SENATE BILL 159: Transferred Properties in Corrected Revals

2013-2014 General Assembly

Committee:	Senate Finance	**Date:**	April 21, 2015
Introduced by:	Sens. Tarte, Rucho	**Prepared by:**	Heather Fennell
Analysis of:	PCS to Second Edition S159-CSTD-17		Committee Counsel

SUMMARY: The PCS to Senate Bill 159 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.

BILL ANALYSIS: Senate Bill 159 would clarify how additional taxes levied on undervalued parcels could be collected.

Due Date and Interest – Additional taxes levied after a reappraisal are due the later of September 1 of the year the taxes are due or 4 years after the last general reappraisal. For Mecklenburg County, the due date for additional taxes would be no earlier than September 1, 2015. G.S. 105-360 provides that for property taxes due on September 1, interest applies if payment is not received by the following January 6th. For Mecklenburg County, interest will not accrue until January 6, 2016. Interest accrues at the rate of 2% for the month of January, and 0.75% for each month thereafter.

Payment Plans – If the additional taxes levied after reappraisal are greater than $1000, the taxpayer has the option of entering into a payment plan with the county. The payment plan cannot exceed 60 months in duration.

Properties with no change in ownership. – If the property has not changed owners in any tax year that requires reappraisal under S.L. 2013-362, the underpaid taxes are treated as taxes on discovered property, except that the discovery penalties do not apply. Therefore, the underpaid taxes are the liability of the listed owner.

Properties with a change in ownership – 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 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.

If a current property owner has paid the underpaid taxes for a year that he or she did not own the property, the current owner can seek a refund of the taxes paid. Refunds must be paid within 90 days of request, and the county must pay interest on the refunded taxes at the rate of 5% per year.

EFFECTIVE DATE: When it becomes law.

Erika Churchill, counsel to Senate State and Local Government, substantially contributed to this summary.