



HOUSE BILL 199: Authorize Municipal Deannexation.

2025-2026 General Assembly

Committee:	House Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	June 30, 2026
Introduced by:	Reps. Carson Smith, Budd, Pyrtle, Logan	Prepared by:	Ike McRee
Analysis of:	PCS to Second Edition H199-CSCJxfr-27		Karyl Smith Staff Attorneys

OVERVIEW: *The Proposed Committee Substitute (PCS) to House Bill 199 would create a process for municipalities and property owners to initiate the deannexation of property from municipal corporate limits.*

CURRENT LAW: Under Section 1 of Article VII of the North Carolina Constitution, the General Assembly is empowered to "provide for the organization and government and the fixing of boundaries of counties, cities and towns, and other governmental subdivisions, and, except as otherwise prohibited by this Constitution, may give such powers and duties to counties, cities and towns, and other governmental subdivisions as it may deem advisable." Pursuant to this Section, the General Assembly enacted Article 4A of Chapter 160A of the General Statutes which governs municipal annexations. In addition, the General Assembly may annex property by local act. However, the General Assembly has not enacted a method for municipalities to deannex property. Only the General Assembly may deannex property.

BILL ANALYSIS: The PCS would amend Chapter 160A of the General Statutes to create a new Article 4B that would provide a process for municipalities and property owners to initiate deannexation of property from the corporate limits of a municipality. Each Part is described as follows:

Part 1. Purpose.

Part 1 would state the purpose of Article 4B as the establishment of a uniform procedure for the contraction of municipal boundaries in a transparent, fiscally responsible, locally accountable, and fair manner. The purpose would also establish that the deannexation process would be a legislative function of a municipality.

Part 2. Deannexations Initiated by Municipalities.

Part 2 would provide for a municipality initiated deannexation of area from the corporate limits and require the following:

- A report prepared by the municipality that includes (i) a map of the area to be deannexed, (ii) a statement showing how the proposed deannexation will affect the municipality's finances and services, and (iii) a plan for continuation, transfer, or discontinuation of services to the area proposed for deannexation.
- Adoption of a resolution by the municipal governing board that it intends to deannex some or all of the area described in the report and setting a public hearing on the question of deannexation.
- Issuance of a notice of hearing before adoption of a deannexation ordinance that is published at least once not less than one week before the date of the hearing and mailed at least four weeks

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Legislative Analysis
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919-301-1976

House 199 PCS

Page 2

before the hearing to owners of property and registered voters in the area proposed for deannexation.

- Municipal governing board approval of the deannexation report and its posting in the city clerk's office and municipality's website at least 30 days before the public hearing.
- The form of the deannexation ordinance if adopted by the municipal governing board.
- Except to the extent that they may apply to other similarly situated citizens and property outside the corporate limits, relieving the deannexed area and its citizens and property from municipal debts, laws, ordinances, and regulations.
- The municipality to hold a referendum on the deannexation upon receipt of a valid petition signed by twenty-five percent (25%) of the registered voters residing in the area described in the deannexation ordinance.

Part 3. Deannexations Initiated by Petition.

Part 3 would provide for property owner initiation of deannexation by petition in the following manner:

- Submission of a petition to the municipality in substantially the form provided in Part 3 and signed by the owners of all the property located within the area proposed for deannexation.
- After certification of the petition by the city clerk, require the municipal governing board to set a date for public hearing on the deannexation petition and publish notice of the public hearing once at least 10 days prior to the date of the hearing.
- Following the public hearing, the municipal governing board could adopt an ordinance deannexing all, part of, the area described in the petition for deannexation.
- If a deannexation ordinance is not adopted in response to the deannexation petition, require the municipal governing board to wait 24 months before processing a deannexation petition with respect to the same area.
- Except as required by a contractual relationship between the property owner or tenant of real property in the deannexed area, the municipality could, but would not be required to, continue to provide services to all or part of the deannexed area and would not be liable for ceasing services to the deannexed area.

Part 4. Other Local Government Consent.

Part 4 would provide that if deannexation of an area from the corporate limits of a municipality would transfer service obligations to any other unit of local government, including non-profit volunteer fire departments and rural fire districts, then the municipality or property owner initiating deannexation would be required to obtain the consent of the governing board for the entity to which a service obligation would be transferred. The party responsible for obtaining the consent would be required to deliver evidence of the consent to the city clerk.

Part 5. Effective Date of Deannexations.

Part 5 would make a deannexation of property under this Article effective on the first June 30 at least 90 days following the adoption of the deannexation ordinance.

Part 6. Property Tax Liability of Newly Deannexed Area.

Part 6 would clarify that real and personal property in a newly deannexed area as of January 1 of the year in which the deannexation becomes effective is not subject to municipal taxes for the taxes levied for the

House 199 PCS

Page 3

fiscal year beginning July 1 of that year. Any liens of the municipality for ad valorem taxes or special assessments outstanding before the deannexation's effective date may continue to be collected or foreclosed upon after the deannexation's effective date.

Part 7. Municipal Services.

Part 7 would allow a municipality to do the following:

- Continue, transfer, or discontinue municipal services to an area, if the area is deannexed under this Article and a public enterprise system operates in the area.
- Revise the rates for services provided to the deannexed area.
- Recover undepreciated costs for road maintenance provided within the last 10 years through assessments against the area to be deannexed.
- Recover undepreciated costs for publicly owned facilities that are subject to the requirements of a Municipal Separate Storm Sewer System permit and located on or providing service to the area to be deannexed, if the municipality owns or is responsible for those facilities. If the municipality does not maintain ownership and control of the publicly owned facilities serving the deannexed area, any permit issued by the municipality for a stormwater management system or approval of an erosion and sedimentation control plan would terminate upon deannexation. The permittee or plan owner would be required to obtain a permit or plan approval from (i) the jurisdiction within which the real property is located after deannexation or (ii) the Department of Environmental Quality.

This Part would clarify that a municipality would not be held liable for any act or omission related to a delay in responding to a call for public safety services, in referring the call to another local government or public safety agency or in refusing to respond to a call for public safety services, if the municipality decides to discontinue providing police, fire protection, emergency management, or other public safety services to an area to be deannexed.

Part 8. Recording and Reporting.

Part 8 would require the mayor of the municipality to record an accurate map of the deannexed area for any deannexation under this Article, along with a copy of the deannexation ordinance duly certified, with the following:

- The office of the register of deeds of the county or counties in which the area is situated.
- The office of the Secretary of State, not later than 30 days following the effective date of the deannexation ordinance.
- The Local Government Commission.
- The tax assessor assigned to the area.
- The clerk of the governing board of another local government receiving a service obligation previously provided by the municipality. If there is no clerk to the governing board, the chairperson of the governing board or executive officer of the entity.

This Part would also require that any deannexation under this Article be reported as part of the Boundary and Annexation Survey of the United States Census Bureau.

Part 9. Judicial Review.

House 199 PCS

Page 4

Part 9 would allow any holder of interest in real property located within the corporate limits of the municipality, including the area to be deannexed, to file a petition seeking review of the governing board's action, if the holder of interest believes they will suffer material injury due to any of the following:

- The municipality failed to comply with the procedures set forth in this Article.
- The governing body acted arbitrarily, capriciously, or without statutory authority in carrying out this Article.
- The governing body violated the State or federal constitution in carrying out this Article.

The petition would be required to be filed in the superior court of the county or counties in which the municipality is located within (i) 30 days following the denial of a deannexation petition or the certification of an election where a deannexation referendum affirmed the validity of a deannexation ordinance or (ii) 120 days following the adoption of the deannexation ordinance if the time for the filing of a referendum petition has passed.

This Part would require the following:

- A municipality to transmit to the reviewing court a copy of the record.
- The reviewing court to set an expeditious date for review of deannexation proceedings. The review would be conducted by the court without a jury.
- The reviewing court to (i) affirm or reverse the decision of the municipal governing board, (ii) declare the decision void, or (iii) remand the decision to the governing board for further proceedings.
- The reviewing court to review the whole record or the portions cited by any party.

Any party to the review proceedings would be allowed to appeal to the Court of Appeals from the final judgment of the superior court.

EFFECTIVE DATE: The bill would become effective January 1, 2027.