counties would experience substantial revenue losses from a property tax exclusion on these facilities.

The Department of Revenue Property Tax Division analyzed the property value of the state’s swine and poultry facilities. It was estimated that each swine facility required approximately 50 acres valued at \$1200 per acre for waste storage and disposal. The total value of the land was increased to include the amount of possible exemptions from personal property and real property improvements, based on copies of applications filed for pollution abatement exemptions. The estimated property tax revenue loss for each county was calculated using the 2001 property tax rate and a \$.05 fire district tax for each county. The top five potential losses that could be experienced by counties each fiscal year are listed in the table below.

County	# of Swine Facilities	Total Property Value	Total Taxes
Duplin	512	\$209,920,000	\$1,584,896
Sampson	452	\$185,320,000	\$1,436,230
Wayne	145	\$59,450,000	\$416,150
Bladen	134	\$54,940,000	\$490,340
Greene	104	\$42,640,000	\$383,760
<b>Total</b>	<b>1,347</b>	<b>\$552,270,000</b>	<b>\$4,311,376</b>
<b>State Total</b>	<b>2,276</b>	<b>\$933,160,000</b>	<b>\$7,379,139</b>

The number of acres per poultry facility was estimated to be 30, also valued at \$1200 per acre. The same methodology used to calculate property tax revenues for swine facilities was used to estimate the property tax revenue loss in the state (no breakdown by county is available.) The total number of poultry facilities in the state is estimated to be 4,557 with a total property value of \$346,332,000. The total estimated property tax revenue loss statewide could be approximately \$2.6 million per fiscal year. **The potential revenue losses statewide could total approximately \$9.9 million per fiscal year.**

**SOURCES OF DATA:** David Baker, NC Department of Revenue Property Tax Division; Dennis Ramsey, Division of Water Quality of the Department of Environment and Natural Resources

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Stephanie Schmitt, Research Assistant & Linda Millsaps

**APPROVED BY:** James D. Johnson

**DATE:** July 22, 2002



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