



SENATE BILL 159: Corrected Revaluations/Minimal Refunds/Property Taxes

2013-2014 General Assembly

Committee:

Introduced by:

Analysis of: S.L. 2015-266

Date:

Prepared by: Heather Fennell
Staff Attorney

SUMMARY: *S.L. 2015-266 clarifies the process by which undervalued property is to be taxed under reappraisals conducted under S.L. 2013-362 (Require Certain General Reappraisals), and authorizes local governments to not mail minimal property tax refunds.*

This act became effective October 1, 2015.

CURRENT LAW:

Corrected revaluations:

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. The value of the property can only be changed in non-revaluation years under very limited circumstances.

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 (the 2013 Act) which allowed 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, if certain conditions were met. Mecklenburg County met these conditions and has conducted a reappraisal under the provisions of S.L. 2013-362.

As allowed under the 2013 Act, the county changed the assessed value of property in the county. Parcels that were valued at a higher value in 2011 than in the 2014 revaluation resulted in an overpayment of property taxes. For these overpayments, the 2013 Act required the county to apply the same interest that is applied due to an order of the Property Tax Commission reducing a valuation on property. Parcels that were valued at a lower value in 2011 than in the 2014 revaluation resulted in an underpayment of property taxes. The 2013 Act provided any underpayment of taxes due to revaluation under that act to be treated as taxes on discovered properties under G.S. 105-312; however, the penalties allowed for discovered properties could not be applied. G.S. 105-312 provides when property is discovered, it is taxed for the year in which discovered and for any of the preceding five years. Interest does not begin to accrue until the next calendar date of delinquency, which would be the next January 6th after the revaluation is conducted under the 2013 Act.

Minimal refunds of property taxes:

G.S. 105-357 authorizes local governments to treat underpayments of \$1 or less as fully paid. The statute also provides refunds are not required for overpayments of \$1 or less. A taxpayer will receive a refund of less than \$1, if requested before the end of the fiscal year.

G.S. 105-321(f) authorizes local governments to forego the collection of taxes that exceed the cost of collection, provided the amount cost of collection cannot exceed \$5.



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BILL ANALYSIS:

Corrected revaluations: Section 1 of S.L. 2015-266 clarifies how additional taxes levied on undervalued parcels resulting from a revaluation under the 2013 Act may 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, but not earlier than 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 36 months in duration. Interest would not accrue if timely payments are made under the payment plan.

Properties with no change in ownership. – If the property has not changed owners in any tax year that requires reappraisal under the 2013 Act, 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 the 2013 Act, 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.

Minimal refunds of property taxes: Section 2 of S.L. 2013-266 authorizes local governments, through the adoption of a resolution, to not mail refunds of overpayment of taxes for overpayments less than \$15. If a resolution is adopted, the taxing unit must keep records of minimal refunds by receipt number and amount.

A refund will be issued for any taxpayer who requests a refund in person before the end of the fiscal year. Any amount not refunded will be applied as a credit against future taxes. Interest will accrue on amounts not refunded at the rate set by the Secretary of Revenue under G.S. 105-241.21. The Secretary sets the interest rate on June 1 and December 1 of each year, and publishes the rates on the Department's website. The interest accrues from later of the date the tax is paid or the date the tax would be delinquent if unpaid. Any resolution adopted under this subsection must be adopted on or before June 15 preceding the first taxable year to which it applies and remains in effect until amended or repealed.

EFFECTIVE DATE: This act became effective October 1, 2015.