



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Legislative Fiscal Note

Short Title: Modify Builders Inventory Tax Exclusion.
Bill Number: House Bill 273 (First Edition)
Sponsor(s): Representatives Potts, Bradford, Zenger, and Clemmons

SUMMARY TABLE

FISCAL IMPACT OF H.B. 273, V.1 (\$ in millions)

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
Local Impact					
Local Revenue	Minimal property tax revenue loss up to \$4 million annually.				
Less Local Expenditures	-	-	-	-	-

FISCAL IMPACT SUMMARY

H.B. 273 would reduce local government property tax revenue by a minimal amount of up to \$4 million statewide per year. Property tax income would be reduced because the bill would exclude from property tax new townhouse construction that is held for sale by a builder.

FISCAL ANALYSIS

Background

Under current law, an increase in value to residential real property held for sale by a builder, due to subdivision, improvements other than buildings, or the construction of a single family residence or duplex is excluded from property tax. H.B. 273 expands this exclusion to include new townhouse construction.

Analysis

The Department of Revenue surveyed North Carolina counties to determine the value of new townhouse construction in each county. Seventeen counties responded. The value of new construction townhouse inventory in the 83 counties that did not respond was based on the share of residential real property represented by new townhouse construction in the responses received and applying that share to all counties. Applying the statewide weighted average property tax rate to the estimated values results in a statewide impact of approximately \$4 million per year.

\$4 million is considered to be the most amount of revenue that could be foregone under the bill, because the estimate does not account for properties that may sell before the end of the fiscal year. Anecdotal information from county assessors indicates the exclusion would have a minimal fiscal impact because townhomes are currently on the market for relatively short periods of time. The change would potentially have a more significant impact in a depressed housing market with properties remaining on the market for longer periods of time.

TECHNICAL CONSIDERATIONS

N/A

DATA SOURCES

North Carolina Department of Revenue

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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