NC GENERAL ASSEMBLY

House Select Committee

Property Tax Reduction & Reform

DECEMBER 17, 2025

1

Trends in Home Prices, Income, and Demographics

Alannah Knight, Economist
Fiscal Research Division

2

Overview

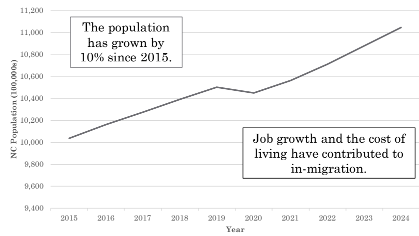
1. Factors that influence home prices
2. History of home prices in North Carolina
3. Comparison to the U.S.
4. Comparison to income growth
5. Changing demographics

3

3

Factors Influencing Home Prices

Population growth has increased the demand for housing.



Source: U.S. Census Bureau

4

Factors Influencing Home Prices

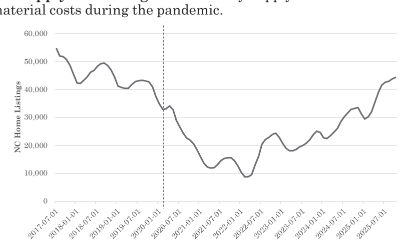
Mortgage Rates contributed to a surge in demand and a subsequent lock-in effect.

Source: Freddie Mac via FRED

5

Factors Influencing Home Prices

The **supply of housing** was limited by supply chain issues and high material costs during the pandemic.



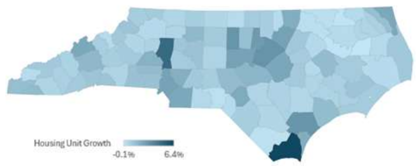
Source: Realtor.com via FRED

6

Factors Influencing Home Prices

But the **supply of housing** has increased due to new housing units being added across the state.

Between 2023 and 2024, North Carolina experienced the 3rd **fastest** growth in housing units.

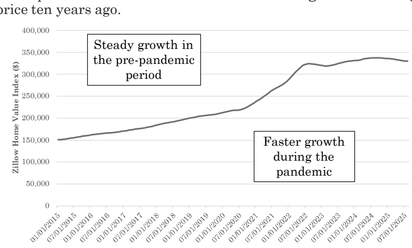


Source: U.S. Census Bureau

7

History of NC Home Prices

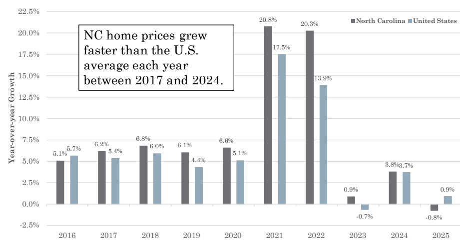
Home prices have stabilized but are **twice as high** as the average price ten years ago.



Source: Zillow

8

Growth in NC Home Prices Compared to the U.S. Average



Source: Zillow

9

Home Price vs Income Growth

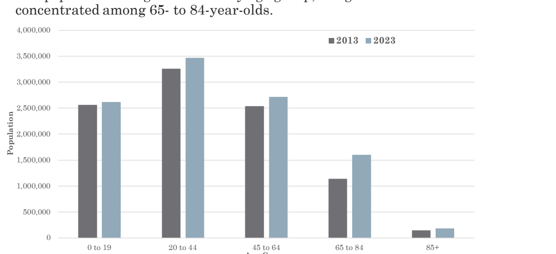
In 2015, the average home price was **3.2 times** median income.
In 2024, the average home price was **5.0 times** median income.

Sources: Zillow and U.S. Census Bureau

10

Demographic Changes: The Aging Population

The population has grown for every age group, but growth is concentrated among 65- to 84-year-olds.



Source: U.S. Census Bureau

11

Demographic Changes: The Aging Population

Factors contributing to an aging population include Baby Boomers aging and the in-migration of retirees.

Source: U.S. Census Bureau

12

Summary

- Various factors have influenced home prices in North Carolina over the past decade including:
  - Population growth
  - Mortgage rates
  - Housing supply
- Home prices are growing faster than incomes
  - The average home price in NC has increased from $150,000 to $330,000 over a 10-year period
  - Median income has remained relatively flat
- The population is aging
  - By 2030, all baby boomers will be 65+
  - Retirees are migrating

13

Property Tax Basics: From Appraisal to Collections

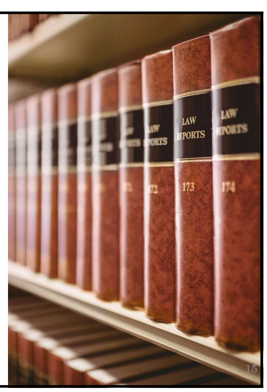
Nick Giddings, Legislative Analysis Division

14

Property Taxation Basics

Governing Law

- **Article V, Section 2 of the NC Constitution**
  - Lays the foundation for property taxation in NC
- **Machinery Act – Subchapter II of Chapter 105 (G.S. 105-271 – G.S. 105-395.1)**
  - G.S. 105-272 – Provides "the machinery for the listing, appraisal, and assessment of property and the levy and collection of taxes on property by counties and municipalities."



15

Property Taxation Basics

- The most stable local revenue source
- Only the General Assembly may classify property for taxation, which includes creating exceptions/exclusions from the property tax
  - Local governments cannot do this
- Property must be taxed by "uniform rule"
- Legislation must be accomplished via general law and apply statewide (i.e. no local acts)

16

16

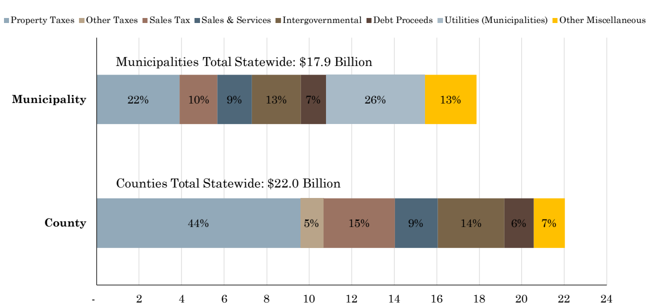
Property Taxation Basics

- Property tax rate is expressed as an amount of tax per $100 of taxable value
- For example, if a property is appraised at $200,000 and the tax rate is $0.50, the tax owed on that property will be $1,000.
  - First, take the taxable value and divide by 100 ($200,000/100 = $2,000) as the tax rate is "per $100 in value"
  - Next, multiply the result by the tax rate ($2,000 x 0.50 = $1,000)

17

17

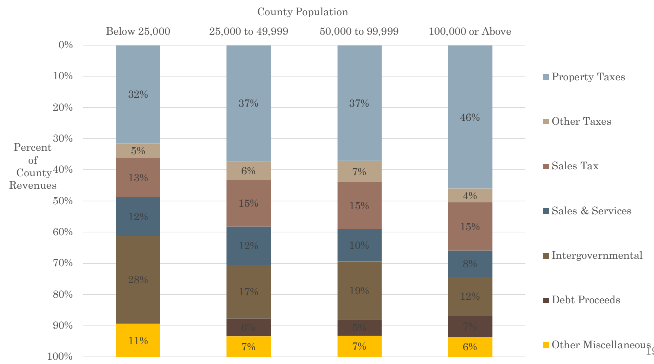
Local Revenue Sources, FY 2023-24



Source: Dept. of State Treasurer

18

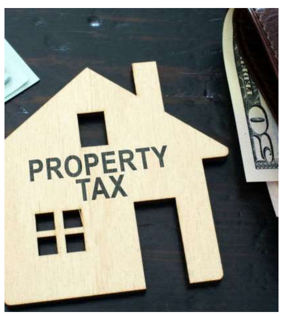
18



19

Property Subject to Taxation

- G.S. 105-274 – All real and personal property within the jurisdiction of the State is subject to taxation, unless it is:
  - Excluded from the tax base by a statute of statewide application
  - Exempted from taxation by the NC Constitution or statute of statewide application

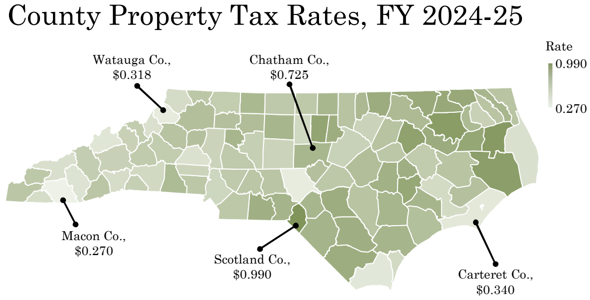


Property Taxation Basics

20

20

County Property Tax Rates, FY 2024-25

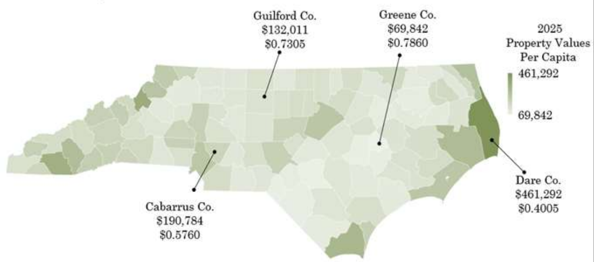


Source: NC Dept. of Revenue

21

21

Property Tax Base Per Capita



Source: Dept. of Revenue

22

22

Real Property

Types of Property

<u>Definition</u>:
- Land
- Buildings, structures, improvements, or permanent fixtures on land
- All rights and privileges belonging or in any way appertaining to the property (think: mineral rights, for example)
- Certain manufactured homes

- Real property is listed each year <u>*by the county*</u>

23

23

Personal Property

Types of Property

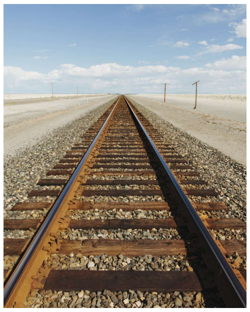
- Any property that is <u>*not*</u> real property
  - Intangible personal property
  - Tangible personal property
- With limited exceptions, personal property is only taxable if it is tangible
- Appraised annually.
- Must be listed <u>*by the taxpayer*</u> during annual listing period (January 1 – January 31) unless extension applies
  - General extension
  - Individual extension

24

24

Public Service Companies

- Examples:
  - Electricity Providers
  - Gas Companies
  - Railroads
  - Telephone Service Providers
  - Airlines
  - Mobile Telecommunications Companies
- Assessed at State level by NCDOR
  - NCDOR assigns tax value to the property and allocates value to local governments for taxation



Types of Property

25

25

Registered Motor Vehicles

- Cars, trucks, vans, motorcycles, and trailers with valid registrations and license plates
- Registered motor vehicles appraised annually
- Combined billing of annual vehicle registration fees and property taxes by NCDMV
  - NCDMV bills and collects property tax payments, then remits to local government
- Registration is staggered throughout the year for most motor vehicles
  - Different due dates and delinquency dates apply for different taxpayers
- To renew registration, owner must pay registration fee and property tax

Types of Property

26

26

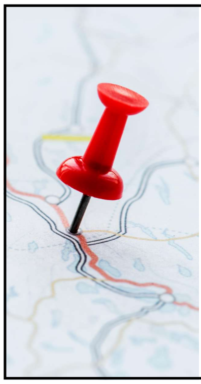
Determination of Property Ownership, Value, Taxability

- Personal property
  - Determined as of January 1 each year
- Real property
  - *How Much*
    - Determined as of January 1 of the reappraisal year
  - *Ownership and Situs*
    - Determined as of January 1 each year

Property Tax Basics

27

27



Situs

- Situs = Taxable location
- Generally real property is easy, but movable personal property is more difficult
  - Personal Property:
    - *General rule* (G.S. 105-304) – Situs is the residence of the owner (principal place of business if business is owner)
    - *However*, if the property is more or less permanently located in a jurisdiction, that jurisdiction has situs

Property Tax Basics

28

28

Appraisal

- Defined as the *true value* of property and the process by which true value is ascertained
- Uniform appraisal standard (G.S. 105-283) – All property, real and personal, shall as far as practicable be appraised or valued at its *true value in money*

Appraisal vs. Assessment

29

29

Assessment

- Defined as the tax value of property and the process by which the assessment is determined (more on this later)
- Uniform assessment standard (G.S. 105-284) – Generally, all property, real and personal, shall be assessed for taxation at its *true value*
  - Exceptions:
    - Present-use value
    - Public service companies
    - Property in a development financing district

Appraisal vs. Assessment

30

30

True Value

- True value in money means ***market value***
  - Definition (G.S. 105-283): "the price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used."
- "The purpose of the statutory requirement that all property be appraised at its true value in money is to assure, as far as practicable, a distribution of the burden of taxation in proportion to the true values of the respective taxpayers' property holdings, whether they be rural or urban."
  - *In re King*, 281 N.C. 533, 189 S.E.2d 158 (1972)

Appraisal vs. Assessment

31

31

True Value

- State law requires the appraiser to consider various factors when appraising real property in an effort to determine the property's highest and best use, including:

Land	Buildings/Improvements
• Location • Zoning • Soil quality • Water privileges • Conservation agreements • Valuable deposits (i.e. minerals) • Adaptability (i.e. other uses) • Income (past and future) • Any other factors affecting value	• Location • Construction type • Age • Replacement cost • Actual cost • Adaptability (i.e. other uses) • Income (past and future) • Any other factors affecting value

Appraisal vs. Assessment

32

32

Sales Comparison Approach

- Compares property being appraised with similar properties that have recently sold
  - Real property
    - Commonly used for single-family residences and land
  - Personal property
    - Useful for vehicles, watercraft, aircraft, and farm equipment
- Sale prices are adjusted to account for relatively minor differences between comparable properties and sale price is estimated for type and use of property in question
- As this approach is derived from actual market transactions, it is usually considered a good indicator of actual market value

Approaches to Value

33

33

Income Approach

- Value based on principle that something is worth what it will earn
- Net income for property is estimated, and a capitalization rate is applied to generate a predicted present value for the future income the property can be expected to produce
  - Commonly used for income-producing real and personal property, such as leased commercial property or equipment
- Capitalization rate determined by analyzing sales of other, similar income-producing properties or assets

Approaches to Value

34

34

Cost Approach

- Cost of replacing property is estimated, and that figure is reduced by depreciation factor, usually to account for age of property
  - Useful economic life is important in determining depreciation
- Most useful for the following:

Personal Property

- Business machinery and equipment
  - Usually not enough comparable sales to value under the sales comparison approach

Real Property

- Newly constructed or unique property
  - Sales and income have often not been established by the market, so cannot effectively use any other approach

Approaches to Value

35

35

Revaluations

- Real property is required to be reappraised *at least every 8 years*; however, can be done more frequently:
  - Optional advancement – Local unit may choose to reappraise property more frequently
    - Most common reappraisal schedule is every 4 years – 51 counties (as of 2025 tax year)
    - Shortest – Wake County, currently 3 years, moving to 2-year cycle in 2027
  - Mandatory advancement – Reappraisals required, within 3 years, for counties with populations greater than 75,000 if sales assessment ratio is below 85% or above 115%
    - Sales assessment ratio – Calculated by NCDOR and measures the ratio between a property's tax appraisal and its actual sale price

Revaluations

36

36

Mass Appraisal

- Ideally, real property would be reappraised each year
- However, annual reappraisal of tens of thousands of properties in each county is difficult and expensive
- Solution – *Mass appraisal*
  - Uses county-wide data to develop pricing models used for valuing individual parcels, with highest and best use being the valuation goal
  - Some properties will be individually appraised, but the rest will be assigned tax values based on an analysis of market prices and physical characteristics at the neighborhood level
  - Still uses the three traditional approaches to determining value

Revaluations

37

37

Schedule of Values

- Assessor prepares uniform schedules of values, standards, and rules to be used in appraising real property at true value (schedules are also made for present-use value property)
  - Generally known simply as the *Schedule of Values*
- These schedules serve as the county's mass appraisal model and are implemented by means of a computer assisted mass appraisal system (CAMA)

Revaluations

38

38

Schedule of Values

- Schedules incorporate:
  - Building cost figures derived from national data that have been adjusted to reflect local costs
  - Sales data from arms-length transactions grouped by appraisal neighborhood
  - Expense formulas applicable to commercial property derived from local and national sources
- Schedules generally provide for adjustments to base value due to certain features (such as fireplaces, finished basements, etc.)
- The Schedule of Values is used as the basis for valuing all real property during *all years* of the reappraisal cycle

Revaluations

39

39

Changes to Real Property Tax Values in Non-Revaluation Years

- In between reappraisals, real property tax values may only be changed under certain circumstances, such as:
  - To correct a clerical or mathematical error
  - To correct a misapplication of the schedule of values
  - To recognize an increase or decrease in the property value due to a physical change in the land, improvement to the land, or legally permitted use of the land (i.e. change in zoning)
- However – changes in general economic conditions or the local real estate market *should not* be reflected in tax values until the next reappraisal

Revaluations

40

40

Changes to Real Property Tax Values in Non-Revaluation Years

- Examples:
  - 2,000 sq/ft addition added to property – value should be adjusted/increased
  - House burns down – value should be adjusted/decreased
  - Housing market declines or increases – value should NOT be adjusted until next revaluation
- Note – All value changes take effect on January 1 of the year in which it is made and is not retroactive
  - The value is determined using the Schedule of Values in place for the most recent revaluation

Revaluations

41

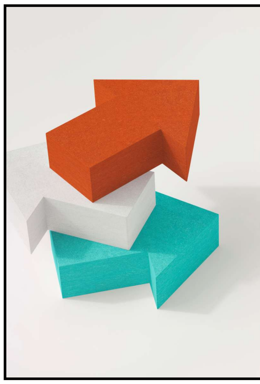
41

- So, the value of your property has changed…what now?
  - Tax assessor will send written notice of a change in the appraisal of real property to the taxpayer's last known address
  - This applies to appraisal changes applicable to real property in revaluation and non-revaluation years

Appeals Process

42

42



Appeal Process

1. Informal appeal to assessor
2. County Board of Equalization and Review
3. State Property Tax Commission
4. NC Court of Appeals
5. NC Supreme Court (maybe)

Appeals Process

43

43

Informal Appeal

- Not required under the Machinery Act, but most assessors provide an informal appeal process to taxpayers
- A taxpayer may request an informal appeal to the assessor due to an appraisal, assessment, or denial of a property tax exemption/exclusion
- If the assessor agrees with the taxpayer, the assessor may correct the error prior to the convening of the local board of equalization and review
- If the appeal cannot be settled informally, the taxpayer may appeal to the local board of equalization and review

Appeals Process

44

44

Board of Equalization and Review

- The board of county commissioners serves as the county board of equalization and review unless it appoints, by resolution, a special board to handle the appeals
  - Most counties appoint a special board
- <u>Board Timing:</u>
  - ***Start*** – Board must hold first meeting of year no earlier than the first Monday in April and no later than the first Monday in May
  - ***Adjournment*** – Board must adjourn by the following dates:
    - Non-revaluation years – July 1
    - Revaluation years – December 1

Appeals Process

45

45

Board of Equalization and Review

- Why does timing matter?
  - A taxpayer must appeal to the Board prior to the Board's adjournment for the year.
- Note – While appeals must be filed before the Board adjourns, the Board continues to resolve those appeals after adjournment

Appeals Process

46

46

Property Tax Commission

- If the taxpayer disagrees with the decision of the Board of Equalization and Review, he or she may appeal to the Property Tax Commission.
  - Note – Only the taxpayer may appeal to the PTC. The Board's decision is binding on the county
- The PTC meets monthly in Raleigh
- The PTC is a trial court and is, therefore, much more formal than a proceeding before the Board of Equalization and Review

Appeals Process

47

47

State Court Appeals

- North Carolina Court of Appeals
  - The party that loses before the PTC may appeal to the NC Court of Appeals
    - County may appeal unfavorable PTC decision
  - This is often the final stop for property tax appeals
- North Carolina Supreme Court
  - The losing party at NC Court of Appeals has the right to continue its appeal to the NC Supreme Court if at least one judge at the Court of Appeals voted in its favor
    - Discretionary review – Supreme Court may also take up the case despite unanimous decision from Court of Appeals in limited circumstances (this rarely happens)

Appeals Process

48

48

- Property taxes are levied on a fiscal year that begins on July 1 and ends the following June 30
- Notable dates:

Date	Notable Occurence
January 1	• Date in which value, ownership, situs, and taxability of real and personal property are determined for the upcoming tax year • Start of the regular listing period • Taxes become a lien on real property for upcoming tax year
January 31	• Last day of regular listing period
July 1	• New fiscal year begins • Deadline to adopt budget ordinance o New property tax rate set in budget ordinance
September 1	• Property taxes for current fiscal year become due
January 6	• Unpaid property taxes become delinquent; begin accruing interest at 2%
February 1	• New interest rate of 3/4% begins on unpaid taxes

Property Tax Calendar

49

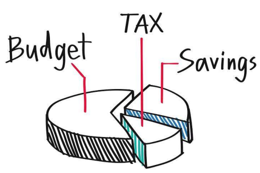
49

Budget Ordinance

- Until a budget ordinance is adopted, there may be no property taxes levied for the fiscal year
  - Remember, the budget ordinance sets the property tax rate

<u>Budget Calendar</u>:

- *<u>By April 30</u>*
  - Departmental requests must be submitted to Budget Officer
- *<u>By June 1</u>*
  - Proposed budget must be presented to governing board
- *<u>After submittal of budget, but prior to adoption</u>*
  - Notice/public hearing
- *<u>By July 1</u>*
  - Governing board must adopt budget



Budget: Setting Tax Rate

50

50

Balanced Budget Requirement

- Local government budget ordinance *<u>must be balanced</u>*
  - G.S. 159-8: "A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriations"
  - To this end, the law requires an exact balance – it does not allow for a deficit or a surplus
- To properly balance the budget ordinance, the local government must know three variables:
  - ***<u>Net revenues</u>***
    - Revenues unit expects to actually receive during the fiscal year (includes potential property tax collections)
  - ***<u>Appropriated Fund Balance</u>***
    - The amount of cash reserves needed to fill the gap between estimated revenues and appropriations
  - ***<u>Appropriations for Expenditures</u>***
    - Legal authorization to make an expenditure

Budget: Setting Tax Rate

51

51

Setting the Property Tax Rate

- The property tax rate should be based on the amount of revenue the local government needs to balance its budget after all other revenue sources are accounted for, given the expected tax base for the coming year
- In order to set the property tax rate, the local governing board must know the following variables:
  1. The amount of ***revenue the property tax needs to generate*** to balance the budget (revenue generated from the property tax is also known as the **property tax levy**)
  2. The estimated *property tax base*
  3. The *collection percentage* for the current fiscal year
     - For budget purposes, the law **prohibits** the local government from assuming a higher collection rate for the coming year than it experienced in the current fiscal year

Budget: Setting Tax Rate

52

52

Setting Tax Rate Example

- Assume the following:
  - County needs $25,000,000 in property tax revenue to balance its budget
  - Estimated property tax base is $5 billion
  - Property tax collection rate for current fiscal year is 97%
- First, local unit must calculate its adjusted revenue target (how much it needs to bill to generate $25,000,000 tax levy)
  - $25,000,000/.97 = $25,775,000 (roughly)
- Next, the local government must determine the adjusted tax base (since the tax rate is "per $100 in value")
  - $5,000,000,000/$100 = $50,000,000
- Lastly, divide the adjusted revenue target by the adjusted tax base
  - $25,775,000/$50,000,000 = $0.516
- Therefore, the county must levy a property tax of $0.516 or 51.6 cents per $100 of value to meet its budgetary needs

Budget: Setting Tax Rate

53

53

Revenue-Neutral Tax Rate

- G.S. 159-11(e) requires that in each year in which a general reappraisal of real property has been conducted, the budget officer of the local government must include a statement of the revenue-neutral property tax rate in the proposed budget submitted to the governing board
- The revenue-neutral tax rate is a calculation that shows what the property tax rate would be for the upcoming tax year (using the new reappraisal's tax base) to produce the same revenue as the current tax year (which used the previous reappraisal's tax base), with an adjustment for a statutorily mandated "growth factor"

Budget: Setting Tax Rate

54

54

Revenue-Neutral Tax Rate

- Revenue-neutral tax rate is included in the proposed budget for comparison purposes only
- The governing board is not required to adopt the revenue-neutral property tax rate when the finalized budget is approved
- Governing board is free to adopt a different property tax rate that satisfies the needs of the local government
- Note – Even if the governing board adopts a revenue-neutral tax rate, it *does not* mean a taxpayer's property tax liability for the upcoming tax year will be the same as the current year

Rate Limitations

- When setting the property tax rate, the local government is generally limited to setting the rate at no more than \$1.50/\$100 of value; however, there are certain exceptions
  - Local governments may levy property taxes without restriction for the following purposes:

Counties		Municipalities
• Courts • Debt service • Deficits • Elections	• Jails • Joint undertakings • Schools • Social services	• Debt service • Deficits • Civil disorders

  - Local governments may also exceed the \$1.50/\$100 cap with voter approval
- No local government is currently at or near the limit

Changing the Rate

- Once the tax rate is set in the budget, the governing board is generally prohibited from changing it
- A governing board may *only* alter the property tax if any of the following occur:
  - The unit is ordered by a court
  - The unit is ordered by the LGC
  - The unit receives revenues that are *substantially* more or less than the amount anticipated when the ordinance was adopted
    - A change under this exception must occur by December 31

Property Tax Collection

- Tax rate is set – what now?
  - Local government calculates tax liability and sends a property tax bill, usually in July or August
    - Note – Machinery Act does not require local governments to send tax bills to taxpayers; however, all do
    - G.S. 105-248 – Machinery Act charges all taxpayers with notice of the fact that taxes are owed on their property
  - Property taxes are due on September 1; however, taxes are not delinquent until January 6, so no penalty for paying taxes by January 5

58

58

Budget: Setting Tax Rate

Enforced Collections

- Once taxes are delinquent, the tax collector may initiate enforced collections
- If a local government initiates foreclosure proceedings, no further enforced collection remedies may be used to collect the property tax debt
- Machinery Act creates at 10-year statute of limitations on enforced collections
  - Enforced collections must *begin* within 10-years from the date of the tax's original due date

Remedy	Property Targeted
Attachment and Garnishment	Wages, bank accounts, rents, or any other money owed to the taxpayer
Levy and Sale of Personal Property	Any tangible personal property owned by the taxpayer
Foreclosure	Real property subject to a lien for delinquent property taxes
Set-Off Debt Collection	State income tax refunds, lottery winnings, or any other money owed to the taxpayer by the State

59

59

Refunds and Releases

Relief	For What?	When?
Refund	Taxes Paid	Later of: • 5 years from original due date • 6 months from payment
Release	Unpaid Taxes	No time limit

60

60

Refunds and Releases

- Refunds and releases are *only* permitted in the following circumstances:
  - If the tax was *illegal* or *levied for an illegal purpose*
  - If the tax was imposed due to *clerical error*
- The governing board of the local unit is tasked with approving refunds and releases
  - Governing board may delegate refund requests of less than $100
- Governing board members voting for an unlawful refund or release may be held *personally liable* for the refunded or released tax
- Taxes unlawfully refunded or released are considered unpaid and collectible, and the existence and priority of any tax lien is not affected

61

61

Residential Relief Programs

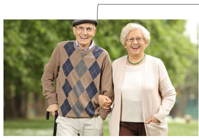
Trina Griffin, Legislative Analysis Division
Brent Lucas, Fiscal Research Division

62

Elderly or Disabled

Circuit Breaker

Disabled Veterans



63

Elderly or Disabled Homestead Exclusion

- Aged 65 and over or totally and permanently disabled
- Income ceiling (2025: $37,900)
- Greater of $25,000 or 50% of appraised value

64

Elderly or Disabled Exclusion

Qualifying Owner

- Is a NC resident
- Is at least 65 years old OR totally and permanently disabled
  - *For married owners, only one spouse needs to meet age or disability requirement. For unmarried co-owners, each owner must qualify to receive benefit.*
- Occupies property as “permanent residence” – Legal residence, not to exceed 1 acre; may be single family, a unit in a multi-family residential complex, or a manufactured home
- Income does not exceed eligibility limit

65

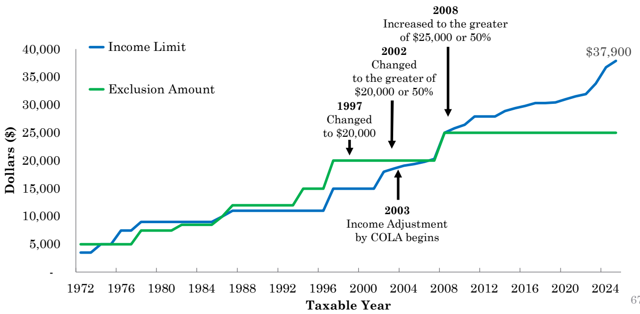
Elderly or Disabled Exclusion

Income Limitation

- **What’s the limit?** The amount for the preceding year, adjusted by the COLA percentage. The base was last adjusted in 2008. The adjusted limit for taxable year 2025 = $37,900.
  - *DOR sets income limit by July 1 of each year for the taxable year beginning the following July 1; because of timing, COLA from 2 years prior is used for upcoming taxable year.*
- **What’s included?** All moneys received from every source other than gifts or inheritances received from a spouse, lineal ancestor, or lineal descendant; effective 2008, federal AGI is no longer the starting point.
- **Whose income is included?** For married applicants, the income of both spouses is included, regardless of whether the property is in both names. Unmarried co-owners’ incomes are not combined.

66

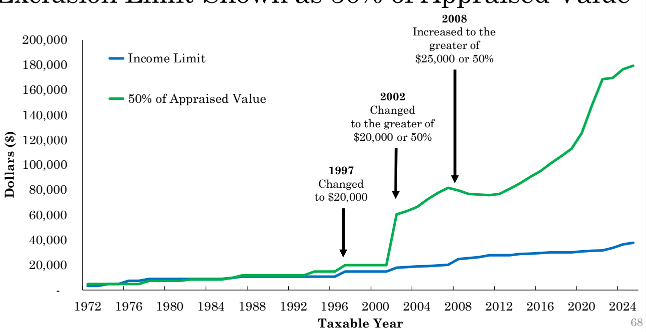
History of Income & Exclusion Limits



67

67

Exclusion Limit Shown as 50% of Appraised Value



68

68

Elderly or Disabled Exclusion

Fiscal Impact

- Nearly $9B in valuations excluded; ~$75M local loss/year
- Top 5 counties' valuations excluded from taxation

County	Value Excluded ($M)
Mecklenburg	$870
Wake	$700
Buncombe	$360
Guilford	$335
Gaston	$335

Local Reimbursement History

1982 - 15% reimbursement
1986 - 35% reimbursement
1987-91 - 50% reimbursement
1991-1997 - reimbursements frozen at 1991 amounts ($7.9M)
1998-99 - 50% reimbursement after 1996 increase for 2 years
2000 – Resumption of pre-1998 reimbursement amounts
2001-2002 – Reimbursements repealed due to budgetary shortfall

No local reimbursements since that time.

Data Source: NC Dept. of Revenue

69

69

Elderly or Disabled Exclusion

Surrounding States

State	Income Limit	Exclusion Amount
Tennessee	$37,530 (2025)	$32,700 (2025)
South Carolina	None	$50,000
Florida (multiple programs)	$37,694 (2025)	-Standard + $50,000 (local) -100% w/ 25 yrs in home -Save Our Homes assessment limitation
Georgia (multiple programs)	-$10,000* (65+) -$30,000 (62+)	$4,000 "floating" – capped at inflation
Virginia	Determined at local level	Determined at local level
NC	**$37,900 (2025)**	**$25,000 or 50% of appraised value**

*Income from retirement sources, pensions, and disability income **is excluded** up to the maximum amount allowed to be paid to an individual and his spouse under the federal Social Security Act. The social security maximum benefit for 2025 is $96,432.

70

70

Disabled Veteran Exclusion

"Qualifying veteran"

$45,000 excluded

71

71

Disabled Veteran Exclusion

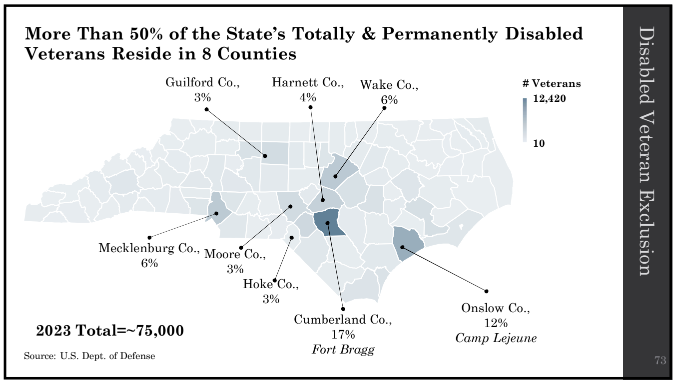
Qualifying Veteran or Surviving Spouse

An eligible applicant is either:

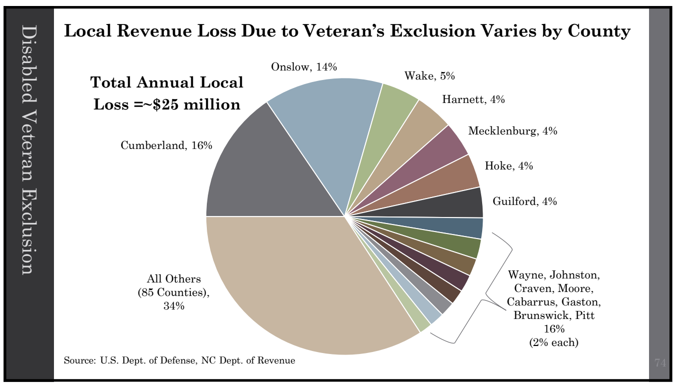
- **A "disabled veteran" who:**
  - Served any branch of the Armed Forces;
  - Separated from service honorably or under honorable conditions;
  - **AND** meets one of the following
    - Received federal adaptive housing benefits;
    - Certified by the VA as having a service-connected, total and permanent disability as of January 1 preceding the taxable year for which exclusion is claimed;
    - Is deceased and death was the result of a service-connected condition.
- **An unremarried surviving spouse of a disabled veteran**

72

72



73



74

Disabled Veteran Exclusion

Surrounding States

State	Income Limit	Exclusion Amount
Georgia	None.	$121,812 (2025)*
Tennessee	None.	$175,000
Florida	None.	100%
South Carolina	None.	100%
Virginia	None.	100%
North Carolina	**None**	**$45,000**

*Greater of $32,500 or the maximum allowable under 38 U.S.C. 2102.

75

75

Circuit Breaker

- Aged 65 and over or totally and permanently disabled + 5-yr ownership
- Income ceiling = 150% of Elderly & Disabled Income Limit
  (2025: $56,850)
- Deferral of taxes above 4% or 5% of income

76

Circuit Breaker Program

Qualifying Owner

- Is a NC resident
- Is at least 65 years old OR totally and permanently disabled
- Has owned property as permanent residence for at least **5 consecutive years**
  - *For married owners, only one spouse need meet the occupancy, ownership, age, or disability requirements. For unmarried co-owners, all owners must qualify and participate.*
- Meets income limitation

77

Circuit Breaker Program

Income Limitation

- Owner's income may not exceed 150% of the "Income Eligibility Limit" (IEL)
- IEL = the preceding year's limit adjusted by the COLA (same as for Elderly or Disabled Homestead Exclusion)
- For 2025 = $56,850

78

Circuit Breaker Program

Tax Limitation & Deferred Taxes

- Owner is only required to pay 4-5% of income in property taxes; balance is deferred and creates a lien on the property.

Income	Taxes Limited to % of Income	Maximum Tax Due (balance deferred)
0-$37,900	4%	$1,516
$37,901-$56,850	5%	$2,842

79

Circuit Breaker Program

Disqualifying Event

- Upon occurrence of disqualifying event, the deferred taxes for the preceding 3 years become due with interest.
- Disqualifying Events
  - Transfer of residence (unless transferred to qualifying co-owner)
  - Death of owner (unless share passes to qualifying co-owner)
  - No longer used as permanent residence
- "Gap" year – If an owner is not eligible for a tax year, deferred taxes are carried forward and are not due until disqualifying event occurs. If owner re-qualifies after a gap year(s), those years are disregarded for determining preceding 3 years

80

Circuit Breaker Program

Joe & Jane, age 70
Combined annual income: $55,000

Home Tax Value
$350,000

WAKE COUNTY

2025 Tax Bill
$1,797 (county)
<u>$3,040 (city)</u>
$4,837

Circuit Breaker Benefit

Tax Due = 5% of $55,000 = $2,750
Tax Deferred = Tax Bill ($4,837) – Max Tax ($2,750) = $2,087
Lien on Property = $2,087
Disqualifying Event = Deferred taxes for preceding **<u>3 years</u>** becomes due with interest

81

Summary

Program	Type of Program	Key Qualifications	Counties with Participants	Total Valuations ($)	Est. Local Levies Lost Each Year ($)
Elderly or Disabled	Exclusion	Age or Disability, Income	100	$8.8B	$75M
Disabled Veterans	Exclusion	Disabled Veteran or Surviving Spouse	100	$2.7B	$25M
Circuit Breaker	Deferral	Age or Disability, Income	26	$70M	$625k

Source: NC Dept. of Revenue

82

82

2025 Proposed Legislation Round-Up

Elderly or Disabled Exclusion
- Increase or eliminate income limit – H950, S135, S230
- Reduce "marriage penalty" – H59, S349

Disabled Veteran Exclusion
- Increase exclusion amount – H118, H299, H341, H683, H728, S109, S128, S143, S228, S660
- Prequalification provision – H94, H728, S109, S660

Circuit Breaker
- See reduce "marriage penalty" above – H59, S349
- Increase income limit – H786; S708
- Allow one co-owner to participate in the circuit breaker exclusion even if other co-owners do not. – S349
- Eliminate deferred taxes from the circuit breaker exclusion. – S349

83

83

Alternative Homestead Property Tax Relief Programs

Brett Berne, Legislative Drafting Division
Nick Giddings, Legislative Analysis Division

84

Focus on controlling the growth of the three factors that determine a property tax bill:

- Assessed value
- Tax rate
- Levy

85

How to control growth in the tax bill:

- Assessment Limits
- Rate Limits
- Levy Limits
- (Combination thereof)

86

Each limit affects a different term of the property tax equation:

Assessment Limits Affect:	Rate Limits Affect:	Levy Limits Affect:
↓	↓	↓

[Property Tax Base] x [Property Tax Rate] = Tax Revenue

87

Brief overview of the three limits:

- **Assessment Limits**
  - Restrict growth in the assessed value of taxable property (i.e., **limit growth in the tax base**)
- **Rate Limits**
  - Restrict the maximum tax rates a local government can charge (i.e., **limit the ability to increase the tax rate**)
- **Levy Limits**
  - Restrict the total property tax revenues that local governments are allowed to collect (i.e., **limit collectible revenue**)

88

88

Focusing on Assessment Limits

Assessment Limits

Assessment Limits Affect: | **Rate Limits Affect:** | **Levy Limits Affect:**

[Property Tax Base] x [Property Tax Rate] = Tax Revenue

89

89

Three Types of "Assessment Limit":

1. Percentage Growth Cap (most common)
2. Assessment Freeze
3. Assessment Phase-In

Assessment Limits

90

90

Assessment Freeze

- Caps assessed value at a pre-determined fixed level
- Example: State law providing that the assessed value of a property freezes in the year in which the homeowner reaches age 65 and remains fixed at that level until the occurrence of some specific condition (e.g., sale of the property or death of the owner)

Assessment Limits

91

91

Assessment Phase-In

- Occurs when a revaluation results in a large increase in the assessed value of a property, and the increase is gradually introduced over several years rather than being applied all at once
- Example: after a recent revaluation, a property's assessed value increases by $60,000:
  - Under an assessment phase-in, instead of applying the full $60,000 increase immediately, only $15,000 is added to the assessed value each year for the next four years
- Used in Connecticut, Louisiana, and Maryland (Lincoln Institute of Land Policy, 2025)

Assessment Limits

92

92

Percentage Growth Cap (most common)

- A cap on the maximum percentage that a property's assessed value is permitted to increase from one tax year to the next, ***regardless of the change in the property's market value***
- Example: State law providing that the assessed value of a primary residence cannot increase by more than 3% per year, or the average rate of inflation, whichever is less
- Notable percentage growth caps: California (Proposition 13) and Florida (Save Our Homes Amendment)

Assessment Limits

93

93

Generally

Assessment Limits

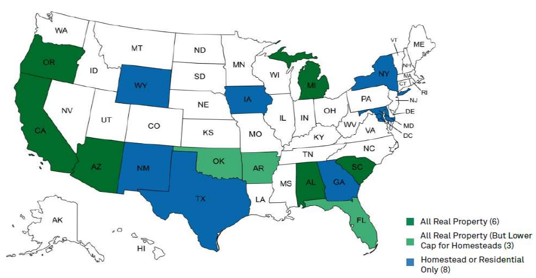
- **Important note**: Even with an assessment limit in place, a property owner's tax bill can still increase if the local government increases the tax rate (which is why assessment limits are sometimes paired with tax rate caps)
- Assessment limits typically provide that a property's assessed value will "reset" to ***market value*** upon the occurrence of a specific event, such as a change in ownership, major renovations, or a change in the property's use or classification
- As of 2024, 16 states and the District of Columbia have imposed broad assessment limits (Lincoln Institute of Land Policy, 2025)

94

94

States with assessment limits

Assessment Limits



Source: Lincoln Institute of Land Policy. (2025, November). *Understanding state property tax limits*. https://www.lincolninst.edu/publications/policy-downloads/understanding-state-property-tax-limits/

95

95

Examples: California's Proposition 13 (Percentage Growth Cap)

Assessment Limits

- Passed by California voters in June 1978, Proposition 13 is an amendment to the California Constitution that:
  - **Imposes an assessment limit:**
    - The assessed value of a property cannot increase by more than 2% annually over its base value, unless the property undergoes a change in ownership or new construction takes place
  - **Sets a "base value" year for assessed value:**
    - Proposition 13 "rolled back" property assessments for the 1978-79 fiscal year to previous 1975-76 values, establishing 1975-76 assessment levels as the first "base value" year for property in California
    - When a change in ownership or new construction occurs, real property is re-assessed at its current market value as of the date of transfer or construction completion, establishing a new "base value" year for that property
  - **Imposes a rate limit:**
    - Restricts the property tax rate to a maximum of 1% of the property's assessed value (the rate limit)

96

96

Examples: Florida's Save Our Homes Amendment ("SOH') (Percentage Growth Cap)

Assessment Limits

- Passed by Florida voters in November 1992, SOH is an amendment to the Florida Constitution that:
  - **Imposes an assessment limit:**
    - The assessed value of a property cannot increase by more than 3% annually over its base value, unless the property undergoes a change in ownership or new construction takes place
  - **Sets a "base value" year for assessed value:**
    - SOH Amendment passed in November 1992 → amendment became effective in January 1993 → in January 1994 all properties were assessed at "just" (market) value (the initial "base value year") → beginning in 1995 the SOH cap limited the assessed valuation increases on Florida homesteaded properties
    - When a change in ownership or new construction occurs, real property is re-assessed at its current market value as of the date of transfer or construction completion, establishing a new "base value" year for that property

97

97

Considerations

Assessment Limits

- Prevent rapid increases in assessed values because they sever the connection between a property's market value and the property's assessed value
- Can shield long-term, low- or fixed-income residents from being priced out of their homes by high tax bills (assuming the tax rate is similarly restricted)
- Can provide stability to long-time residents who may have significant unrealized equity but limited cash flow (assuming the tax rate is similarly restricted)
- Effectively shifts the tax burden onto new homebuyers and renters, potentially making homeownership more burdensome for younger generations and first-time buyers
- Creates situations in which owners of similar properties can have vastly different tax bills simply as the result of the date the property was purchased
- May discourage long-time property owners from selling or moving, a situation known as the "lock-in effect"

98

98

Focusing on Rate Limits

Rate Limits

Assessment Limits Affect: ↓ **Rate Limits Affect:** ↓ **Levy Limits Affect:** ↓

[Property Tax Base] x [Property Tax Rate] = Tax Revenue

99

99

Basics

The ***levy*** drives the ***rate***: the property tax rate is calculated by dividing the local government's total budgeted tax revenue needed from property owners (i.e., the tax "levy") by the total taxable value of all property in the jurisdiction (i.e., the tax "base")

$$Tax\ Rate = \frac{Tax\ Levy}{Tax\ Base}$$

Rate Limits

100

100

Basics

- A rate limit restricts local government's authority to raise the tax rate above the established cap
- Two types of rate limits:
  - **Specific rate limits**: cap the tax rate for individual ***types*** of local governments (e.g., municipalities, counties, or school districts)
  - **Overall rate limits**: cap the ***total combined tax rate*** of all overlying local governments (e.g., California's 1% cap)

Rate Limits

101

101

Basics

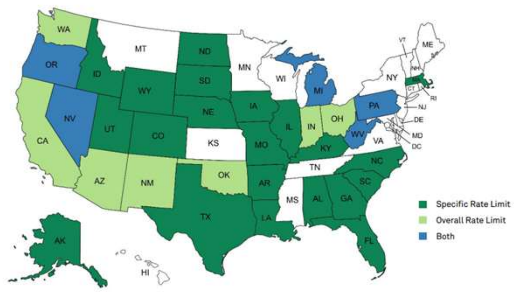
- Most rate limits include exclusions for particular purposes, allowing a local government to levy a tax rate above the state-imposed limit, provided that the resulting revenue is strictly dedicated to certain pre-approved purposes
  - E.g., by excluding debt service from the rate cap, localities can (i) secure essential financing for large capital projects and (ii) reduce borrowing costs
- Most rate limits can be overridden by local voters through a referendum, which helps maintain a measure of local control
- As of 2024, 33 states had property tax rate limits, including 26 with specific rate limits, 12 with overall rate limits, and five states with both (Lincoln Institute of Land Policy, 2025)

Rate Limits

102

102

Figure 2: States with Property Tax Rate Limits (2024)



Rate Limits

103

103

Examples: North Carolina

- Property tax rates are generally capped at $1.50 (per $100 of assessed value)
  - *See* G.S. 153A-149 (Counties) and G.S. 160A-209 (Municipalities)
- There are many exceptions to the cap (e.g., no statutory limit on the rate for property taxes used to fund schools, jails, court facilities, debt service, etc.)
- The $1.50 property tax rate cap in North Carolina applies individually to the rate set by each separate taxing jurisdiction (e.g., county or the municipality), not the individual taxpayer, meaning a single taxpayer's total effective rate may exceed $1.50 when combined taxes from multiple jurisdictions are added together

Rate Limits

104

104

Examples: California

- The "1% Rate"
  - Proposition 13 set the base property tax rate at 1% of the assessed value of property
    - Property tax revenue remains within the county in which it was collected and is used exclusively by local governments (California Legislative Analyst's Office, 2012)
    - California state law controls the allocation of property tax revenue from the 1% rate to more than 4,000 local governments (California Legislative Analyst's Office, 2012)

Rate Limits

105

105

Focusing on Levy Limits

Assessment Limits Affect: **Rate Limits Affect:** **Levy Limits Affect:**

[Property Tax Base] x [Property Tax Rate] = Tax Revenue

Levy Limits

106

106

Basics

- A levy limit is a restriction that caps the total dollar amount of property tax revenue ***a local government can collect***; the levy limit does not apply to the tax rate or an individual homeowner's tax bill
- The term "levy" in this context simply refers to the dollar amount a governing body determines it needs to raise through property taxes to fund its budget; accordingly, the levy **limit** prevents this total dollar amount from growing too quickly
- Most levy limits use a formula to control growth, typically capping the increase over the previous year's total levy to a small, fixed percentage or the rate of inflation

Levy Limits

107

107

Basics

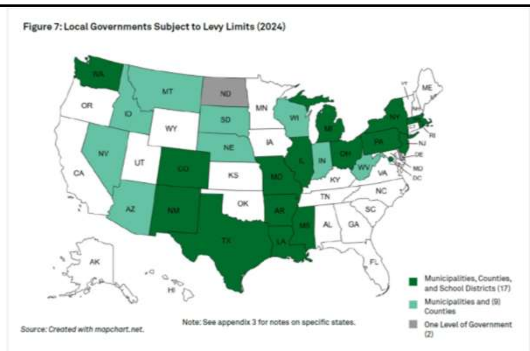
- Levy limit calculations typically exclude taxes raised for specific purposes (e.g., debt service, new construction, pension costs, etc.)
- Most states allow local governments to exceed the levy limit through formal override mechanisms (e.g., voter referendum or governing body vote)
- As of 2024, 28 states impose levy limits (Lincoln Institute of Land Policy, 2025)

Levy Limits

108

108

Levy Limits



Source: Lincoln Institute of Land Policy. (2025, November). *Understanding state property tax limits.* https://www.lincolninst.edu/publications/policy-downloads/understanding-state-property-tax-limits/

109

109

Levy Limits

Examples

- **Massachusetts' Levy Limit: Proposition 2 ½**
  - Imposes a dual cap on local property tax revenue:
    1. Levy Limit: the total tax levy (collections) can only increase by 2.5% annually (plus revenue from new growth); this limits the year-to-year revenue increase
    2. Levy Ceiling: the total tax levy can never exceed 2.5% of the community's "total fair cash value of property"
- **New York Levy Limit: Chapter 97 of the Laws of 2011**
  - Property tax levies generally cannot increase by more than 2%, or the rate of inflation, whichever is lower, from one year to the next
- **New Jersey Levy Limit: Chapter 62 of the Laws of 2007**
  - Property tax levies generally cannot increase by more than 2%, or the rate of inflation, whichever is lower, from one year to the next

110

110

Levy Limits

Considerations

- Can stabilize tax burdens by protecting taxpayers from sudden or excessive increases during housing market volatility
- As property values rise, levy limits force a proportional reduction in the tax rate, ensuring fairer tax distribution across the tax base
- Levy limits force local governments to prioritize spending and find efficiencies
- Levy limits can cause a "ratchet-down effect," where temporary drops in property values permanently reduce the tax base and limit future growth, even following economic recovery
- By capping revenue growth, levy limits risk long-term local revenue shortfalls, potentially leading to service cuts or underfunding

111

111

Summary:

- **Assessment Limits**
  - Restrict growth in the assessed value of taxable property (i.e., **limit the tax base**)
- **Rate Limits**
  - Restrict the tax rates leviable by a taxing jurisdiction (i.e., **limit the ability to increase the tax rate**)
- **Levy Limits**
  - Restrict the overall property tax revenues that local governments are allowed to collect (i.e., **limit collectible revenue**)

112

112

Alternative Mechanisms to Property Tax Limitations:

- Revenue/Expenditure Limits
- Truth in Taxation
- Circuit Breaker Programs

113

Revenue and Expenditure Limits

114

Revenue and Expenditure Limits

- Restrict annual grown in a local unit's total revenues, expenditures, or both
  - Expenditure limits are often called appropriations limits, budget limits, or spending limits
- Different from rate limits, assessment limits, and levy limits
  - Rate limits, assessment limits, and levy limits apply exclusively to taxes levied on property
  - Revenue and expenditure limits cap revenue and spending *from all sources*

115

115

Revenue and Expenditure Limits

- Tend to be less common than limits on property tax rates, assessments, or levies
- States have traditionally applied these limits to counties, municipalities, and school districts
  - Some apply these restrictions to all three
  - Some only apply these restrictions to counties and municipalities
  - Some only apply these restrictions to school districts

116

116

Revenue and Expenditure Limits

- Generally, the limitations take one of three different approaches:
  1. Limiting maximum growth in expenditures by some measure of inflation and growth in one of the following:
     - Population
     - School enrollment
     - Property values
  2. Limiting growth by a fixed percentage (generally a maximum of 2.5%)
  3. For school districts, predominantly – Limiting growth based on school funding formulas that account for things like student population, education cost, and other school-related measures

117

117

Revenue and Expenditure Limits

- Traditionally, limitations on revenue and expenditures provide for certain categories of spending to be excluded from the limitation, such as:
  - Funds raised to pay for debt service
  - Intergovernmental revenue
  - Funding for capital projects
  - Funding for court judgments
- Further, limitations on revenue and expenditures typically provide for a means to override the limitation via referendum

118

118

Revenue and Expenditure Limits

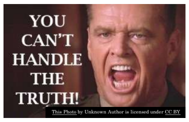
- Those that exceed limits, and did not properly override the limitation, generally must take some sort of corrective action, such as:
  - Refunding excess revenue to taxpayers
  - Cutting spending in the future
  - Earmarking excess revenue for tax relief
- Some laws also allow local governments to carry forward unused revenue or spending authority for a future year

119

119

Truth in Taxation

120



- Also known as "Full Disclosure"
- "Research suggest that Truth in Taxation measures can restrain growth in property taxes because the transparency and accountability of taxing entities discourage spending increases that could occur without this type of disclosure." (Lincoln Institute of Land Policy, 2025)
- Designed to prevent silent tax increases by fully disclosing tax revenue increases due to rising property values as well as those due to increases in the tax rate
  - A "silent" tax increase occurs when rising values produce higher tax bills without any change to the official tax rate

Truth in Taxation

121

121

- Differs from tax limits because Truth in Taxation measures do not prevent local government revenues from increasing
- Instead, requires local governments to publicly announce proposed tax revenue increases prior to adoption, even if it is not accompanied by a corresponding property tax rate increase
- Disclosure usually involves notice to taxpayers about a proposed tax increase and public hearings

Truth in Taxation

122

122

Truth in Taxation disclosure procedures are typically triggered upon the occurrence of one of the following:

Trigger	Number of States
Silent tax increase or tax rate increase	8
Any increase in the tax levy is proposed	2
Any time a property tax levy is proposed	9
Any time a jurisdiction-wide reassessment occurs	1
Proposed tax increase exceeds a certain predetermined threshold	3

Source| Lincoln Institute of Land Policy. (2024, July). *State Requirements Under Truth in Taxation Laws for Property Taxes.* https://www.lincolninst.edu/publications/working-papers/state-requirements-under-truth-in-taxation-laws-property-taxes/

Truth in Taxation

123

123

Types of Truth in Taxation

- Rollback Rate – The tax rate that would raise the same amount of revenue as the prior year
  - 13 states require calculation of a rollback rate
  - 7 states do not require rollback rate, but instead employ other methods to disclose proposed property tax changes after comparing current and prior year's taxes
- Mailing or publishing notice regarding proposed property tax levy and any public hearing related to the proposed property tax levy
  - 15 states mandate publication in newspapers
  - 6 states require a mailed notice with parcel-specific property tax information
  - 3 states allow the taxing entity to choose whether to provide notice via newspaper or mail
  - 15 states require a separate Truth in Taxation notice (focused solely on tax levy)

Source: Lincoln Institute of Land Policy. (2024, July). *State Requirements Under Truth in Taxation Laws for Property Taxes.* https://www.lincolninst.edu/publications/working-papers/state-requirements-under-truth-in-taxation-laws-property-taxes/

Truth in Taxation

124

124

- Hearings on proposed property tax levy
  - 9 states require separate hearings on the proposed tax levy
  - 4 states allow Truth in Taxation hearing to be combined with budget hearings
  - 6 states provide local governments discretion to hold a separate hearing or as part of budget
- Vote by governing body to exceed rollback rate
  - 14 states require such a vote
- Additional restrictions on local governments' authority to impose tax increases beyond a certain amount
  - 4 states provide such a restriction, with the limit ranging from more than 3.5% to 15% above the prior year levy

Source: Lincoln Institute of Land Policy. (2024, July). *State Requirements Under Truth in Taxation Laws for Property Taxes.* https://www.lincolninst.edu/publications/working-papers/state-requirements-under-truth-in-taxation-laws-property-taxes/

Truth in Taxation

125

125

Number of Requirements	State	Notice and Public Hearings	Rollback Rate	Mailed Notice with Parcel-Specific Information	Vote by Governing Body Required to Exceed the Rollback Rate
4	Florida	X	X	X	X
	Kansas	X	X	X	X
	Nebraska	X	X	X	X
	Utah	X	X	X	X
3	Delaware	X	X		X
	Georgia	X	X		X
	Iowa	X	X		X
	Kentucky	X	X		X
	Michigan	X	X		X
	Tennessee	X	X		X
	Texas	X	X		X
	Virginia	X	X		X
	West Virginia	X	X		X
2	Arizona	X			X
	Minnesota	X		X	
	North Dakota	X		X	
1	Illinois	X			
	Missouri	X			
	Nevada	X			
	Rhode Island	X			
	Total	20	13	6	14

Source: Lincoln Institute of Land Policy. (2025, November). *Understanding State Property Tax Limits.* https://www.lincolninst.edu/publications/policy-downloads/understanding-state-property-tax-limits/

Truth in Taxation

126

126

Rollback Rate

Truth in Taxation

- The rollback rate is the tax rate that would raise the same amount of revenue as the prior year, generally *excluding* property tax revenue attributable to new growth
- If the proposed tax rate is higher than the rollback rate, then the proposed tax rate is considered an increase in tax
  - This is true, even if the tax rate does not change
- Similar to North Carolina's revenue-neutral tax rate that is required to be published in a local government's proposed budget after each reappraisal

127

127

Other Methods of Disclosure

Truth in Taxation

- Some states do not require the publication of a rollback rate, but have adopted other methods to inform taxpayers of proposed tax changes from one year to the next
  - Arizona – Taxing entities compare the amount of tax on a $100,000 home with and without the proposed tax increase
  - Illinois – Taxing entities are required to disclose percentage change in total property tax levy
  - Missouri – Notice must include increase in tax revenue, both in dollar value and percentage, as a result of reassessment if the proposed tax rate is adopted
  - Minnesota and North Dakota send notice of proposed tax changes to owners of each parcel

Source: Lincoln Institute of Land Policy. (2024, July). *State Requirements Under Truth in Taxation Laws for Property Taxes.* https://www.lincolninst.edu/publications/working-papers/state-requirements-under-truth-in-taxation-laws-property-taxes/

128

128

Types of Notice

Truth in Taxation

- Taxing entities are generally required to provide notices about proposed property tax levies, as well as any public hearings related to the levy, in one or both of the following methods:

Newspaper	Mailing to Taxpayer
Typical information included: • Total assessed values (current and prior year) • Proposed tax levy • Proposed tax rate • Rollback rate or other method of disclosure • Date/time of public hearing	Typically includes parcel-specific information, including impact on individual tax bills

129

129

Public Hearings

- Nearly all states require public hearings on the proposed property tax levy to allow taxpayers to provide input on any proposed tax increase, which take one of the following forms:
  - Some states require a separate hearing strictly to discuss the proposed property tax levy
  - Some states allow Truth in Taxation hearings to be combined with budget hearings
  - Some states allow the option to choose one of the above

Truth in Taxation

130

130

Vote by Governing Body

- Some states require a specific vote of the governing body to exceed the rollback rate

Truth in Taxation

131

131

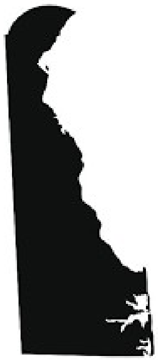
Restrictions on Tax Increases Above Certain Amount

- Required even if they otherwise meet the state's Truth in Taxation requirements
  - Arizona – Requires a unanimous roll call vote of the governing body if the proposed levy exceeds the prior year's levy by 15%
  - Texas – Combines Truth in Taxation with a levy limit
    - Truth in Taxation notice compares the proposed tax rate, rollback rate, and what is known as the voter-approval tax rate
    - Voter-approval tax rate is calculated each year specifically for each taxing entity and is considered the maximum rate a unit may adopt without voter approval

Truth in Taxation

132

132



Delaware

- Reassesses property at least every 5 years
- After a reassessment, counties and municipalities must compute the rolled-back rate
- If the adopted tax rate exceeds the rolled-back rate, the ordinance must indicate, as a percentage, the increase in property taxes
- Within 15 days of the governing body's meeting to consider an ordinance establishing a property tax rate, the county or municipality must advertise the proposed percentage increase in the tax rate in a newspaper of general circulation in the county.

Truth in Taxation

133

133

Kansas

- Governing body must publish intent to exceed revenue-neutral rate in newspaper and government website
- Notice sent to taxpayers of intent to exceed revenue-neutral rate, which must include the following regarding the taxpayer's property:
  - Appraised value for current and previous year
  - Previous year's tax liability
  - Current year's tax liability:
    - With revenue-neutral rate
    - With proposed increase
  - Difference in tax liability owed under revenue neutral rate and proposed increase reflected in dollars and a percentage
- Governing body must adopt rate in excess of revenue neutral rate prior to adoption of budget
- If governing body fails to follow law, it must refund taxes collected in excess of revenue-neutral rate

Truth in Taxation

134

134

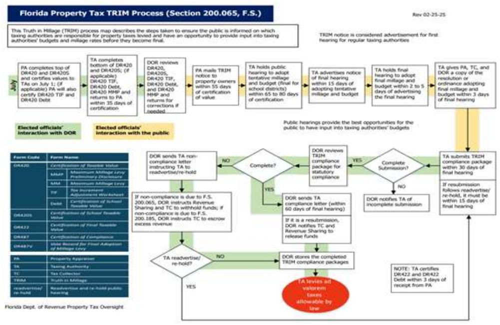
Florida

- "Truth in Millage"
- The rolled-back rate is calculated to provide the same revenue as the previous year, excluding any increase from new construction, additions, deletions, or annexation.
- The rolled-back rate and proposed tax rate must be included in the notice of proposed property taxes and be advertised in a newspaper of general circulation within the county and mailed to each taxpayer prior to any public hearings.

Truth in Taxation

135

135



Source: Florida Department of Revenue. *TRIM Process Map.*
https://floridarevenue.com/property/Documents/trimprocessmap.pdf

Truth in Taxation

136

136

Circuit Breaker Programs

137

Considerations

- When circuit breaker programs are underutilized by taxpayers, research has often shown that some of the main factors tend to be:
  - *Inadequate tax relief*
    - If benefit is set too low, less incentive for taxpayers because it may not provide sufficient tax relief to the targeted population
  - *Narrow eligibility*
    - If program is too restrictive, less taxpayers qualify
  - *Notch effect*
    - Small change in income causes a large change to tax relief
      - Income ceilings
        - Full benefit available until certain income threshold but eliminated above that threshold
      - Income brackets
        - If not applied incrementally, moving from one bracket to another can cause large tax jumps

Source: Lincoln Institute of Land Policy. (2009, May). *Property Tax Circuit Breakers.*
https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-circuit-breakers/

Circuit Breaker

138

138

Circuit Breaker

Recommended Design Features for Property Tax Circuit Breakers	
Recommended Feature	**Reason for Recommendation**
Provide adequate tax relief and reliable funding	Without both adequate relief and funding, circuit breakers cannot provide meaningful tax assistance to those in need
Cover owners and renters of all ages	Renters pay property taxes indirectly, and excessive tax burdens are not limited to the elderly
Use a broad definition of income, including Social Security benefits	Avoids providing different tax relief to households with similar property tax burdens
Use a multiple-threshold formula; Apply brackets incrementally	Targets property tax relief to those with greatest need; prevents notch effects
For generous threshold circuit breakers, include a copayment requirement	Without a copayment, taxpayers whose property tax bills exceed the threshold level are insulated from any property tax increase; can promote excessive spending
Set a limit on the maximum property value considered in the circuit breaker formula	Limits the tax relief sent to those with very expensive homes
Consider placing no other limits on income, benefits, or net worth	Other limits are not necessary with a properly designed circuit breaker; also they can impose unintended changes in distribution of benefits
Provide funding by the state	Local funding is problematic due to the wide range in local fiscal capacity and mobility of taxpayers
Use state-reimbursed property tax credits for homeowners and state-issued rebate checks for renters	Provides timely and highly visible property tax relief
Set up a simple, streamlined application system	Will maximize participation and reduce administration and compliance costs
Establish and fund an outreach program	Participation rates will likely be low without outreach efforts

Source: Lincoln Institute of Land Policy. (2009, May). ***Property Tax Circuit Breakers.***
https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-circuit-breakers/

139

139

Options

Circuit Breaker

- Groups who have studied circuit breaker programs nationally suggest the following to better reach taxpayers in need:
  - *Removing age/disability requirements*
    - Need is not solely limited to elderly or disabled
  - *Increasing/adjusting income threshold*
  - *Gradually reducing/phasing-out benefits to avoid notch effect*
  - *Adjusting/removing deferred tax liability and liens*

140

140

Sources

- California Legislative Analyst's Office. (2012, November 29). *Understanding California's property taxes*. California Legislative Analyst's Office Publications. https://lao.ca.gov/reports/2012/tax/property-tax-primer-112912.aspx#:~:text=As%20shown%20on%20our%20sample,revenue%20for%20any%20public%20purpose
- Florida Department of Revenue. *TRIM Process Map*. https://floridarevenue.com/property/Documents/trimprocessmap.pdf
- Lincoln Institute of Land Policy. (2009, May). *Property Tax Circuit Breakers*. https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-circuit-breakers/
- Lincoln Institute of Land Policy. (2024, July). *State Requirements Under Truth in Taxation Laws for Property Taxes*. https://www.lincolninst.edu/publications/working-papers/state-requirements-under-truth-in-taxation-laws-property-taxes/
- Lincoln Institute of Land Policy. (2025, November). *Understanding State Property Tax Limits*. https://www.lincolninst.edu/publications/policy-downloads/understanding-state-property-tax-limits/
- McLaughlin, C. B. (2023). Property tax policy and administration. In C. H. Crews (Ed.), *Introduction to local government finance* (5th ed., pp. 103–136). UNC School of Government.
- Tax Foundation. (2018, April 23). *Property tax limitation regimes: A primer*. https://taxfoundation.org/research/all/state/property-tax-limitation-regimes-primer/

141

141

Questions?

142