

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 486 (First Edition)

SHORT TITLE: Property Tax Exclusion for Disabled Veterans.

SPONSOR(S): Representatives Holliman, McGee, J. Harrell, and Pate

FISCAL IMPACT (\$ millions)					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
EXPENDITURES:					
General Fund	\$8.2	\$8.6	\$9.0	\$9.5	\$9.9
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue, NC Counties and Municipalities					
EFFECTIVE DATE: Effective for taxes imposed for taxable years beginning July 1, 2007.					

BILL SUMMARY: House Bill 486 provides a property tax exclusion of the greater of \$48,000 or 50% of the property value of the permanent residence of disabled veterans and their surviving spouses. The bill provides for the state to reimburse local governments for the resulting revenue loss.

ASSUMPTIONS AND METHODOLOGY: Under current law, disabled veterans receive a property tax exclusion on the first \$38,000 of their primary residence if they are eligible for benefits under Title 38 of the United States Code. The federal program provides assistance for veterans with disabilities that require housing modifications. According to the North Carolina Division of Veterans Affairs, there are 309 veterans who qualify for this exclusion. The table below displays the estimated impact of this exclusion.

Impact of Current Exemption for Disabled Veterans

	<u>Value of Property Excluded</u>	<u>Eligible Veterans</u>	<u>Value of Exempted Property</u>	<u>Combined Property Tax Rate</u>	<u>Property Tax Loss</u>
2007-08	\$38,000	309	\$11,742,000	\$0.936	\$109,905
2008-09	\$38,000	309	\$11,742,000	\$0.936	\$109,905
2009-10	\$38,000	309	\$11,742,000	\$0.936	\$109,905
2010-11	\$38,000	309	\$11,742,000	\$0.936	\$109,905
2011-12	\$38,000	309	\$11,742,000	\$0.936	\$109,905

House Bill 486 would provide a \$48,000 or 50% exclusion to all veterans who are 100% permanently disabled due to service-related disabilities. According to the North Carolina Division of Veterans Affairs, there are 10,084 veterans in the state who would be eligible based on this classification. This figure is not expected to change significantly in the next five years.

Based on a 2005 survey of county assessors, the average property value of disabled veterans who qualify for the federal benefit for modified housing is \$159,040. This value is assumed to be similar to housing values for disabled veterans who would be eligible under this bill and is used to calculate the fiscal impact. An inflation factor of 5% is used to project property values in future years.

Applying the exclusion amount of 50% to the inflation-adjusted average property value and multiplying by the number of eligible taxpayers results in the total value of exempted property. The next step is to apply the average weighted tax rate of \$0.936 for North Carolina counties and municipalities, which results in a total revenue loss of \$8.3 million for FY 2007-08. The table below illustrates the net impact of HB 486, taking into account the impact of the current exemption.

Net Impact of HB 486

	<u>Average Property Values</u>	<u>50% of Value</u>	<u>Eligible Veterans</u>	<u>Value of Excluded Property</u>	<u>Property Tax Loss</u>	<u>Less Property Currently Exempted</u>	<u>Net Impact of HB 486</u>
2007-08	\$175,342	\$87,671	10,084	\$884,072,347	\$8,274,917	\$109,905	\$8,165,012
2008-09	\$184,109	\$92,054	10,084	\$928,275,965	\$8,688,663	\$109,905	\$8,578,758
2009-10	\$193,314	\$96,657	10,084	\$974,689,763	\$9,123,096	\$109,905	\$9,013,191
2010-11	\$202,980	\$101,490	10,084	\$1,023,424,251	\$9,579,251	\$109,905	\$9,469,346
2011-12	\$213,129	\$106,564	10,084	\$1,074,595,463	\$10,058,214	\$109,905	\$9,948,308

SOURCES OF DATA: NC Division of Veterans Affairs, North Carolina Association of Assessing Officers

TECHNICAL CONSIDERATIONS: None

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