



# SENATE BILL 159: Transferred Properties in Corrected

**This Bill Analysis  
reflects the contents  
of the bill as it was  
presented in  
committee.**

2013-2014 General Assembly

<b>Committee:</b>	Senate Re-ref to State and Local Government. If fav, re-ref to Finance	<b>Date:</b>	March 19, 2015
<b>Introduced by:</b>	Sens. Tarte, Rucho	<b>Prepared by:</b>	R. Erika Churchill Committee Counsel
<b>Analysis of:</b>	PCS to First Edition S159-CSSTx-10		

**SUMMARY:** *The proposed committee substitute would clarify the process by which undervalued property is to be taxed under S.L. 2013-362.*

**CURRENT LAW:** General law provides that the value of real property is to be appraised, as of January 1, by each county at least once every eight years. Unless another standard applies for limited circumstances, the value to be determined is the true value of the property, or the price at which the property would change hands between a willing and financially able buyer and a willing seller.

In 2011, Mecklenburg County conducted a general reappraisal, which was a source of controversy and debate. In response to a significantly higher rate of appeal and public criticism, the county commissioned a review of the reappraisal data. The resulting report indicated that many of the neighborhoods throughout the county had valuations that had either major or minor issues affecting the calculation.

In 2013, the General Assembly enacted S.L. 2013-362 which added a time-limited exception to the general rule that the assessed value may not be changed for tax years other than the current tax year by superseding the time limitations disallowing retroactive changes under certain conditions. If all of the conditions were met, the county had to do one of the two following:

- Conduct a general reappraisal pursuant to G.S. 105-286 within 18 months with at least 1 appraiser certified by the Department for mass valuations per 4,250 parcels.
- Have a qualified appraisal service expand the county's evidence of inequity to cover the entire county.

Once one of the two options has been completed, the county must change the abstracts and tax records so that the assessed value reflects the true value for each tax year until the next general reappraisal required by G.S. 105-286. For overvalued parcels, the county must repay the overpayment with interest in the same manner as if there were an order of the Property Tax Commission reducing a valuation on property resulting in an overpayment under G.S. 105-290(b)(4), which is currently 5% per annum.

For undervalued parcels, the additional taxes are treated as taxes on discovered properties pursuant to G.S. 105-312. G.S. 105-312 provides that when property is discovered, it is taxed for the year in which discovered and for any of the preceding five years during which it escaped taxation in accordance with the assessed value it should have been assigned in each of the years for which it is to be taxed and the rate of tax imposed in each such year, and interest does not begin to accrue until the next calendar date of delinquency, which would be the next January 6th. Under S.L. 2013-362, undervalued parcels would be treated as discovered property; however, penalties associated with discovered properties are expressly made non-applicable.



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**BILL ANALYSIS:** With respect to undervalued property, the proposed committee substitute would clarify that additional taxes levied on parcels as a result of errors causing the parcels to have an understated value, that resulted in an underpayment of taxes, would be treated as follows:

- If the property has not changed owners in any tax year that requires reappraisal under S.L. 2013-362, the underpaid taxes shall be treated as taxes on discovered property, except that the discovery penalties do not apply.
- If the property has changed owners in a tax year that requires reappraisal under S.L. 2013-362, the taxes for each tax year prior to and in the fiscal year in which the transfer occurred would be collected against the owner of record as of January 1 of each tax year for which unpaid taxes exist. The prior owner would be able to enter into an agreement for a payment plan not to exceed 60 months in duration. If the unpaid taxes remain unpaid at the end of the 60 months, the collection method would be only by levy, or attachment and garnishment. There would be no lien on the real property for underpaid taxes that arose in a year in which the property is owned by a person other than the current owner as of January 1 of that year. The current property owner would not be held personally responsible for the underpaid taxes. Such underpaid taxes would be treated as taxes on undiscovered property, except that discovery penalties shall not apply."

**EFFECTIVE DATE:** When it becomes law.