



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Sen. Craven, Sen. McInnis, and Sen. B. Newton
Analyst(s): Brent Lucas
RE: SB 889 (v1)-Property Tax Reappraisal Moratorium

SUMMARY TABLE

FISCAL IMPACT OF S.B.889, V.1

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
State Impact					
General Fund Revenue	\$ 160	\$ 200	\$ 200	\$ 200	\$ 200
Less Expenditures	-	-	-	-	-
General Fund Impact	\$ 160	\$ 200	\$ 200	\$ 200	\$ 200
NET STATE IMPACT	\$ 160	\$ 200	\$ 200	\$ 200	\$ 200
Local Impact					
Local Revenue	\$ (10,030,000)	-	-	-	-
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	\$ (10,030,000)	-	-	-	-

FISCAL IMPACT SUMMARY

Section 1 freezes property valuations in counties that were scheduled to have new valuations go into effect on January 1, 2026. In doing so, it freezes one of the two elements that determine a property tax bill, with the other being the tax rate. Since property values are frozen in those counties for property tax bills due in FY 2026-27, any increase in local property tax revenues from existing non-Public Service Company property would occur due to tax rate increases adopted by local elected officials, which the bill does not limit. Because FRD cannot reliably predict the rates the affected county commissioners will adopt with this delay, the estimate herein is limited to the fiscal impact the delay will have on Public Service Company property.

Section 1 delays the effective dates of property revaluations that were completed and would have otherwise become effective January 1, 2026 (and would normally be the basis for FY 2026-27 property tax collections). Across the state, 12 counties conducted revaluations resulting in new

taxable property values that were to become effective on January 1, 2026. The bill specifies that for those counties:

- the schedule of values in effect immediately prior to January 1, 2026 remain in effect for FY 2026-2027, and
- for FY 2027-28, counties would use the values from the revaluation already conducted that would have gone into effect January 1, 2026, and use those values for collections for FY 2027-28 and future years until the county's next revaluation.

The bill has a local fiscal impact because several counties have reached the year in which their Public Service Companies' property (such as that owned by companies providing or operating electricity, gas, railroads, etc.) would be subject to the statutory process of equalization since they meet certain conditions. FRD estimates the bill would result in a one-time reduction of local revenues of about \$10 million in FY 2026-27 due to this equalization process.¹

Section 2 requires the Department of Revenue to charge a \$20 fee to those taking an exam to become a certified county assessor and to use those receipts to cover the costs of administering the exam. FRD estimates this section will increase departmental revenue by approximately \$160 in FY 2026-27, and about \$200 in each fiscal year thereafter.

FISCAL ANALYSIS

Section 1—Delay in Effective Date of Reappraisals Effective January 1, 2026.

Background

Revaluations Generally. Property revaluations of most property, except those owned by Public Service Companies (discussed in later sections) are conducted at least every 8 years, and most counties conduct revaluations every four years or less. Several counties have conducted property revaluations to be effective January 1, 2026 because the 8-year period was expiring, or because they were required by law because they met the conditions for mandatory advancement of their reappraisal. Those new property values would ordinarily be the basis for FY 2026-27 property tax collections, and the bill would change that protocol because no revaluations that would have become effective January 1, 2026 could go into effect and be the basis for FY 2026-27 property tax bills. These new values would be put "on hold" until the following year. Those counties that had conducted such a revaluation would instead use the schedule of values adopted in accordance with a previous reappraisal for FY 2026-27 property tax bills.

For FY 2027-28, the bill requires affected counties to use the valuations that would have become effective January 1, 2026 had the bill not become law (using the values of the already-completed 2026 revaluation, meaning they do not have to conduct another additional revaluation).

Following a revaluation, the value of any given property will likely change: while it is likely the value of a property will increase following a revaluation, a corresponding increase in tax due on

¹ Because all of the affected counties' schedules of valuations and tax rates are unknown, FRD is unable to estimate the fiscal impact of the general delay in the effective date of the new schedule of property values.

that property is not automatic because it is contingent on the tax rate adopted by the respective county commissioners. The respective county commissioners may choose to adopt a rate that results in either an increased, decreased, or unchanged amount of tax due on the property. Regardless, that decision is based on a number of factors that cannot be reliably estimated. Since FRD cannot reliably estimate the rates that county commissioners affected by this revaluation delay would adopt, the estimated fiscal impact of the bill only includes the anticipated revenue loss from counties that would begin or remain being equalized (discussed in more detail below).

Equalization of Public Service Company (PSC) Property. As discussed earlier, property values must be revalued (or re-assessed) at least every 8 years by county assessors or their designees, but property owned by Public Service Companies (PSC) is revalued every year by the Department of Revenue (the Department). Therefore, PSC property values continue to keep up with market conditions while other more traditional property in a county tends to diverge more in assessed value from true market value.

That difference between what property values in a county are assessed at and what market conditions indicate their market values to be can be expressed as a ratio—called the Sales Assessment Ratio. A county’s PSC property generally could be considered to have a Sales Assessment Ratio of 100% since it is revalued annually. Non-PSC property will likely only have a score of, or close to, 100% in the year of or immediately following a revaluation, since a revaluation is expected to provide the true market value of a property; but in those years further from a revaluation, a county’s Sales Assessment Ratio likely deviates further from 100% each successive year by nature of the growth (or decline) in the real estate market.

When those ratios get close to or reach certain thresholds (such as below 85% or 90%, or above 115%), counties often conduct revaluations voluntarily or are required to do so within a certain time period (e.g. three years) of being notified by the Department. They do so to avoid or to stop being “equalized.” Being equalized is when the percentage of PSC property values that would be subject to tax is only the ratio’s percent of total PSC property within the county, rather than the standard 100% each year. Therefore, if a county’s ratio is 50%, only 50% of an eligible PSC’s property values would be subject to tax, resulting in a loss of local revenue.

In summary, the provision delaying several counties’ scheduled reappraisals means counties that conducted a revaluation to avoid or to stop equalization in 2026 will become or remain equalized and have only a percentage of their PSC property subject to tax until 2027 and any subsequent revaluation; this results in revenues from PSC property being reduced.

Estimated Fiscal Impact.

General Revaluations. Neither the schedules of values for counties that had a reappraisal effective January 1, 2026 nor the tax rates that would be applied to such values are available at the time of this writing due to the ongoing local government budget development process. As a result, FRD cannot reliably estimate foregone property tax revenues associated with assumably higher valuations that would likely be due to a new schedule of values becoming effective.

Equalization of Public Service Company (PSC) Property. FRD identified 11 counties that will either become or will continue to be equalized as a result of the bill’s required delay because they meet

the statutory criteria relating to the county’s Sales Assessment Ratio. If a county’s ratio falls below 90% in either the reappraisal year, fourth year, or seventh year since the last appraisal, it faces mandatory equalization. These counties (Bladen, Buncombe, Chowan, Clay, Davidson, Guilford, Harnett, Onslow, Pamlico, Pender, and Scotland) will become or remain equalized even if they conducted a revaluation to be effective January 1, 2026 since the bill would delay that revaluation’s effective date to 2027. Table 1 lists the following information about counties that will become or would continue to be equalized with the bill: the county’s name, its year of last revaluation, its corresponding median Sales Assessment Ratios.

Table 1: List of Counties That Must Equalize their Public Service Company Property Due to Bill Draft 2025-Nif-157D

County Subject to Equalization	Year of Last Revaluation	Median Sales Assessment Ratio for 2025
Bladen	2022	0.7049
Buncombe	2021	0.6172
Chowan	2022	0.7018
Clay	2018	0.5415
Davidson	2021	0.6755
Guilford	2022	0.6831
Harnett	2022	0.7878
Onslow	2022	0.7610
Pamlico	2020	0.6265
Pender	2019	0.5432
Scotland	2019	0.6716

To determine the fiscal impact on these counties that would become or remain equalized if the bill were to become law, FRD took the following approach:

- First, FRD adjusted each county’s value of property owned by Public Service Companies (PSCs) to more accurately reflect the amount of property that would be subject to equalization to which tax would still apply, since not all PSC property is subject to tax (e.g., airlines, solar companies, etc.).²
- Second, FRD adjusted for an assumed continued decline of each county’s respective ratio to account for changes from 2025 to 2026 using a 5% reduction factor based on historical trends.
- Based on these two values, FRD then calculated each county’s estimated current collections from taxable PSC property using the adjustment to such property described above and each county’s 2025-26 property tax rates.
- Next, FRD applied each county’s respective adjusted ratio to its adjusted PSC property values to determine the amount of PSC property that would still be subject to tax.
- Third, FRD applied each county’s rate of tax per \$100 in valuation to determine the estimated collections under equalization.
- Finally, FRD compared each county’s estimated collections from currently taxable PSC property to the value of taxable PSC property once adjusted for the respective county’s

² The valuations of PSC property within town or city corporate limits or within special districts is unknown and therefore, these estimates only reflect the estimated county revenue reduction; such reductions to towns or cities is expected to be significantly less than that to a respective county insofar as the two rates differ.

ratio. The negative difference between the two represents a loss of property tax revenue from the PSCs.

Section 1 of the bill is estimated to reduce local revenues by a total of about \$10 million only in FY 2026-27—this is because the bill includes a mechanism for new or alternative values from a reappraisal to become effective January 1, 2027, and FRD assumes such new valuations would negate the criteria for counties’ continued equalization in subsequent fiscal years. Of the total local loss, Guilford County and Buncombe County will share the largest dollar reductions in revenue, as shown in Table 2.

Table 2: Estimated County Revenue Losses from Section 1

County	Estimated County Revenue Loss in FY 2026-27	
	\$	% of Total Loss
Bladen	496,000	5%
Buncombe	2,062,000	21%
Chowan	92,000	1%
Clay	49,000	0%
Davidson	849,000	8%
Guilford	4,371,000	44%
Harnett	421,000	4%
Onslow	670,000	7%
Pamlico	94,000	1%
Pender	450,000	4%
Scotland	482,000	5%
Total	\$10,036,000	

Section 2-Require County Assessors to Pay an Examination Fee

A person seeking to become a county assessor must meet certain qualifications specified in statute. In addition to statutory age, education, experience requirements, those seeking to become a certified county assessor must receive passing scores on certain courses approved by the Department of Revenue (the Department) that cover specified content. After passing these courses, the person seeking to be an assessor must also receive a passing grade on a property tax administration exam conducted by the Department. Department officials report they do not currently charge any fees for the exam.

This section requires the Department to charge those taking the exam a \$20 fee and to use the proceeds for the costs associated with administering the exam. To determine the fiscal impact, FRD used the historical average number of exams administered each year provided by the Department and assumed an equal number of exams are taken each month. For FY 2026-27, FRD adjusted this for the number of months exams would be administered given the October 1, 2026 effective date. FRD then multiplied that adjusted number of average exam takers each year by the \$20 fee the bill sets, resulting in FRD estimating an increase in Departmental receipts of \$160 in FY 2026-27 and about \$200 each in subsequent fiscal years. For the purposes of this estimate, FRD assumes the individual seeking the certification would pay the exam fee rather than his/her respective local government, since the bill does not specify the payor, and assumes those taking the exam more than once would pay the fee each time the exam is taken.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

NC Department of Revenue.

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. 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. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

