

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 199
Committee Substitute Favorable 6/3/25
Committee Substitute #2 Favorable 6/30/26

Short Title: Authorize Municipal Deannexation.

(Public)

Sponsors:

Referred to:

February 26, 2025

1 A BILL TO BE ENTITLED
2 AN ACT PROVIDING A PROCESS FOR MUNICIPALITIES AND PROPERTY OWNERS
3 TO INITIATE DEANNEXATION OF PROPERTY FROM THE CORPORATE LIMITS
4 OF A MUNICIPALITY.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. Chapter 160A of the General Statutes is amended by adding a new
7 Article to read:

8 "Article 4B.

9 "Deannexation of Corporate Limits.

10 "Part 1. Purpose.

11 "**§ 160A-58.100. Purpose.**

12 The purpose of this Article is to establish a uniform statutory procedure for the contraction
13 of municipal boundaries and to ensure transparency, fiscal responsibility, local accountability,
14 and fairness. Municipalities utilizing the provisions of this Article are exercising a legislative
15 function in accordance with the nature of annexations conducted under Article 4A of this
16 Chapter.

17 "Part 2. Deannexations Initiated by Municipalities.

18 "**§ 160A-58.101. Prerequisites to deannexation.**

19 Before the public hearing required by G.S. 160A-58.102, the municipal governing board
20 exercising authority under this Part shall cause to be prepared a report containing all of the
21 following:

22 (1) A legible map of the area to be deannexed.

23 (2) A statement showing how the proposed deannexation will affect the
24 municipality's finances and services, including municipal revenue change
25 estimates. This statement shall be delivered to the clerk of the board of county
26 commissioners at least 30 days before the date of the hearing on any
27 deannexation under this Part.

28 (3) A plan for the continuation, transfer, or discontinuance of services to the area
29 proposed for deannexation.

30 "**§ 160A-58.102. Procedure for deannexation.**

31 (a) The municipal governing board shall adopt a resolution of intent of the municipality
32 to proceed with the deannexation of all, or part, of the area described in the report required by
33 G.S. 160A-58.101. The resolution of intent shall describe by metes and bounds the boundaries
34 of the area proposed for deannexation and fix a date for a public hearing on the question of
35 deannexation.



1 (b) The municipal governing board shall hold a public hearing before adopting any
2 ordinance deannexing an area from the municipality's corporate limits. A notice of public hearing
3 shall be issued as follows:

4 (1) The notice shall include at least all of the following:

5 a. The date, hour, and place of the public hearing.

6 b. A clear description of the boundaries of the area under consideration
7 for deannexation, including a legible map of the area.

8 c. A statement that the report required by G.S. 160A-58.101 will be
9 available at the office of the municipal clerk.

10 d. A summary of the deannexation process with time lines.

11 (2) The notice shall be published at least once not less than one week before the
12 date of the hearing. In addition, the notice shall be mailed at least four weeks
13 before the date of the hearing by any class of U.S. mail that is fully prepaid to
14 (i) the owners of real property as shown by the county tax records as of the
15 preceding January 1 and (ii) registered voters located within the area proposed
16 for deannexation. The person or persons mailing the notices shall certify to
17 the municipal governing board that fact, and the certificate shall become a part
18 of the public record of the deannexation proceeding and shall be deemed
19 conclusive in the absence of fraud. If a notice is returned to the municipality
20 by the postal service by the tenth day before the public hearing, a copy of the
21 notice shall be sent by certified mail, return receipt requested, at least seven
22 days before the hearing. Failure to comply with the mailing requirement of
23 this subdivision shall not invalidate the deannexation unless it is shown that
24 the requirements were not substantially complied with.

25 (c) At least 30 days before the date of the hearing, the municipal governing board shall
26 do all of the following:

27 (1) Approve the report provided for in G.S. 160A-58.101.

28 (2) Prepare a summary of the approved report for public distribution.

29 (3) Post in the office of the clerk all of the following:

30 a. The approved report provided for in G.S. 160A-58.101.

31 b. The summary of the approved report.

32 c. A legible map of the area to be deannexed.

33 d. The list of the property owners and registered voters, and associated
34 mailing addresses, in the area to be deannexed that the municipality
35 has identified and mailed notice.

36 (4) If the municipality has a website, post on that website all of the information
37 under this subsection.

38 (d) At any regular or special meeting held after the hearing, the municipal governing
39 board shall have authority to adopt an ordinance to reduce the corporate limits of the municipality
40 to include all, or part, of the area described in the notice of hearing which the governing board
41 has concluded should be deannexed. The deannexation ordinance shall:

42 (1) Describe the external boundaries of the area to be deannexed by metes and
43 bounds.

44 (2) Include a statement of the intent of the municipality to continue or discontinue
45 providing services or transition services to another provider in the area being
46 deannexed as set forth in the report required by G.S. 160A-58.101.

47 (3) A statement delineating how the proposed deannexation is in the public
48 interest.

49 (4) Fix the effective date for deannexation in accordance with G.S. 160A-58.106.

50 (5) Be delivered, together with the list of the real property owners of parcels and
51 registered voters within the area described in the deannexation ordinance to

1 which a notice was mailed under subsection (b) of this section, within five
2 business days to the tax assessor and the county board or boards of elections
3 of the county in which the deannexed area lies.

4 (e) From and after the effective date of the deannexation ordinance, the deannexed area
5 and its citizens and property shall not be subject to any debts, laws, ordinances, and regulations
6 in force in the municipality except to the extent that such debts, laws, ordinances, and regulations,
7 including, but not limited to, G.S. 160D-202, may apply to other similarly situated citizens and
8 property outside the corporate limits of the municipality.

9 (f) If a municipality is considering the deannexation of two or more areas, it may
10 undertake simultaneous proceedings under authority of this Part for the deannexation of those
11 areas.

12 **"§ 160A-58.103. Referendum prior to deannexation ordinance.**

13 (a) Upon receipt of a petition signed by twenty-five percent (25%) of the registered voters
14 residing in the area described in the deannexation ordinance, and within 90 days following the
15 adoption of the deannexation ordinance, the city clerk shall examine the petition to determine
16 whether the signers are qualified and registered to vote in the area defined in the deannexation
17 ordinance and certify the results of the clerk's examination. If the clerk certifies that upon
18 examination the petition appears to be valid, the municipality shall place the question of
19 deannexation on the ballot. The municipal governing board shall notify the appropriate county
20 board or boards of elections of the adoption of the deannexation ordinance and provide a legible
21 map and clear written description of the proposed deannexation area.

22 (b) The municipal governing board shall adopt a resolution setting the date for the
23 referendum and notify the appropriate county board or boards of elections. The municipality shall
24 reimburse the board or boards of election the costs of the referendum.

25 (c) The county board or boards of elections shall cause legal notice of the election to be
26 published. That notice shall include the general statement of the referendum. The referendum
27 shall be conducted, returned, and the results declared as in other municipal elections in the
28 municipality. Only registered voters of the proposed deannexation area shall be allowed to vote
29 on the referendum.

30 (d) The referendum of any number of proposed deannexations may be submitted at the
31 same election; but as to each proposed deannexation, there shall be an entirely separate ballot
32 question.

33 (e) The ballots used in a referendum shall submit the following proposition:

34 "[] FOR [] AGAINST

35 The deannexation of (clear description of the proposed deannexation area)."

36 (f) If less than a majority of the votes cast on the referendum are for deannexation, the
37 deannexation ordinance is void and the municipal governing board may not proceed with a
38 separate deannexation process with respect to that proposed deannexation area for at least 24
39 months from the date of the referendum. If a majority of the votes cast on the referendum are for
40 deannexation, the deannexation is deemed valid.

41 "Part 3. Deannexations Initiated by Petition.

42 **"§ 160A-58.104. Deannexation by petition.**

43 (a) The governing board of any municipality may deannex by ordinance any area within
44 its corporate limits upon presentation to the governing board of a petition signed by the owners
45 of all the real property located within the area proposed for deannexation. The petition shall be
46 signed by each owner of real property in the area and shall contain the address of each real
47 property owner.

48 (b) The petition shall be prepared in substantially the following form:

49 DATE:

50 To the _____ (name of governing board) of the (City or Town) of _____

51 1. We the undersigned owners of real property respectfully request that

1 the area described in paragraph 2 below be deannexed from the (City or Town) of _____.

2 2. The area to be deannexed is within the corporate limits of the (City or Town) of _____ and the

3 boundaries of the area, including the (City or Town) rights-of-way, are as follows:

4 _____

5 and as shown on the attached map.

6 3. The area to be deannexed currently receives the following municipal services:

7 _____.

8 4. The undersigned owners of real property acknowledge that (i) the municipal services listed in

9 paragraph 3 above may be discontinued in whole or in part by the municipality, (ii) no liability

10 shall accrue to the municipality for its decision to discontinue providing services following the

11 effective date of the deannexation, and (iii) the owners may be responsible for providing those

12 services.

13 5. The undersigned owners attest to whether vehicular ingress and egress to the area to be

14 deannexed relies on a public street maintained by the (City or Town) or relies on another way of

15 ingress and egress as follows: _____.

16 6. The undersigned owners attest that the area to be deannexed does not have upon it or running

17 over it infrastructure which is financed by, or which serves as collateral or security for, any

18 outstanding debt held or serviced by the (City or Town).

19 7. The undersigned owners attest that the deannexation would not result in the area to be

20 deannexed being completely surrounded by property within the (City or Town)'s corporate limits,

21 such corporate limits to include any public streets adopted for maintenance by the (City or Town).

22 (c) Upon receipt of the petition for deannexation, the city clerk shall examine the

23 sufficiency of the petition, to include the accuracy of services provided to the area to be

24 deannexed, the ownership of real property in the area to be deannexed, and the attestations of the

25 signers, and to certify the result of the examination. If the clerk certifies that upon examination

26 the petition appears to be valid, the municipal governing board shall fix a date for a public hearing

27 on the deannexation. Notice of the hearing shall be published once at least 10 days prior to the

28 date of the hearing.

29 (d) At the hearing, any person resident in or owning property in the area proposed for

30 deannexation and any resident of the municipality may appear and be heard on the questions of

31 the sufficiency of the petition and the desirability of the deannexation. If the governing board

32 then finds and determines that the petition meets the requirements of this section the governing

33 board may adopt an ordinance deannexing all, or part, of the area described in the petition.

34 (e) If the municipal governing board does not adopt an ordinance deannexing the area

35 described in the petition after making findings under this section, the municipal governing board

36 may not proceed with a separate deannexation process with respect to that proposed deannexation

37 area for at least 24 months from the date of the municipal governing board's findings.

38 (f) Except as required by a contractual relationship between the municipality and a

39 property owner or tenant of real property in the area to be deannexed, the municipality may, but

40 need not, continue to provide any services to all, or part, of the deannexed area following the

41 effective date of a deannexation under this Part. No liability shall accrue to the municipality by

42 virtue of the cessation of services by the municipality after the effective date of a deannexation

43 under this Part.

43 "Part 4. Other Local Government Consent.

44 "§ 160A-58.105. Consent of other local governments required in certain instances before

45 property may be deannexed by a municipality.

46 (a) Notwithstanding the provisions of this Article, if the deannexation of an area from the

47 corporate limits of a municipality would result in the transfer of one or more service obligations

48 previously provided by the municipality to (i) any other unit of local government as that term is

49 defined in G.S. 160A-460, (ii) any nonprofit volunteer fire department or rural fire protection

50 district, or (iii) any district, commission, or authority created under Chapter 153A of the General

51 Statutes or this Chapter, the property owners, for deannexations initiated under Part 3 of this

1 Article, or the municipality, for deannexations initiated under Part 2 of this Article, shall obtain
2 the consent of the governing board of the entity to which the service obligation shall transfer.

3 (b) The party responsible for obtaining the consent required by this section shall obtain
4 and deliver to the city clerk evidence of that consent prior to or contemporaneous with the
5 approval of the report required by G.S. 160A-58.102(c)(1) or the filing of the petition allowed
6 by G.S. 160A-58.104, whichever shall apply.

7 "Part 5. Effective Date of Deannexations.

8 **"§ 160A-58.106. Effective date.**

9 A deannexation of property under this Article shall become effective on the first June 30 at
10 least 90 days following the adoption of the deannexation ordinance.

11 "Part 6. Property Tax Liability of Newly Deannexed Area.

12 **"§ 160A-58.107. Tax of newly deannexed area.**

13 Real and personal property in the newly deannexed area as of January 1 of the year in which
14 the deannexation becomes effective is not subject to municipal taxes for the taxes levied for the
15 fiscal year beginning July 1 of that year. Any liens of the municipality for ad valorem taxes or
16 special assessments outstanding before the effective date of the deannexation may continue to be
17 collected or foreclosed upon after the effective date of the deannexation under Article 26 of
18 Chapter 105 of the General Statutes or Article 10 of this Chapter, as applicable.

19 "Part 7. Municipal Services.

20 **"§ 160A-58.108. Municipal services.**

21 (a) If an area is deannexed under this Article and a public enterprise system operates in
22 the area as provided in G.S. 160A-312, a municipality may continue, transfer, or discontinue
23 municipal services to that area.

24 (b) A municipality may revise the rates for services provided by a public enterprise to the
25 deannexed area in accordance with G.S. 160A-314.

26 (c) As used in this section, the term "public enterprise" has the same meaning as it does
27 under G.S. 160A-311.

28 (d) If the municipality has accepted ownership of or maintenance responsibility for roads
29 that serve or connect to an area to be deannexed, exclusive of those with debt financing and
30 subject to G.S. 160A-58.104, then the municipality may determine to discontinue those services.
31 If the municipality so determines, the city may recover the undepreciated costs for road
32 maintenance provided within the last 10 years through assessments against the area to be
33 deannexed in the same manner provided in Article 10 of this Chapter; provided that the
34 requirement for a petition as provided in G.S. 160A-217 shall not apply.

35 (e) If the municipality owns or is responsible for facilities that are subject to the
36 requirements of a Municipal Separate Storm Sewer System (MS4) permit, the city may recover
37 the undepreciated costs for publicly owned facilities located on or providing service to the area
38 to be deannexed in the same manner provided in Article 10 of this Chapter; provided that the
39 requirement for a petition as provided in G.S. 160A-217 shall not apply. The municipality is
40 authorized to take reasonable steps to maintain ownership and control of publicly owned facilities
41 as may be reasonably necessary to comply with the requirements of an MS4 permit. If, however,
42 the municipality does not maintain ownership and control of the publicly owned facilities serving
43 the deannexed area, any permit issued by a municipality for a stormwater management system
44 pursuant to G.S. 143-214.7, or approval of an erosion and sedimentation control plan pursuant to
45 G.S. 113A-61, shall terminate upon deannexation and the permittee or plan owner, as applicable,
46 shall be required to obtain a permit or plan approval from the jurisdiction within which the real
47 property is located after deannexation, or the Department of Environmental Quality, as
48 appropriate.

49 (f) If the municipality determines to discontinue providing police, fire protection,
50 emergency management, or other public safety services to the area to be deannexed, then the
51 municipality shall not be held liable for any act or omission related to a delay in responding to a

1 call for public safety services, in referring the call to another local government or public safety
2 agency, or in refusing to respond to a call for public safety services. Nothing in this section shall
3 be construed to invalidate any otherwise lawful agreement or contract in the nature of mutual aid,
4 cooperative response, or coordinated provision of public safety services nor shall this section
5 alter the municipality's liability for acts or omissions if it actually responds and provides public
6 safety services, as such liability would be determined under otherwise applicable law.

7 "Part 8. Recording and Reporting.

8 **"§ 160A-58.109. Deannexation recording and reporting.**

9 (a) Whenever the limits of a municipality are reduced in accordance with the provisions
10 of this Article, it shall be the duty of the mayor of the municipality to cause an accurate map of
11 the deannexed area, together with a copy of the deannexation ordinance duly certified, to be
12 recorded with the following:

- 13 (1) The office of the register of deeds of the county or counties in which the area
14 is situated.
- 15 (2) The office of the Secretary of State.
- 16 (3) The Local Government Commission.
- 17 (4) The tax assessor assigned to the area.
- 18 (5) The clerk of the governing board of any entity identified in G.S. 160A-58.105
19 as receiving a service obligation previously provided by the municipality. If
20 there is no clerk to the governing board, the chairperson of the governing
21 board or executive officer of the entity.

22 (b) The documents required to be filed with the Secretary of State under this section shall
23 be filed not later than 30 days following the effective date of the deannexation ordinance. All
24 documents shall have an identifying number affixed to them and shall conform in size in
25 accordance with rules prescribed by the Secretary. Failure to file within 30 days shall not affect
26 the validity of the deannexation.

27 (c) Any deannexation under this Article shall be reported as part of the Boundary and
28 Annexation Survey of the United States Census Bureau.

29 "Part 9. Judicial Review.

30 **"§ 160A-58.110. Appeal.**

31 (a) Any holder of interest in real property located within the corporate limits of the
32 municipality including the area to be deannexed who believes they will suffer material injury
33 because (i) the municipality failed to comply with the procedures set forth in this Article, (ii) the
34 governing body acted arbitrarily, capriciously, or without statutory authority in carrying out this
35 Article, or (iii) the governing body violated the State or federal constitution in carrying out this
36 Article may file a petition seeking review of the governing board's action. The petition shall be
37 filed in the superior court of the county or counties in which the municipality is located within
38 30 days following the denial of a deannexation petition by the governing body or the certification
39 of an election wherein a referendum held under G.S. 160A-58.103 affirmed the validity of a
40 deannexation ordinance, or in the event the time for the filing of the petition under
41 G.S. 160A-58.103 has passed, within 120 days of the adoption of the deannexation ordinance. In
42 the event a municipality adopts a deannexation ordinance under G.S. 160A-58.102(d), the
43 petition shall not be filed until certification of the election where a referendum under
44 G.S. 160A-58.103 was held, or the time for filing such a referendum has passed, whichever may
45 apply. As used in this subsection, "material injury" shall not include an obligation to pay property
46 taxes for the area described in the deannexation ordinance or petition.

47 (b) The petition for review shall explicitly state what exceptions are taken to the action
48 of the governing board and what relief the petitioner seeks. Within 10 days after the petition is
49 filed with the court, the person seeking review shall serve copies of the petition by registered
50 mail, return receipt requested, upon the municipality.

1 (c) Within 15 days after receipt of the copy of the petition for review or within additional
2 time as the court may allow, the municipality shall transmit to the reviewing court a copy of the
3 record as described in G.S. 160D-1402(h).

4 (d) If two or more petitions for review are submitted to the court, the court may
5 consolidate all those petitions for review at a single hearing, and the municipality shall be
6 required to submit only one record as required in subsection (c) of this section.

7 (e) At any time before or during the review proceeding, any petitioner or petitioners may
8 apply to the reviewing court for an order staying the operation of the deannexation ordinance
9 pending the outcome of the review. The court may grant or deny the stay in its discretion upon
10 such terms as it deems proper, and it may permit deannexation of any part of the area described
11 in the ordinance concerning which no question for review has been raised.

12 (f) The court shall fix the date for review of deannexation proceedings under this Article,
13 which shall be expeditious and without unnecessary delays. The review shall be conducted by
14 the court without a jury. The court may affirm or reverse the decision of the municipal governing
15 board, declare the decision void, or remand the decision to the governing board for further
16 proceedings to comply with this Article. In making these determinations, the court shall review
17 the whole record or the portions of it that are cited by any party.

18 (g) Any party to the review proceedings, including the municipality, may appeal to the
19 Court of Appeals from the final judgment of the superior court under rules of procedure
20 applicable in other civil cases. The superior court may, with the agreement of the municipality,
21 permit deannexation to be effective with respect to any part of the area concerning which no
22 appeal is being made and which can be removed from the municipality without regard to any part
23 of the area concerning which an appeal is being made.

24 (h) If part or all of the area deannexed under the terms of a deannexation ordinance is the
25 subject of an appeal to the superior court, Court of Appeals, or Supreme Court on the effective
26 date of the ordinance, then the ordinance shall be deemed amended to make the effective date
27 with respect to such area the first June 30 at least six months following the date of the final
28 judgment of the superior court or appellate division, or the first June 30 at least six months from
29 the date the municipal governing board completes action to make the ordinance conform to the
30 court's instructions in the event of remand. For the purposes of this subsection, a denial of a
31 petition for rehearing or for discretionary review shall be treated as a final judgment.

32 (i) Any settlement reached by all parties in an appeal under this section may be presented
33 to the superior court in the county in which the municipality is located. If the superior court, in
34 its discretion, approves the settlement, it shall be binding on all parties without the need for
35 approval by the General Assembly."

36 **SECTION 2.** This act becomes effective January 1, 2027.