

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

**BILL NUMBER:** House Bill 988 (First Edition)

**SHORT TITLE:** Property Tax – Value of Motor Vehicles.

**SPONSOR(S):** Representatives Blackwood and Church

<b>FISCAL IMPACT</b>				
Yes (X)	No ( )	No Estimate Available ( )		
<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
<b>REVENUES:</b> See Assumptions and Methodology				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Local Governments, NC Department of Revenue				
<b>EFFECTIVE DATE:</b> On or after July 1, 2005.				

**BILL SUMMARY:** This bill prohibits tax assessors who use the cost approach for appraisal of motor vehicles from including any Highway Use Tax for purposes of determining the property tax owed on the vehicle.

**ASSUMPTIONS AND METHODOLOGY:** According to the North Carolina Department of Revenue, there are no counties currently using the cost approach to determine the value of motor vehicles. The cost approach bases the value of the vehicle on what a person actually paid for it. Under this method of valuation, which is often used for business personal property, all the costs associated with the purchase are considered. The market-based approach bases the value on the sales of similar vehicles. Most counties use pricing guides developed by Tax Equity Consultants (TEC) or the National Automobile Dealers Association to determine the average retail prices paid for motor vehicles.

In some instances in which the assessed value of a vehicle is appealed by the taxpayer, assessors may use the bill of sale that includes Highway Use Tax as documentation for changing the assessed value. To the extent that this occurs, this bill would result in lower revenue for local governments. It is expected that the revenue impact would be small, however, the exact amount is not known.

**SOURCES OF DATA:** North Carolina Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

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