

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 1917 (First Edition)

SHORT TITLE: Senior Homestead Tax Relief.

SPONSOR(S): Representatives Bordsen, Farmer-Butterfield, Jones, and Mobley

FISCAL IMPACT (\$millions)					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:					
Local Governments	\$0	\$0	(\$20.1)	(\$42.4)	(\$67.1)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Local Governments, NC Department of Revenue					
EFFECTIVE DATE: Sections 2, 4, 5 and 6 become effective only if the constitutional amendment proposed by Section 1 of the bill is approved. If the amendment is approved, Sections 4 through 7 become effective for taxes imposed for taxable years beginning on or after July 1, 2008. The remainder of the bill becomes effective when law.					

BILL SUMMARY:

Subject to approval by the voters in the November 2007 general election, HB 1917 enacts a new Section 2(8) of Article V of the NC Constitution to authorize the General Assembly to enact general laws uniformly applicable throughout the state to (1) require a county to limit growth in the property tax appraisal of permanent residence or (2) vary the growth limitation based on whether the owner has occupied the residence for at least five years.

If the constitutional amendment is approved, the bill provides that the property tax value of a permanent residence does not increase during a property tax general revaluation if it is owned by a NC resident over 70 years old who has occupied it for at least five years. The bill also provides for reappraisal at fair market value in any year there is a significant physical change in the property or if the owner no longer occupies the residence, with an exception for certain temporary absences for reasons of health. If the constitutional amendment is approved, the statutory changes become effective for appraisals conducted after July 1, 2008.

Source: Bill Digest H.B. 1917 (05/02/0200).

ASSUMPTIONS AND METHODOLOGY:

HB 1917 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 (U.S. Census Bureau), there were 394,593 homeowners aged 70 or older with an average home value of \$128,244. The percentage of these 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 256,485.

The total property tax revenue generated by the eligible property is calculated by multiplying the number of homeowners (256,485) by the average home value (\$128,244) and the average weighted property tax rate for counties and cities (93.6 cents per \$100 valuation). For purposes of this estimate, the annual increase in home value is assumed to be 5% and population growth is assumed to be 3% annually. 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 for eligible homeowners remain constant in years subsequent to the FY 2008-09 fiscal year.

SOURCES OF DATA: U.S. Census Data

TECHNICAL CONSIDERATIONS: None

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DATE: June 5, 2007



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