

North Carolina General Assembly

Revenue Laws Study Committee

Joint Legislative Transportation Oversight Committee

And

Fiscal Research Division

**Study of the method of valuation of motor vehicles to be taxed, and
implementing an integrated computer system needed to combine
the registration renewal and property tax collection for
motor vehicles in the state.**

Summary of Findings and Recommendations

July 1, 2006

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Study Group Report on House Bill 1779

During the 2005 legislative session, the North Carolina General Assembly ratified House Bill 1779 to “create a combined motor vehicle registration renewal and property tax collection system.” The legislation becomes effective Jan. 1, 2009.

House Bill 1779 transfers responsibility for motor vehicle tax collection from the 100 counties across the state to the N.C. Department of Transportation’s Division of Motor Vehicles. The legislation requires DMV to collect the tax when motor vehicle registration is renewed or issued. It also directs the N.C. Department of Revenue’s Property Tax Division to develop a statewide valuation system to ensure uniform valuations across counties. The bill also specifies that the tax notice and registration renewal notification be combined into one form or set of forms.

To offset project development costs, the legislation states that interest on unpaid taxes will be increased from 2 percent to 5 percent for the first delinquent month. It would drop to a three-quarters percentage rate for each month thereafter, the same as current law per General Statute 105-330. This additional revenue is intended to defer development costs associated with automating the new system.

Sixty percent of the interest collected for the first delinquent month would be transferred on a monthly basis to the Combined Motor Vehicle and Registration account for DMV to cover the development and implementation of an integrated computer system that will allow for the combined assessment, billing and collection of vehicle property taxes and the issuance of registration plates.

In addition, the legislation allows for fees to be assessed and collected for administering the new program.

Task Force for H.B. 1779

Section 12 of H.B. 1779 requires the Property Tax Division and DMV to jointly study and develop a plan for determining the method of valuation of motor vehicles to be taxed and for implementing an integrated computer system.

On Nov. 1, 2005, the first meeting of a task force to discuss the joint study was held at the Legislative Office Building. Representatives attended from the N.C. Association of County Commissioners, N.C. League of Municipalities, N.C. Association of Assessing Officers, N.C. Automobile Dealers Association, N.C. Independent Automobile Dealers Association, N.C. Tax Collectors Association, N.C. License Plate Agencies, Office of the Governor, N.C. Department of Justice, N.C. Office of Information Technology Services, Wake County, General Assembly-Fiscal Research Division, Department of Revenue-Property Tax Division, and Department of Transportation’s Division of Motor Vehicles and Information Technology.

The Valuation, Information Technology and Legislative subcommittees were established to help gather and review information. These three subcommittees met and provided updates on a monthly basis. Their reports are attached as part of this overall report.

Preliminary Conclusions

The implementation of H.B. 1779 is a significant effort (cost and issue resolution) and will require careful study. The preliminary IT estimate to develop the integrated computer system is \$20.3 million. However, this figure does include the development of the Department of Revenue's statewide valuation system (specifications and cost to be determined). Preliminary collection authority (DMV or agents) costs, exclusive of county savings from reduced workload, will exceed \$20 million per year. Other costs for DOR, Information Technology Services, the Office of State Controller and counties (system integration) are currently undetermined and will add to the previously stated totals. (*See High Level Estimate of Cost for Implementation, pages 15-16*).

Because only limited data is available, it is difficult to provide reliable revenue forecasts on how to fund system development and post "go-live" support needs. Indications are, though, that H.B. 1779 assessments for system development costs are insufficient. Collection of the 3 percent interest on unpaid vehicle property taxes for the five-month period of January through May 2006 on deposit at the Office of State Treasurer totals \$976,450. (*See Counties for ACH DMV Debits for House Bill 1779 in 2006, page 20*). The annual estimate is \$2.4 million.

Committee members have identified numerous issues for resolution. (*See Key Factors for Consideration, pages 9-14.*) Some of the key industries affected include auto dealers, leasing companies, trucking and license tag agencies. Administration and policy decisions are needed for valuation system design, bad debt resolution (training and ongoing), integration with all 100 counties, and a host of accounting and treasury procedures to establish the new process. These issues will require thorough study and consideration. Some may also require legislative action or a Memorandum of Understanding between implementing state agencies.

Legislative Committee Report Summary

The Legislative Committee determined that four basic points are driving the need for a merged system including:

- 1) Voluntary compliance in paying taxes levied on registered motor vehicles is eroding;
- 2) Significant revenue is uncollected at the end of the fiscal year;
- 3) Collections enforcement is difficult under the current system; and
- 4) The existing system is inherently inefficient.

When the current motor vehicle billing process was implemented in 1993, more than 80 percent of motor vehicle tax bills were paid before the past due date. Today, only 66 percent of such bills are paid on time, resulting in significant delinquencies for local tax collectors.

The committee reported that about \$80 million in city, county and fire district taxes levied on motor vehicles are uncollected at the end of each fiscal year. Local collectors do not have the necessary demographic data for effective enforcement of delinquent taxes.

Each year, DMV mails approximately 8 million license plate renewal notices, and counties follow suit by mailing corresponding property tax bills. Savings could be realized with a combined billing, with the added benefit of fewer interactions needed between government and taxpayers.

The subcommittee reported that its membership had generally agreed that the concept of a combined vehicle property tax collection system is feasible and no obstacle has been identified that cannot be overcome.

Members identified a number of issues that will require careful consideration, though, particularly between the property tax and DMV groups. Some of these issues may necessitate legislative action while others could possibly be handled through a memorandum of understanding between DMV and the Property Tax Division. Following is a sampling of issues discussed:

- What should be done with the thousands of unpaid delinquent tax bills in the county system when H.B. 1779 is implemented;
- How should the billing and collection of property taxes sold through a new or used car dealer be handled;
- How should enforcement of registrations and property tax collections be handled if a owner chooses to ignore the invitation to renew, or if the owner wants to pay the property tax but chooses not to renew the registration;
- How should refunds along with the accounting and transfer of funds be handled;
- What affect will bankruptcies have on the new process; and
- Should concepts other than what is envisioned by H.B. 1779 be reconsidered.

The Legislative Committee also recommended that a legislative technical change is needed to clarify that 60 percent of the first month's interest will be dedicated to funding the H.B. 1779 project. This technical change is in a bill that the Revenue Laws Study Committee is to recommend during the General Assembly's 2006-07 short session.

Valuation Committee Report Summary

The Valuation Committee determined that five major focus areas need to be addressed for plan implementation. Those areas include:

- 1) Adopting a uniform schedule of motor vehicle values;
- 2) Determining appraisal accuracy statewide;
- 3) Accounting for local market conditions;
- 4) Allowing adjustments for mileage of individual vehicles; and
- 5) Developing a uniform appeals process.

The plan calls for the Property Tax Division to review the valuation services available and adopt a schedule that can be used to best comply with G.S. 105-330. The division has determined that the uniform schedule of values should be chosen and put into the system by September 1 of each year to allow staff adequate time to process, print and mail the property tax information to citizens by November 1.

G.S. 105-330.2(b) requires that a classified motor vehicle be appraised by the assessor at its true value in money as prescribed by G.S. 105-283. Effective July 1, 2009, it further requires the Property Tax Division to annually adopt a schedule of values.

One of the most accepted methods of determining appraisal accuracy in a mass appraisal system is to perform a "sales ratio study." In a sales ratio study, a random sample of actual sales is selected

and then the assessed value of each property is divided by that property's actual sales price. After calculating the ratios of the selected sales, they are arrayed in order from lowest to highest and the median ratio is considered an indicator of the appraisal accuracy.

If the median ratio is below 1, then the appraisal is said to be overall below fair market value. If the median ratio is above 1, then the appraisal is said to be overall above fair market value. There are many other statistical measures in a sales ratio study that can be used to evaluate the appraisal and there are specifics regarding the correct method of doing such a study.

The committee recommends that a sales ratio study be performed each year to determine the accuracy of appraisals. A separate ratio should also be calculated by different classes of vehicles such as for heavy trucks, trailers, motorcycles and sport utility vehicles.

According to G.S. 105-330.2(b), each assessor is responsible for determining the fair market value of motor vehicles. After the Property Tax Division adopts the statewide uniform schedule of values, the assessor will determine if local market conditions require any deviation from the uniform schedule.

To account for local market conditions, assessors would be required to submit to the Property Tax Division, for approval, their requested deviation from the uniform schedule along with supporting detail.

The Property Tax Division would need to develop a mileage adjustment table to allow for automatic mileage adjustments, which would be incorporated into the new integrated computer system. Annual mileage information is already available in the emissions part of the current automated system and as of January 2006, 48 counties have been providing emissions data.

Available mileage information can be used to estimate as of the January 1 valuation date and make positive or negative adjustments to the uniform value. If mileage information is not automatically available, any assessor or collecting authority should be able to enter information from the most recent vehicle inspection receipt and an automatic mileage adjustment and property tax recalculation will occur.

As an additional service to the citizens of North Carolina, there should be equitable rules among the 100 counties for the appeal process. Through this appeals process, condition factors that may affect the value of vehicles could be considered.

Assessors would have control and responsibility over each individual vehicle value to adjust for condition upon appeal. Timely appeals would be required and citizens would need to bring the subject vehicle to the county tax office for inspection. An assessor should not as a pre-appeal condition, require a third party vehicle appraisal. Citizens, though, should have the option of seeking one to support their opinion of value.

The Property Tax Division will study and adopt along with the uniform schedule of values, a set of categories as a condition grading system along with percentage adjustments. Categories could include the following: Excellent, plus 5 percent; Average, no adjustment; Below Average, minus 5 percent; and Poor, minus 10 percent.

The January 1 appraisal date may prove to be a factor that would make this adjustment inaccurate; however, since some appeal deadlines are not close to the appraisal date. For example, a vehicle with November 2009 expiration has a tax due date and appeal deadline of Dec. 15, 2009. However, the valuation is scheduled to be as of Jan. 1, 2009 – almost a full year prior to the appeal deadline. It is also difficult for a taxpayer to prove the condition of their vehicle at a single prescribed valuation date. A possible solution is to have two or more appraisal dates – January 1 and July 1 for instance.

If an appeal is decided in the customer's favor, the customer is entitled to a refund. DMV would refund the amount due from future distributions to the county and would maintain accounting records for such transactions. Similar refunds would be made when a registration plate is turned in and the vehicle is sold.

Information Technology Committee Report Summary

The Information Technology Committee determined that enhancements must be made to the State Titling and Registration System, Business Systems Improvement Project and other applications to accommodate H.B. 1779. Complex modifications are needed for titling, registration and fiscal components of these current applications. Modification will also be made to the emissions application to allow the use of actual mileage in calculating property tax. Changes are also needed for the return check system application.

Costs to develop the integrated computer system are estimated at \$20,372,300, with 221,122 hours of projected development time. The labor cost is based on a labor rate of \$50 per hour for state employees and \$80 per hour for contractors (\$150 per hour for only BSIP contractors). The proposed implementation date is scheduled for July 1, 2009. The DOT Board of Transportation must approve this project before it can be officially initiated.

The expected technical operational cost of the enhancement is an additional \$3,727,084 per year. It is anticipated that nine state technical resources (including four full-time equivalent resources for STARS and five part-time resources for the other state applications) and 100 part-time county technical resources will be required to adequately support these major enhancements. Therefore, the estimated total technical operational cost for the first five years after implementation is \$18,635,421.

In all, total life cycle costs – project implementation plus five years of annual operations – are estimated at \$39,335,453

Major project functions for the new computer system include:

- Generating billing information for vehicle property tax and registration renewal;
- Collecting vehicle property tax with registration issuance and renewal;
- Denying registration renewal for unpaid taxes;
- Generating report to facilitate distribution of a compensatory fee to DMV for tax collection;
- Applying interest to both delinquent taxes and unpaid registration fees;
- Allowing partial or full refunds;
- Supporting tax valuation process for vehicles; and
- Allowing for inquiries of historical vehicle property tax information.

DMV Impacts

With an overall change in the vehicle property tax collection system in North Carolina, the Division of Motor Vehicles would become the point of contact for typical customer interactions such as service inquiries, complaints and office visits. An increase in customer service personnel will be needed to handle this added workload including information processing technicians, call center representatives and field operation support staff.

The amount of revenue taken in by tag agents and vehicle registration services should quadruple, and additional motor vehicle field supervisors will be needed for related oversight and monitoring. Implementation of this new system will also require extensive training for both DMV and tag agents' staff.

DMV estimates that it will need 56 additional customer service and field personnel to implement the legislation, along with significant office equipment, computers, telephones, and vehicles for field supervisors. Total salary and operational budget requirements are at \$25,723,171 for FY07-08 through FY09-10.

A complete rewrite of STARS will also be needed to integrate its functionality with the local government property tax collection systems. The system will also require routine maintenance and any necessary enhancements.

DOT Fiscal Impacts

Implementation of H.B. 1779 will significantly affect financial operations in NCDOT's fiscal area. The department has analyzed high-level impacts focusing on the collection and distribution of funds from vehicle property taxes on behalf of the counties.

Financial staff estimates 13 additional accounting positions will be needed for these functions plus associated office supplies, computers and training. The estimated annual cost is \$1,922,095 for FY 2008-09 through FY10-11.

Currently Fiscal is responsible for the accounting functions to track the collection of revenue for more than 420 branch agents and dealers throughout the state that perform and collect registration services. To implement HB1779, NCDOT would need to develop integrating accounting procedures for DMV collections, refunds and bad debt at a more detailed level to accommodate the distribution of funds for the 100 counties plus 400 to 650 municipalities.

As the reconciliation of collections, refunds and bad debt become more complex, additional accounting personnel will be a key factor for success. Maintaining internal controls will be essential in the certification of funds on deposit with the State Treasurer and the distribution of collections.

There will be an exponential increase in the amount of bad debt that DMV will have to manage as a result of the collection of vehicle property taxes. Presently, NCDOT receives about 5,000 bad debt inquiries per month in the Fiscal-DMV areas. More personnel will be needed to handle the expected increase in bad debt collection.

DOR Impacts

H.B. 1779 will significantly impact the Department of Revenue and additional staff and resources will be needed. Major focus areas include determining vehicle values, reviewing the final tax collection reports and administering the day-to-day program.

DOR's Property Tax Division will need to solicit vendors or businesses to procure the valuation on vehicles throughout the state. The selected company will have to provide specific information that can be used to uniformly and equitably value motor vehicles across the state.

The Department of Revenue will need to make sure that a ratio study is performed each year to verify the accuracy of the values being provided by the valuation company. The actual calculations performed for the ratio study may be incorporated into the new integrated computer system.

DOT will be required to remit the collected tax funds to each county. Once these funds have been electronically transferred to the counties, the Property Tax Division will assume a consultant's role to help counties further distribute the collected taxes to the various municipalities and jurisdictions. DOR will have to review and determine the accuracy of the accounting records via reports generated by DOT.

As the implementation of this law draws closer, the agency will also have to provide significant training to license tag agencies, automobile dealers, county staff, taxpayers and others.

Closing Comments

House Bill 1779 requires the payment of vehicle property taxes at the time of vehicle registration renewal. The N.C. Association of Tax Assessors estimates that H.B. 1779 will create an additional \$72 million in vehicle property taxes that presently go uncollected. These savings would be partially offset by the significant system development and operational costs required to create a centralized collection system. The full extent of these changes and costs is not currently known, although estimates to date surpass the fiscal note assumptions.

The intent of H.B. 1779 is to hold the implementing state agencies harmless on the cost of development and operations. When the full extent of the costs are known, changes to the bill fee structure for implementation interest, administration fees and fee collection will need to be raised.

House Bill 1779 Summary of Feasibility Topics

Key Factors for Consideration	Finding	Comment
Dealerships Collecting Property Taxes	North Carolina Automobile Dealers Association is opposed to any interpretations of HB 1779 that would require dealers to collect initial vehicle property tax payments at the point of sale.	NCADA requests its position to be included in all relevant sections of HB 1779.
Collecting Property Taxes for Leased Vehicles	Unable to resolve how vehicle property tax will be billed on leased vehicles if the vehicle is owned by a leasing company and the plate is issued in the name of the lessee.	Additional time must be devoted to understand the current process and resolve issues.
IRP Collections	Trucking industry is opposed to paying vehicles property taxes under HB1779 requirements.	Introducing legislative change to exempt IRP from HB1779.
5-Year Life Cycle Cost \$39,007,721 for NCDOT - Information Technology (Implementation Cost + Annual Operating Cost)	Limited data is available to provide a reliable revenue forecast to fund efforts required for system development and post go-live support.	Factors such as revenue generated from delinquent taxes, ITS support, internet cost, hardware purchases, fees the state will incur for banking transactions including credit card fees must be assessed when more data is available. Beginning July 1, 2009 interest will accrue for registration fees paid after due date (5 percent for the first month and three quarter of a percent for each month thereafter.) Unable to determine whether interest will cover system support.
Project Development Cost prior to implementation is \$20,372,300	Cost could range between \$18,335,070 to \$25,465,375 based on known high level	Cash flow problems at NCDOT will impede the agency from absorbing cash

Key Factors for Consideration	Finding	Comment
(-10 percent to +25 percent Confidence Limit)	<p>requirements. Adequate cash to meet deadline is a concern. Collection of 60 percent of unpaid property tax on deposit at the State Treasurer for January to April 2006 is \$715,154.</p> <p>Reliable estimates of future cash availability on deposit at the State Treasurer are not known.</p>	<p>shortfalls from system development and post go-live support.</p> <p>Cash on deposit at the Department of State Treasurer must be transferred to the Highway Fund prior to obligations.</p> <p>Shortfalls will stop development immediately.</p>
Financial Impacts to Division of Motor Vehicles	There will be significant impacts to the operation of DMV – Registration. The division has estimated the cost for HB1779 for funding consideration to be approximately \$45 million dollars for a 5-year period (ranges from \$7.7 million to 9.5 million annually). This includes staffing, credit card fees, mailings, computers, employee bonding, etc.	Revenue will be required to support this effort.
Financial Impacts for DOT - Fiscal	Area estimates the need for 13 new administrative positions.	Funding sources will need to be identified.
Financial Requirements of DOR	Unable to determine an estimated budget.	Budgets will need to be funded adequately.
Impact to DMV Tag Agents for Collecting Vehicle Property Taxes	<p>Must determine fee per transaction for collection of property taxes by tag agents.</p> <p>Review cost aspects for collection of vehicle property taxes to include credit card capabilities. Must allow for employee bonding, increased staffing, security, insurance premiums, hardware,</p>	<p>Analysis is required.</p> <p>Who should define the fee?</p> <p>Difficult to identify all cost associated with increased responsibilities.</p>

Key Factors for Consideration	Finding	Comment
	training, etc. Additional cost could be significant.	
N.C. Association of Assessing Officers	Estimate cost reduction to operation.	No negative impacts.
Cost to 100 Counties	Further review is needed to determine budgetary impacts of the legislation for all counties.	Full participation is required for project success.
General Fund Impacts	General funds pays for the majority of banking transaction fees for the state.	Fees related to these items will need to be analyzed and discussed with state and county representatives.
Resource Issues	<p>Insufficient resources from the state and county can cause significant delays that can jeopardize implementation.</p> <p>New state positions must be established prior to implementation. Largest impact will be to NCDOT operation. Tag agents will require additional manpower.</p>	<p>Key individuals must be identified and empowered to resolve issues quickly. There will be a significant demand on NCDOT – IT staff with STARS expertise.</p> <p>Adequate resources must be funded and equipped prior to go-live.</p>
Scope Creep	Identification of new requirements can cause a negative impact to the implementation date. These issues must be addressed quickly.	Determine if new requirements are mandatory for go-live. Discuss impact of changes with project group to determine a solution. Escalate to senior management.
STARS Interfacing with 100 Counties	Address ability for counties to fund and have technical capability to interface with STARS functionality by July 1, 2009.	Forum of information exchange will be needed to adequately address technical and funding issues to escalate problems. Every system must be functional prior to go-live.
Certification of Collections by NCDOT	Daily balancing and certifications will be required from bank deposits across the state. Additional staff will be required in the	Thorough testing and procedural guidelines must be documented prior to go-live.

Key Factors for Consideration	Finding	Comment
	Fiscal area (13 employees).	
Distribution of Funds by NCDOT	NCDOT would be responsible for the distribution of collections to 100 counties plus 400 to 650 cities and towns. The counties will be responsible for the distribution to fire districts.	NCDOT will implement an Automatic Clearing House process for the distribution of funds. Report required for DOR – Property Tax Division oversight.
Credit Card Processing	It will be advantageous to allow credit card processing for the combined bill.	Analysis will be needed to determine the best way to cover this cost in compliance with state guideline. The State Controller's Office will need to be heavily involved.
New Legislative Mandates Prior to July, 2009	Escalate issue to senior management for direction.	Project implementation might have to be delayed.
Training and Help Desk Support	Possibility there will be insufficient staff to support counties.	Must identify support needs for counties as soon as possible in the project analysis stage.
Technical Changes	Unable to identify all technical changes in a timely manner.	Plan to complete the identification of technical changes required by completion of user requirements. Sign-off will be obtained.
Data transport for new/revised street addresses from counties to validate addresses for billing.	Various data transport issues will need to be addressed.	Careful evaluation will be required during development.
Bad Debt	Analyze legal and administrative issues related to sending a combined bill for funds subsequently paid to counties, cities, etc. Bad debt recorded in the combined system will be tremendous. Who "owns" the debt from the combined bill.	The state will need to solicit input from the Attorney General's Office to investigate legal ramifications as well as defining collection methods for the debt as rules vary per county.
Bankruptcies	Formulate process to handle	Legal consultation with

Key Factors for Consideration	Finding	Comment
	issues resulting from bankruptcy filings.	county representation is required.
Refunds	Define refunding procedures for vehicle tax and registration purposes.	State and county personnel will need to define best practices to be followed uniformly. Process must be seamless to balance financial records (particularly for credit card transactions.)
Unpaid delinquent tax bills in the county systems when HB 1779 is implemented.	Significant analysis will be required by counties to resolve issue. It has been decided there will be no conversion of delinquent data.	Any issue that impacts system development must be identified in requirements gathering.
Issue resolution between counties and state that impedes system development	Identification of issues to senior management or a steering committee is needed.	Memorandum of Understanding must define roles and responsibilities of all parties to increase productivity.
Pro-ration of taxes	Careful review is required to discuss continuing the pro-ration of taxes in any form.	Counties will need to develop a plan of action to address this uniformly with the Property Tax Division.
Uniform Set of Values	Schedule of values should be chosen by September 1 of each year.	Adopting a uniform set of values is possible. Unable to determine estimate cost for impact to area.
Determine Appraisal Accuracy Statewide	Sales ratio study should be performed each year to determine accuracy of appraisals.	The Property Tax Division – DOR must work with the provider of the valuation system and Division of Motor Vehicles, and a statistician to ensure the study is accurate. It may be possible to have STARS incorporate the ability to perform the sales ratio study automatically.
Local Market Conditions	Process will be defined for	Based on approval from the

Key Factors for Consideration	Finding	Comment
	adjustments to the statewide uniform schedule of values based on fair market value of the vehicle.	Property Tax Division, STARS must allow the adjustment countywide. Information from the sales ratio study could be used to support the need to adjust values in a jurisdiction.
Adjustments for mileage of individual vehicles	Property Tax Division recommends automatic mileage adjustments based on mileage adjustment table that the agency is developing and annual mileage information incorporated into the new system.	Available mileage information can be used to estimate mileage as of the January 1 valuation date and make adjustments to the uniform value. If mileage information is not known, any assessor or collecting authority should be able to enter information from a vehicle's most recent inspection and an automatic mileage adjustment and recalculation of property tax should occur.
Uniform appeals process to consider effects of other condition factors that may affect the value of the vehicle.	Equitable rules among counties is needed for the appeals process. Through the appeals process, condition factors that may affect the value of vehicles can be considered.	Assessors will control individual vehicle value to adjust for condition upon appeal. Upon timely appeal, the taxpayer can bring the vehicle to the county tax department if possible and the assessor should inspect the vehicle. The assessor should not, as a pre-appeal condition require a third party appraisal of the vehicle, however the taxpayer may opt to do so.

**High Level Estimate of Cost for Implementation
and Support
HB 1779 - Combined Vehicle Tax and
Registration**

	FY06-07 thru FY08-09	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	Total
Department of Transportation							
Information Technology							
Implementation Cost	20,372,300.00						20,372,300.00
Annual Operating Cost		3,727,084.20	3,727,084.20	3,727,084.20	3,727,084.20	3,727,084.20	18,635,421.00
Anticipated Life of Development - 5 Years							
ITS Billings (Connections and Internet)	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
Division of Motor Vehicles		7,758,564.00	8,446,651.00	9,517,956.00	9,517,956.00	9,517,956.00	44,759,083.00
Compensation to Branch Agents	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
Prepare, Print, Mail Notices	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
Credit Card Terminal & Installations (\$750 X 12 Sites)		9,000.00					9,000.00
Service Agreements		Unknown	Unknown	Unknown	Unknown	Unknown	-
Employee Bonding (\$5000 Estimate X 4 Sites)		20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	100,000.00
Fiscal		692,388.10	606,820.74	622,887.86	622,887.86	622,887.86	3,167,872.42
(13 New Administrative Positions)							
Department of Revenue							
Significant - Estimate Unknown							
Valuation of Motor Vehicles	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
Review Financial Reporting of Collections	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
Day to Day Administration	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
NC License Plate Agencies							
Employee Bonding (\$5000 Estimate X 120 Sites)		600,000.00	600,000.00	600,000.00	600,000.00	600,000.00	3,000,000.00
Increase Staff (2 members per office)		5,990,400.00	5,990,400.00	5,990,400.00	5,990,400.00	5,990,400.00	29,952,000.00
Increase Security	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-

Increase Insurance Premiums	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
Computers		864,000.00					864,000.00
(\$3600 X 2 employees X 120)							
Workstations		624,000.00					624,000.00
(\$2600 X 2 employees X 120)							
Computer Maintenance		120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	600,000.00
Credit Card Terminal & Installations		90,000.00					90,000.00
(\$750 X 120 Sites)							
Service Agreements		Unknown	Unknown	Unknown	Unknown	Unknown	-
NC Association of Assessing Officers							
NCAAO Cost Reduction	0	0	0	0	0	0	-
Cost for Counties							
(Prior to July, 2009 and Post Go-Live)	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
General Fund - State							
	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	-
TOTAL	\$20,372,300.00	\$20,495,436.30	\$19,510,955.94	\$20,598,328.06	\$20,598,328.06	\$20,598,328.06	\$122,173,676.42
Total for FY06-07 thru FY08-09		40,867,736.30					

**Counties for ACH DMV
Debits for House Bill
1779 in 2006**

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov
ALAMANCE COUNTY	2,270.30	2,633.66	4,176.43	2,836.88	4,128.60						
ALEXANDER COUNTY	180.66	415.32	396.51	281.29	496.24						
ALLEGHANY COUNTY	69.59	129.96	145.14	128.38	96.91						
ANSON COUNTY	343.24	519.88	946.50	478.96	1,153.46						
ASHE COUNTY	211.90	280.32	314.48	334.83	355.47						
AVERY COUNTY	117.33	192.48	300.79	118.81	300.61						
BEAUFORT COUNTY	328.04	427.08	757.50	565.66	599.80						
BERTIE COUNTY	302.55	309.38	527.08	493.31	802.12						
BLADEN COUNTY	234.80	1,455.44	1,377.76	1,980.25	1,905.64						
BRUNSWICK COUNTY	842.68	1,769.38	2,177.65	1,723.60	2,628.40						
BUNCOMBE COUNTY	3,047.33	3,835.89	5,308.08	4,432.45	6,282.71						
BURKE COUNTY	699.74	1,778.09	2,292.20	1,604.01	2,785.65						

CABARRUS COUNTY	2,549.06	3,239.63	4,707.86	3,405.80	4,196.75
CALDWELL COUNTY	594.59	985.91	1,215.48	1,050.11	1,549.55
CAMDEN COUNTY	131.30	95.75	359.80	205.48	295.06
CARTERET COUNTY	501.78	238.30	1,190.42	1,032.21	1,428.68
CASWELL COUNTY	203.16	119.13	277.06	582.00	519.33
CATAWBA COUNTY	899.88	1,449.67	1,777.55	1,423.23	1,693.95
CHATHAM COUNTY	383.99	828.76	924.09	761.57	1,146.34
CHEROKEE COUNTY	208.76	367.98	383.01	247.87	190.81
CHOWAN COUNTY	76.13	176.07	176.08	260.38	230.82
CLAY COUNTY	52.65	129.96	132.56	81.88	151.39
CLEVELAND COUNTY	902.37	1,973.82	1,610.84	1,657.16	1,952.95
COLUMBUS COUNTY	None	1,007.68	1,058.56	899.04	782.32
CRAVEN COUNTY	1,392.74	2,086.60	2,056.84	1,856.45	1,861.37
CUMBERLAND COUNTY	3,975.67	9,368.82	10,764.54	8,761.66	12,304.23
CURRITUCK COUNTY	71.34	144.26	179.52	141.30	204.88
DARE COUNTY	283.23	353.63	540.17	438.52	696.63
DAVIDSON COUNTY	588.46	1,044.20	1,166.77	877.92	1,005.11

DAVIE COUNTY	301.41	397.16	571.40	486.17	588.51
DUPLIN COUNTY	380.69	1,042.76	1,113.81	900.20	2,394.97
DURHAM COUNTY	4,738.70	9,025.11	10,356.81	7,313.82	12,065.42
EDGECOMBE COUNTY	531.47	1,041.02	1,390.41	959.03	4,687.88
FORSYTH COUNTY	4,441.26	7,529.55	10,444.16	8,036.68	11,709.28
FRANKLIN COUNTY	789.11	1,395.92	1,322.45	1,149.75	1,497.41
GASTON COUNTY	3,015.25	6,142.87	7,086.21	5,385.30	6,806.18
GATES COUNTY	65.89	176.32	215.11	114.33	591.74
GRAHAM COUNTY	114.95	82.73	107.76	96.49	107.06
GRANVILLE COUNTY	425.17	1,017.74	904.10	841.95	1,962.92
GREENE COUNTY	174.86	177.03	381.76	301.45	482.67
GUILFORD COUNTY	8,502.96	15,873.92	16,373.80	15,155.02	16,870.89
HALIFAX COUNTY	217.99	1,709.64	834.41	642.91	860.66
HARNETT COUNTY	888.10	1,860.83	2,288.90	2,001.01	3,176.67
HAYWOOD COUNTY	589.98	790.91	1,211.67	732.63	2,328.54
HENDERSON COUNTY	361.22	495.28	864.34	577.65	794.60
HERTFORD COUNTY	177.70	434.27	447.20	589.45	520.65

HOKE COUNTY	197.45	182.27	151.61	61.23	98.88
HYDE COUNTY	38.52	28.16	64.79	24.07	69.99
IREDELL COUNTY	1,131.84	1,784.01	2,085.78	1,417.24	1,681.01
JACKSON COUNTY	167.32	236.04	274.63	217.45	364.19
JOHNSTON COUNTY	2,639.11	4,655.82	5,524.30	4,477.08	6,378.14
JONES COUNTY	108.87	121.55	246.71	81.46	215.49
LEE COUNTY	909.86	633.20	960.73	628.17	1,578.35
LENOIR COUNTY	1,040.27	1,271.46	1,676.74	1,012.83	1,566.70
LINCOLN COUNTY	1,121.03	1,640.59	1,687.28	1,417.64	2,149.92
MACON COUNTY	130.43	136.27	184.40	55.47	214.92
MADISON COUNTY	19.36	202.31	356.86	327.56	230.87
MARTIN COUNTY	390.51	568.35	959.45	796.38	845.75
MCDOWELL COUNTY	349.80	642.06	862.88	658.77	1,163.34
MECKLENBURG COUNTY	12,375.13	26,251.20	38,260.91	30,131.43	38,150.64
MITCHELL COUNTY	106.48	174.61	232.64	206.33	223.30
MONTGOMERY COUNTY	106.54	309.09	315.85	207.58	311.30
MOORE COUNTY	1,261.32	1,505.04	1,874.20	1,460.84	2,151.98

NASH COUNTY	813.26	2,288.06	2,596.70	2,146.91	2,868.77
NEW HANOVER COUNTY	2,496.08	4,205.97	4,839.85	4,129.30	6,039.09
NORTHAMPTON COUNTY	358.19	559.86	602.14	526.25	594.46
ONSLOW COUNTY	1,609.45	2,170.81	1,860.47	1,691.46	2,257.67
ORANGE COUNTY	2,511.42	4,535.93	3,747.85	2,904.14	2,650.34
PAMLICO COUNTY	134.95	207.49	201.30	226.58	414.99
PASQUOTANK COUNTY	355.74	1,389.43	900.55	917.14	1,581.04
PENDER COUNTY	679.30	873.34	1,363.40	1,587.66	1,330.60
PERQUIMANS COUNTY	110.49	140.26	274.23	235.94	298.47
PERSON COUNTY	294.01	1,496.13	739.69	435.50	553.95
PITT COUNTY	984.37	4,080.77	4,267.62	3,428.32	3,977.30
POLK COUNTY	131.65	243.13	444.00	357.77	327.94
RANDOLPH COUNTY	885.08	1,687.73	2,782.09	2,140.54	1,817.95
RICHMOND COUNTY	431.63	1,714.91	1,156.31	789.52	1,277.87
ROBESON COUNTY	2,584.28	4,481.82	4,791.69	3,965.04	5,256.69
ROCKINGHAM COUNTY	1,324.95	1,979.68	2,428.20	1,835.50	2,453.95
ROWAN COUNTY	1,879.50	4,105.55	3,652.40	3,164.89	4,250.62

RUTHERFORD COUNTY	353.44	696.85	752.67	468.47	795.21
SAMPSON COUNTY	934.12	1,559.82	1,781.73	1,295.67	1,914.30
SCOTLAND COUNTY	443.89	839.56	947.94	763.74	1,128.41
STANLY COUNTY	524.68	1,337.01	1,692.55	1,166.02	2,755.81
STOKES COUNTY	345.94	466.55	619.70	400.26	856.10
SURRY COUNTY	769.35	1,454.39	1,039.05	1,050.11	1,640.24
SWAIN COUNTY	51.61	48.96	70.99	51.82	71.25
TRANSYLVANIA COUNTY	214.44	259.34	299.61	331.21	671.16
TYRRELL COUNTY	25.19	48.71	78.08	93.50	42.06
UNION COUNTY	1,680.54	2,810.50	3,561.97	2,441.52	4,222.77
VANCE COUNTY	350.55	568.61	844.90	760.08	1,120.49
WAKE COUNTY	8,829.54	11,558.45	13,883.51	17,269.59	22,222.14
WARREN COUNTY	276.83	407.08	340.30	330.01	323.79
WASHINGTON COUNTY	71.84	73.50	191.27	134.40	283.28
WATAUGA COUNTY	354.77	404.72	708.32	410.39	322.53
WAYNE COUNTY	874.71	830.20	2,936.55	1,863.78	2,590.69
WILKES COUNTY	None	2,537.35	971.98	605.90	2,839.95

WILSON COUNTY	2,181.79	1,528.30	1,616.76	1,335.80	1,843.68						
YADKIN COUNTY	381.34	567.01	759.97	593.82	627.20						
YANCY COUNTY	165.62	232.50	301.68	285.67	485.58						
Total	105,688.36	191,282.42	228,923.35	189,260.60	261,294.94	-	-	-	-	-	-
Combined Totals by Month		296,970.78	525,894.13	715,154.73	976,449.67						

HB 1779

Reports

Valuation Committee

**Valuation Committee
May 15, 2006 Report
to
Revenue Laws Study Committee
Joint Legislative Transportation Oversight Committee
Fiscal Research Division**

Introduction

In 1991, the North Carolina General Assembly enacted N.C.G.S. 105-330, our current motor vehicle property tax statutes. This change greatly improved local government's ability to list and assess motor vehicles for property tax purposes. House Bill 1779, passed in the 2005 Session, has made several changes to N.C.G.S. 105-330 to further enhance local government's ability to not only assess motor vehicles for property tax, but also collect the motor vehicle property tax. This section of the report will address those changes that we believe will improve the appraisal and valuation of motor vehicles for property tax purposes. This plan will both increase the efficiency of local government and provide more uniformity, equity, and appraisal accuracy for North Carolina citizens.

Section 12 of House Bill 1779 requires the Property Tax Division within the North Carolina Department of Revenue and the Division of Motor Vehicles within the Department of Transportation to jointly study and develop a plan for determining the method of valuation of motor vehicles to be taxed. This plan is to be submitted in a report, along with our findings and recommendations, to the Revenue Laws Study Committee, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division by May 15, 2006.

This plan, based on the law in HB 1779, will address the following major points.

- 1) A plan for adopting a uniform schedule of motor vehicle values.
- 2) A plan for determining appraisal accuracy statewide.
- 3) A plan for taking into account local market conditions
- 4) A plan for allowing adjustments for the mileage of individual vehicles.
- 5) A uniform appeals process that will consider the effect of other condition factors that may affect the value of individual vehicles.

This comprehensive plan will improve the statewide valuation of motor vehicles for property taxation.

1) A Uniform Schedule of Values

G.S. 105-330.2(b) requires that a classified motor vehicle be appraised by the assessor at its true value in money as prescribed by G.S. 105-283. Effective July 1, 2009, it further requires the Property Tax Division to annually adopt a schedule of values. This recommended plan calls for the Property Tax Division to review the valuation services available and adopt the schedule that can be used to best comply with G.S. 105-330. When selecting a schedule of values, the Division should consider all relevant factors. Some of these factors include but are not limited to:

- 1) The accuracy of the values and support for proving the accuracy.
- 2) How much the valuation service charges for providing the values.
- 3) Compatibility with the software created for the new system.
- 4) The completeness of the collective values (Number of VINs matching a value.)
- 5) Other items or services provided with the list of values. (Hardcopies, etc.)
- 6) Their level of support to our specific statutory requirements.

For example, valuation service A may have the lowest cost, but the list of values may only match 70% of the Vehicle Identification Numbers (VINs) in North Carolina and the valuation service may not be flexible in the format they provide their values in. This would leave 30% of North Carolina's vehicles needing manual

valuation. Valuation service B may guarantee a 95% match of VINs and also devote a full time position to assist with valuation issues specific to North Carolina requirements. These and all other factors should be carefully considered before a selection is made.

Based on related dates in HB 1779, the uniform schedule of values should be chosen and put into the system by September 1, of each year. This is because values are determined as of January 1, of the year that taxes are due. Taxes on December expirations are due January 15, and would therefore have the newest values. These vehicles will be sent a combined invitation to renew and property tax notice around the November 1 prior to expiration. Values should be in the new system by September 1, to begin processing the property tax information that will be printed before mailing November 1.

2) A plan for determining appraisal accuracy statewide

One of the most accepted methods of determining appraisal accuracy in a mass appraisal system is to perform a “sales ratio study”. This is done by selecting a random sample of actual sales and then dividing the assessed value of each property by that property’s actual sales price. After calculating the ratios of the selected sales, they are arrayed in order from lowest to highest ratio and the median ratio is considered to be an indicator of the appraisal accuracy. If the median ratio is below 1, then the appraisal is said to be overall below fair market value. If the median ratio is above 1, then the appraisal is said to be overall above fair market value. There are many other statistical measures in a sales ratio study that can be used to evaluate the appraisal and there are specifics regarding the correct method of doing a sales ratio study.

We suggest that a sales ratio study be performed each year to determine the accuracy of appraisals in North Carolina. Licensed dealers collect sales price data at the time of collecting the Highway Use Tax and this data is available from the Division of Motor Vehicles. The Property Tax Division should work with the provider of the valuation service, the Division of Motor Vehicles, and a statistician to ensure the study is performed as accurately as possible.

It may also be possible to have the new integrated computer system incorporate the ability to perform the sales ratio study automatically. A separate ratio should be calculated for different classes of vehicles (heavy trucks, trailers, motorcycles, SUVs).

3) A plan for taking into account local market conditions

According to G.S. 105-330.2(b), each assessor is responsible for determining the fair market value of motor vehicles. After the Property Tax Division adopts the statewide uniform schedule of values, the assessor will determine if local market conditions require any deviation from the uniform schedule. The Assessor would be required to submit to the Property Tax Division, for approval, their requested deviation from the uniform schedule along with evidence of why it is needed. For example, an Assessor in a mountain county may believe that the uniform schedule has 4x4 vehicles appraised too low for their county and may be able to provide evidence that the values of 4x4 vehicles should be 5% higher in their jurisdiction. Upon approval by the Property Tax Division, the integrated computer system would allow the adjustments countywide. Information from the sales ratio study could be used to support the need to adjust values in a jurisdiction.

4) A plan for allowing adjustments for the mileage of individual vehicles

We recommend automatic mileage adjustments based on a mileage adjustment table adopted by the Property Tax Division and annual mileage information incorporated into the new system. The Property Tax Division should have the ability to adjust the mileage adjustment table in the new integrated computer system. Annual mileage information is available in an emissions part of the current system and as of January 2006, 48

counties are a part of that emissions system. The new integrated computer system should use all mileage information available to arrive at the most accurate motor vehicle values.

Available mileage information can be used to estimate mileage as of the January 1 valuation date and make positive or negative adjustments to the uniform value.

If mileage information is not automatically available, any Assessor or collecting authority should be able to enter information from a vehicle's most recent inspection and an automatic mileage adjustment and recalculation of property tax will occur.

5) A uniform appeals process that will consider the effect of other condition factors that may affect the value of individual vehicles

As an additional service to our citizens, there should be equitable rules among our counties for the appeal process. Through this appeals process, condition factors that may affect the value of vehicles can be considered.

Assessors will have control and responsibility over each individual vehicle value to adjust for condition upon appeal. Upon timely appeal, the taxpayer should bring the vehicle to the county tax department if possible and the Assessor should inspect the vehicle to determine the need for a condition adjustment. An Assessor should not, as a pre-appeal condition, require a third party appraisal of a vehicle, however the taxpayer may choose to have an appraisal done to support their opinion of value.

Condition Standards

The Property Tax Division will study and adopt along with the uniform schedule of values, a set of categories as a condition grading system along with percentage adjustments. For example, these categories may be:

Excellent	+5%
Average	no adjustment
Below Average	– 5%
Poor	–10%

The January 1 appraisal date may prove to be a factor that would make this adjustment inaccurate since some appeal deadlines are not close to the appraisal date. For example, a vehicle with a November 2009 expiration has a tax due date and appeal deadline of December 15, 2009. However the valuation is to be as of January 1, 2009, almost a year prior to the appeal deadline. It is difficult for a taxpayer to prove the condition of the vehicle as of the valuation date.

A possible solution is to have two or more appraisal dates, July 1 and January 1 for example.

Vehicle Descriptions needed for appraisal

The integrated computer system should have appraisal notes and fields tied to each VIN. This would allow the adjustments or notes of an Assessor who inspected the vehicle to be reviewed by a different Assessor if the vehicle is moved within North Carolina. This may also prevent multiple visits to the Assessor for valuation adjustments.

In some situations, the VIN does not fully describe the characteristics of the vehicle. For example, a VIN for a trailer does not describe all of the characteristics needed to properly appraise the trailer. The lack of proper

description is also a problem in the appraisal of recreational vehicles (RVs). We suggest that that the Property Tax Division work with the Division of Motor Vehicles to develop a plan in the memorandum of understanding described in G.S. 105-330.2(c). This plan should result in the collection of the needed appraisal information at the time of title and/or registration of a trailer or RV.

Adjustment for Title Brand

The Property Tax Division can recommend standards for valuation adjustments due to branded titles, which should be made automatically, based on data from the Division of Motor Vehicles. For example, the Division might recommend that a branded title (salvaged, reconstructed, flood or fire damage) receive an automatic 25% reduction in value. This should be an adjustable function of the integrated computer system.

HB 1779

Reports

**Information
Technology (IT)
Committee**

COLLECT PROPERTY TAX PROJECT

High Level Requirements



STATE TITLING AND REGISTRATION SYSTEM (STARS) PROJECT TEAM

HB 1779 – Information Technology (IT) Committee Report

April 13, 2006

Version 1.0

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Sign Off – High Level Requirements

We, the undersigned, agree that this High-Level Requirements document accurately addresses the requested major high level functions of the Collect Property Tax Project.

	<u>Signature</u>	<u>Date</u>
DMV Commissioner:	_____ George Tatum	_____
DOT CIO:	_____ Mark Paxton	_____
DMV Applications Director:	_____ Kenneth Bergman	_____
STARS Appl. Dev. Manager:	_____ Maggie P. Thomas	_____
STARS Team Leader:	_____ Michael Thomas	_____
DMV Director for Driver & Vehicle Services:	_____ Wayne Hurder	_____
DMV Deputy Director of Operations:	_____ Don Ferrier	_____
DMV Assistant Director of Driver & Vehicle Services:	_____ Portia Manley	_____
DOT Chief Financial Officer:	_____ Mark Foster	_____
DOR CIO:	_____ Randy Barnes	_____
DOR Representative/ Property Tax Division:	_____ David Baker	_____
NC Association of County	_____	_____

Commissioners: **Paul Meyer**

Wake County Representative/ _____
NC Association of Assessing **Emmett Curl**
Officers:

Forsyth County Representative/ _____
NC Tax Collectors Assoc: **William Rodda**

Person County Representative/ _____
NC Association of Assessing **Russell Jones**
Officers:

NC League of Municipalities: _____
Andrew Romanet

NC Automobile Dealer Assoc: _____
Bob Glaser

NC Independent Automobile _____
Dealer Association **Jim Edwards**

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COLLECT PROPERTY TAX PROJECT

High Level Requirements

1. Executive Summary

Effective July 1, 2009, per House Bill 1779 (HB 1779 – Combined Motor Vehicle Registration Renewal and Property Tax Collection System), vehicle property taxes will be collected with the issuance and renewal of vehicle registrations. Over the past years, the Division of Motor Vehicles has implemented a variety of activities to facilitate the collection of vehicle property taxes by the North Carolina counties. Currently, DMV sends monthly registration data for every issued and renewed vehicle registration to the counties. The counties use this data to calculate vehicle property taxes for each vehicle and to generate the associated property tax invoice. This has significantly improved property tax assessment for registered vehicles. Currently, on a monthly basis, DMV renews and issues from 400,000 to 700,000 vehicle registrations.

Within a fiscal year, the vehicle property taxes are collected for 85 percent to 91 percent of the registered vehicles. However, the counties would like to improve this collection rate within a fiscal year by requiring the payment of the vehicle property taxes with the issuance or renewal of a vehicle registration. Therefore, after much discussion HB 1779 was ratified in August 2005.

The legislators have requested a report outlining the tax valuation and automation strategy, as well as the estimated cost, to implement this law. The report is due on May 15, 2006. This document addresses the automation strategy and its associated estimated cost. This High Level Requirements document will establish the baseline requirements for HB 1779 and facilitate the management and control of the business requirements. A Requirements Traceability Matrix will be utilized as a tool to ensure that the plans, products and activities of the project are consistent with the approved business requirements.

2. Background Information

North Carolina counties, municipalities and special districts collect property tax on motor vehicles registered in the state. Under the existing system, the State Titling and Registration System or STARS sends monthly data to all counties identifying those motor vehicles that have been issued or renewed registrations for the month; this process was initiated in March 1993. The counties then send a bill to the motor vehicle owner for the taxes due on the vehicle. If the motor vehicle owner fails to pay the property tax for the vehicle within the designated time period, the county notifies STARS to put a registration stop on the vehicle. The motor vehicle owner then cannot perform any registration services on the vehicle in STARS until proof has been provided that the taxes have been paid. Under the current system, a high percentage of vehicle property tax is paid late or not at all.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

3. Project Description

During the 2005 session, the North Carolina General Assembly ratified House Bill 1779 titled “An act to create a combined motor vehicle registration renewal and property tax collection system.” The bill makes a number of changes to the way property tax on motor vehicles is collected. In order to improve collection, the property tax will be collected by the N.C. Department of Transportation’s Division of Motor Vehicles when a motor vehicle registration is issued or renewed. Also, the Property Tax Division of the N.C. Department of Revenue will develop a statewide valuation system to ensure uniform valuations across counties. The bill also specifies that the tax notice and registration renewal notification be combined into one form or set of forms. To help pay for the changes, the interest on unpaid taxes will be increased from 2 percent to 5 percent for only the first delinquent month, and the additional 3 percent will be utilized for the development cost to automate HB 1779. Therefore, 60 percent of the interest collected for the first delinquent month will be transferred on a monthly basis to the Combined Motor Vehicle and Registration account for DMV to support the development and implementation of this integrated computer system. Also, after the completion of the project, DMV will be compensated (at least one-third of the current compensation paid for registration renewals conducted by contract agents) for collecting vehicle property taxes for the counties. It will also receive the interest on registration fees for delinquent vehicle registration renewals.

After carefully reviewing the law and the time constraints, the STARS, Business Systems Improvement Project or BSIP, and other applications will be enhanced to accommodate HB 1779. Mandates of this law will require complex modifications to the titling, registration and fiscal components of these current titling and registration applications. Modifications will also be made to the emissions application to allow the utilization of actual mileage in calculating property tax. In addition, changes will be made to the Return Check application to accommodate HB 1779. The project is scheduled to be initiated on Sept. 5, 2006 and implemented on July 1, 2009.

The major project functions are as follows:

1. Generate billing information for vehicle property tax and registration renewal

The current registration renewal and tax notices will be combined into a single notice. The combined notice will contain all the information on the current registration and tax notices as well as any additional information identified.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

2. Collect vehicle property tax with registration issuance and renewal

The counties will no longer collect property tax on vehicles. Instead, DMV will collect the vehicle property tax and any interest when the customer requests a new registration or renews an existing registration. The STARS internet application will be revised to also collect registration fee, property tax, and any applicable interest for late registration and property tax fees. This enhancement will increase the required credit card processing fee. Also, NCDOT will distribute the collected property taxes to the state's counties and municipalities.

3. Deny registration renewal for unpaid vehicle property tax

If the vehicle property tax has not been paid for a vehicle, a vehicle registration cannot be renewed or issued for that vehicle. Since the vehicle owners will be required to pay the property tax with the registration issuance or renewal, the counties will no longer need to send DMV a list of vehicles with unpaid property tax to deny registration renewal.

4. Generate report to facilitate the distribution of compensatory fee to DMV for the collection of property tax

On a weekly basis, DMV will provide the Department of Revenue a report identifying the property tax collected for each taxing unit. The report will include any additional information required by the Department of Revenue.

5. Apply interest to delinquent vehicle property tax

When a vehicle owner renews a registration after the due date, interest is applied to the tax amount. Interest accrues at the rate of 5 percent for the first month after the taxes are due and three-fourths percent for each month thereafter. DMV will calculate the interest and charge the customer at the time the registration is renewed.

6. Apply interest to unpaid registration fees

Beginning on July 1, 2009, interest will accrue for registration fees paid after the due date. The interest on registration fees will be 5 percent for the first month after the registration renewal is due and three-fourths percent for each month thereafter. DMV will calculate the interest and charge the customer at the time the registration is renewed.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

7. Allow partial or full refund of vehicle property tax

If a customer appeals the property tax amount and the appeal is decided in the customer's favor, the customer is entitled to a refund. DMV will refund the amount due to the customer from future distributions to the county and will maintain accounting records for such refunds. Similar refunds will occur when a registration plate is turned in and the vehicle is sold. A history file detailing any issued refunds should be maintained.

8. Support tax valuation process for vehicles

A vehicle's value is a component of the calculation of the vehicle's property tax. DMV will determine the value of the vehicle based upon the schedule of values, standards and rules adopted by the Property Tax Division.

9. Allow inquiry of historical vehicle property tax information for paid taxes

Vehicle owners will be able to inquire on the taxes paid for a vehicle for a designated number of years. Property tax payment information will not be converted from the existing county systems for inquiry purposes. Accordingly, the inquiry option will not provide property tax payment information prior to implementation of this project.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

4. Assumptions and Constraints

The following is a list of assumptions for the project:

1. The counties will be responsible for identifying and collecting taxes for unregistered vehicles as described in G.S. 105-330.3(a)(2).
2. The Department of Revenue's Property Tax Division will develop or procure the vehicle valuation system.
3. The Property Tax Division or a designated third party will create, print and mail the combined tax and registration notice. This notice will take the place of the current invitation to renew.
4. DMV tag agencies will be compensated for collecting property tax.
5. A Lock Box arrangement may be considered for mail-in renewal and vehicle tax payment rather than the STARS remittance process.
6. Other than motor vehicle bills which were due prior to the implementation of the new system, the counties will no longer accept property tax payments for classified registered motor vehicles.
7. Any amount refunded to the taxpayer will be processed using the enhanced STARS refund process.
8. The STARS system will calculate and charge the interest for delinquent property taxes and late registration renewals. The International Registration Plan or IRP vehicles are excluded from requirements of HB 1779.
9. If a vehicle is exempted from property tax, the DOR Property Tax Division or designated third party will still send a combined tax and registration notice. The notice may show no taxes due.
10. Car dealerships may accept vehicle property taxes when a vehicle is purchased.
11. The estimated development cost of this project includes technical and client labor, computer usage, and projected software and hardware cost to analyze, design and implement the system; the associated business cost will be addressed in a separate document.
12. The Property Tax Division will be responsible for implementing procedures for determining the accuracy of vehicle appraisals using a sales ratio study.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

13. The limitations and opportunities of accepting electronic payments (including credit cards and Electronic Funds Transfer) for vehicle property taxes and vehicle registration will be explored by this project.
14. No conversion of data for inquiry purposes will be required. Therefore, the customers will not be able to inquire via STARS on property tax data prior to the implementation of this project.
15. Technical changes to the law must be identified and resolved by Dec. 31, 2007 (completion date for Detailed Design).
16. The new system must allow the waiver of taxes (e.g., for military residents).
17. The data from the counties to apply property tax stops will be accepted for a designated time period after the implementation of the project to facilitate the flagging of delinquent property taxes due prior to the new system.
18. The online county options for setting and removing property tax stops will be available for usage for a designated time period after the implementation of the project to facilitate the flagging of delinquent property taxes due prior to the new system.
19. The project will incorporate training, but existing resources will be used for training.
20. DOT will distribute the collected vehicle property taxes to the counties and municipalities.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

5. High-Level Requirements

The requested major functions/requirements of the proposed system changes are as follows:

5.1. Generate billing information for vehicle property tax and registration renewal

- 5.1.1. Identify tax districts for vehicles
- 5.1.2. Calculate vehicle property tax and vehicle registration renewal fee
- 5.1.3. Generate registration renewal notifications for vehicles with stops
- 5.1.4. Allow mail-in processing for the combined tax and registration renewal notice
- 5.1.5. Display the new combined tax and registration renewal notice on internet renewals
- 5.1.6. Terminate the generation of monthly vehicle registration data for the counties

5.2. Collect vehicle property tax with registration issuance and renewal

- 5.2.1. Validate the vehicle value and property tax for in-person vehicle registration issuance and renewal
- 5.2.2. Validate the vehicle value and property tax for vehicle registration renewal via internet
- 5.2.3. Validate the vehicle value and property tax for vehicle registration renewal via mail
- 5.2.4. Prorate taxes for plates that remain annual
- 5.2.5. Allow waiver of property taxes when appropriate
- 5.2.6. Generate fiscal reports to identify taxes collected for each county
- 5.2.7. Distribute collected property tax to North Carolina counties and municipalities.

5.3. Deny registration renewal for unpaid vehicle property tax

- 5.3.1. Discontinue the acceptance of data for unpaid vehicle property tax from the counties
- 5.3.2. Disable the online county option for setting and removing tax stop
- 5.3.3. Convert current vehicle tax stop data to support new registration denial process

COLLECT PROPERTY TAX PROJECT

High Level Requirements

- 5.4 Generate report to facilitate the distribution of compensatory fee to DMV for the collection of vehicle property tax.
 - 5.4.1 Develop a weekly report for the Property Tax Division with the tax payments received
 - 5.4.2 Track branch compensation for collected taxes
- 5.5 Apply interest to delinquent vehicle property tax.
 - 5.5.1 Calculate and charge interest for delinquent property tax
 - 5.5.2 Display interest payments received for delinquent property tax on the fiscal reports
- 5.6 Apply interest to unpaid registration fees
 - 5.6.1 Calculate and charge interest for delinquent registration fees
 - 5.6.2 Display interest payments received for delinquent registration fees on fiscal reports
- 5.7 Allow partial or full refund of vehicle property tax
 - 5.7.1 Refund partial fees resulting from an appeal or plate turn-in
 - 5.7.2 Allow full refunds resulting from an appeal or plate turn-in
 - 5.7.3 Maintain a history file detailing any refunds issued
- 5.8 Support tax valuation process for vehicles.
- 5.9 Allow inquiry of historical vehicle property tax information for paid taxes for a designated number of years

COLLECT PROPERTY TAX PROJECT

High Level Requirements

6. Impact

The Collect Property Tax Project may significantly affect future and in-progress projects, existing applications and organizations, and vice versa. Research is currently in progress to ascertain the total impact of this project and the impact of other projects on this project. This project will affect the STARS, Emissions, BSIP and Return Check applications, which are scheduled to be enhanced as a part of this project. The project also may require the transport of some county data to the new system to set up tax district information, maintenance of new addresses and support for county specific address dictionaries. This project may impact other systems/projects that have not been identified.

The US Real ID project may impact this project, as already seen in research concerning its impact on the Collect Property Tax project. If any of the enterprise data (e.g., customer name) is expanded to support US Real ID, the Collect Property Tax project will be affected. The US Real ID project is currently scheduled to be implemented in 2008 — about one year before the implementation date for this project; however, this date may change.

In addition, several organizations actively involved with this project will also be impacted. These organizations are listed below, as well as the perceived high level impact.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

GROUP	HIGH LEVEL IMPACT
Department of Transportation – Division of Motor Vehicles	Provide DMV business expertise to support the changes in HB 1779. Also support collection of requirements, design, testing and training for the system changes.
Department of Transportation – Information Technology	Modify the State Titling and Registration System, International Registration Plan System, Emission and Safety Inspection System and BSIP to support the changes in HB 1779.
Department of Revenue – Property Tax Division / Information Technology	Provide expertise on property tax collection. Develop and/or procure systems to support the changes in HB 1779; participate in the collection of requirements, design and possibly testing for HB 1779; modify appropriate departmental applications to support HB 1779; conduct training.
North Carolina Association of County Commissioners	Provide expertise on the collection of property tax; participate in the collection of requirements, design and possibly testing for HB 1779.
North Carolina League of Municipalities	Provide expertise on the collection of property tax; participate in the collection of requirements, design and possibly testing for HB 1779.
North Carolina Association of Assessing Officers	Provide expertise on the collection of property tax.
North Carolina Automobile Dealers Association	Represent the automobile dealers and keep them informed regarding the changes for HB 1779.
North Carolina Independent Automobile Dealers Association	Represent the independent automobile dealers and keep them informed regarding the changes for HB 1779.
North Carolina Tax Collectors Association	Provide expertise on the collection of property tax

COLLECT PROPERTY TAX PROJECT

High Level Requirements

7. Approximated Project Cost/Work Effort

Based on the requirements listed, the project will cost approximately \$20,372,300 (minus 10 percent to plus 25 percent confidence limits). This estimated development cost includes the following components:

<i>Development Item</i>	<i>Estimated Hours</i>	<i>Estimated Resources</i>	<i>Estimated Cost</i>
<i>ITS/ Staff Counterintelligence Officer Coordination</i>	20,000	3	\$1,600,000
<i>STARS Labor</i>	115,206	35	\$8,355,600
<i>Department of Revenue Labor</i>	1,500	3	\$120,000
<i>Emissions Labor</i>	500	2	\$ 40,000
<i>BSIP Labor</i>	13,704	5	\$1,138,000
<i>County Labor</i>	27,320	100	\$2,185,600
<i>Return Check Labor</i>	4,080	3	\$326,160
<i>Clients' Labor for Client Testing</i>	16,352	42	817,600
<i>Clients' Labor for Joint Application Design Sessions</i>	22,460	Same as Client Testing	\$1,123,000
<i>Computer Usage Cost (25 percent of technical labor cost)</i>	N/A	N/A	\$3,041,340
<i>Software Packages Cost</i>	N/A	N/A	\$1,500,000
<i>Hardware Cost</i>	N/A	N/A	\$ 125,000
<i>Total Project Estimate</i>	221,122	193	\$20,372,300

The labor cost is based on a labor rate of \$50 per hour for state employees and \$80 per hour for contractors (\$150 per hour for only BSIP contractors). The proposed implementation date is scheduled for July 1, 2009. The NCDOT Board of Transportation must approve this project before it can be officially initiated.

In addition, the expected technical operational cost of the enhancement is \$3,727,084.20 per year. It is anticipated that nine state technical resources (including four full-time equivalent resources for STARS and five part-time resources for the other state applications) and 100 part-time county technical resources will be required to adequately support these major enhancements. Therefore, the estimated total technical operational cost for the first five years after implementation is \$18,635,421.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

The life cycle cost (cost of development and anticipated five-year maintenance and enhancement) is as follows:

4.1 Project Implementation Schedule	
Project start date	Oct. 1, 2009
Estimated project end date	Dec. 31, 2009
Confidence limits (+/- xx weeks)	4 weeks
A. Anticipated Life of Application in Years	
Anticipated life of the application/system (in years)	5
B. Total Project Implementation Costs	
Total estimated project implementation costs(96 percent of technical labor and computer usage cost, plus software and hardware)	\$ 19,700,032.00
C. Annual Maintenance and Support Costs	
Estimated annual average cost of maintaining and supporting the proposed system or application	\$ 1,613,542.10
D. Other Annual Costs	
Other anticipated annual costs, including costs for planned enhancements/upgrades	\$ 2,113,542.10
E. Total LifeCycle Cost	
From above lines, TLC Cost = B + A(C+D)	\$38,335,453.00
F. Post-Implementation Costs	
Total of all one-time costs that occur post-implementation (4 percent of technical labor and computer usage)	\$ 672,268.00
G. Extended Total Life Cycle	
From above lines, Extended TLC Cost = E + F	\$39,007,721.00

Note: a. Project Development Cost = Project Implementation Costs + Post-Implementation Costs
 $= B + F = \$19,700,032 + \$672,268 = \$20,372,300$

b. Annual Operational Cost = Annual Maintenance & Support Costs + Other Annual Costs
 $= C + D = \$1,613,542.10 + \$2,113,542.10 = \$3,727,084.20$

c. Total Life Cycle Cost = Project Implementation Costs + 5 years (Annual Operational Cost)
 $= B + A(C+D)$
 $= \$19,700,032 + 5 (\$1,613,542.10 + \$2,113,42.10) = \$38,335,453$

d. Extended Total Life Cycle Cost = Total Life Cycle Cost + Post-Implementation Cost
 $= E + F = \$38,335,453 + \$672,268 = \$39,007,721$

The above estimates are based on the identified requirements, associated technical and client labor, computer usage, software package options and hardware requirements. If any of these variables change significantly, the corresponding estimated cost must be revised.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

8. Requirements Traceability Matrix

The following Requirements Traceability Matrix is a living document for the project. This matrix will be updated during each phase of both the development life and maintenance life cycles. The matrix will help to validate that appropriate plans, products and activities for the project address the requirements for this subsystem.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

System Requirements Allocated to Software								
Plans, Products, Or Activities→	<i>High Level Requirements Document</i>	<i>Statement of Work</i>	<i>User Requirement /Detailed Design</i>	<i>Client Test Plans</i>	<i>Modules</i>	<i>Screens</i>	<i>Reports</i>	<i>Other Products/ Activities</i>
5.1. Generate billing information for vehicle property tax and registration renewal.	Section 5							
5.1.1. Identify tax districts for vehicles.	Section 5							
5.1.2. Calculate vehicle property tax and vehicle registration renewal fee.	Section 5							
5.1.3. Generate registration renewal notifications for vehicles with stops.	Section 5							
5.1.4. Allow mail-in processing for the combined tax and registration renewal notice.	Section 5							

5.1.5. Display the new combined tax and registration renewal notice on internet renewals.	Section 5							
5.1.6 Terminate the generation of monthly vehicle registration data for the counties.	Section 5							
5.2. Collect vehicle property tax with registration issuance and renewal.	Section 5							
5.2.1. Validate the vehicle value and property tax for in-person vehicle registration issuance and renewal.	Section 5							
5.2.2. Validate the vehicle value and property tax for vehicle registration renewal via internet.	Section 5							
5.2.3. Validate the vehicle value and property tax for vehicle registration renewal via mail.	Section 5							
5.2.4. Prorate taxes for plates that remain annual.	Section 5							
5.2.5. Allow waiver of property taxes when appropriate.	Section 5							
5.2.6. Generate fiscal reports to identify taxes collected for	Section 5							

each county.								
5.2.7. Distribute collected property tax to North Carolina counties and municipalities.	Section 5							
5.3. Deny registration renewal for unpaid vehicle property tax.	Section 5							
5.3.1. Discontinue the acceptance of data for unpaid vehicle property tax from the counties.	Section 5							
5.3.2. Disable the online county option for setting and removing tax stop.	Section 5							
5.3.3. Convert current vehicle tax stop data to support new registration denial process.	Section 5							
5.4. Generate report to facilitate the distribution of compensatory fee to DMV for the collection of vehicle property tax.	Section 5							
5.4.1. Develop a weekly report for the Property Tax Division of the Department of Revenue with the tax payments received.	Section 5							
5.4.2. Track branch compensation for collected taxes.	Section 5							

5.5. Apply interest to delinquent vehicle property tax.	Section 5							
5.5.1. Calculate and charge late penalties for delinquent property tax.	Section 5							
5.5.2. Display interest payments received for delinquent property tax on the fiscal reports.	Section 5							
5.6. Apply interest to unpaid registration fees.	Section 5							
5.6.1. Calculate and charge late penalties for delinquent registration fees.	Section 5							
5.6.2. Display interest payments received for delinquent registration fees on fiscal reports.	Section 5							
5.7. Allow partial or full refund of vehicle property tax.	Section 5							
5.7.1. Refund partial fees resulting from an appeal or plate turn-in.	Section 5							
5.7.2. Allow full refunds resulting from an appeal or plate turn-in.	Section 5							
5.7.3. Maintain a history file detailing any refunds issued.	Section 5							
5.8. Support tax valuation process for vehicles.	Section 5							

5.9 Allow inquiry of historical vehicle property tax information for paid taxes for a designated number of years.	Section 5							
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COLLECT PROPERTY TAX PROJECT

High Level Requirements

9. APPENDIX

9.1 Acknowledgements

Author/Compiler:

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HB 1779 – IT Committee

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.2 Project Risk Assessment

Risk #	Category	Description (Defined Risk)	Approach Response to Risk	Risk Mitigation and Resolution	Likelihood	Severity	Level of Control	Significance
1.	Funding/Cash Availability	Insufficient funds to complete the project	Identify the funding requirements early in the project. Finalize funding as early as possible.	Establish funding as early as possible.	2	3	4	9
2.	Project Team	Insufficient resources to complete project	Identify resource problems quickly and take appropriate action.	Provide backup resources from the STARS project team if needed; continue to monitor resource level/requirements.	3	3	3	9
3.	Other Assignments	Resources reassigned to other high priority assignments (e.g. legislative mandates, emergency production support)	Present identified conflicts and associated impact to project to senior management.	Identify conflicts in weekly status reports and use other STARS team members to support these assignments as much as possible.	3	4	4	11
4.	Requirements	Scope Creep (additional user requirements)	Identify impact to the implementation date.	Determine whether new requirements can be done in another phase; discuss impact of changes with project group to determine best solution.	3	4	4	11
5.	Interfacing systems	Changes to interfacing system are not completed on time thus delaying the project	Identify stakeholders early in the process. Regularly communicate with representative from the interfacing system.	Continue to monitor the progress of the interfacing systems. Identify schedule slippage as soon as possible.	3	4	5	12
6.	New Legislative Mandates	Major legislation requiring implementation before HB 1779	Attempt to postpone the implementation of new legislative mandates until after the project is completed. If legislation cannot be delayed, notify senior management of the impact to the project as soon as possible.	While preparing fiscal notes for proposed legislation, identify the conflict with the HB1779 project. For legislation passed, identify the impact with senior management at DMV and DOT-IT as soon as possible.	3	4	4	11
7.	DMV Help Desk	Insufficient staff to adequately support counties	Identify the support needs for the counties as soon as possible in the project analysis stage.	Review the support required by the counties with senior management at DMV. Determine what, if any, additional staff is required to meet this need.	4	3	3	10

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.2 Project Risk Assessment

Risk #	Category	Description (Defined Risk)	Approach Response to Risk	Risk Mitigation and Resolution	Likelihood	Severity	Level of Control	Significance
8.	Operational Costs	Insufficient funds for annual operational cost	Identify the additional operational costs as early in the project as possible.	Present the additional cost to senior management as early as possible. Identify the source of funds to cover the cost prior to the project implementation.	5	4	3	12
9.	Technical Changes	Not able to identify all technical changes to HB 1779 in a timely manner	Identify technical changes to the law as soon as possible.	Plan to complete the identification of technical changes to HB 1779 by completion of the User Requirements.	3	5	3	11

Likelihood:

- 1- Very unlikely
- 2- Somewhat unlikely
- 3- 50/50 Chance
- 4- Highly likely
- 5- Nearly Certain

Severity:

- 1- Minor impact on cost, schedule, performance, etc.
- 2- Moderate impact on cost, schedule, performance, etc.
- 3- Significant impact on project baselines
- 4- Very significant impact on project baselines
- 5- Disastrous impact, probable project failure

Level of Control:

- 1- Essentially avoidable through selected risk mitigation actions
- 2- Highly controllable through organization or project actions
- 3- Moderately controllable through organization or project actions
- 4- Largely uncontrollable by the organization or project actions
- 5- Uncontrollable by the organization or the project

Significance:

Likelihood + Severity + Level of Control

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.3 Issues Log

Issue #	Issue Date/Issue Description/Issue Category	Originator of Issue/Assigned To	Expected Resolution Date/Actual Completion	Status	Planned Resolution/Discussion	Actual Resolution
1.	2005-11-01: Can dealers be exempted from collecting vehicle property taxes with a car sale?	NCADA/ HB 1779 Team	ASAP	Open	2005-12-01: According to the law, dealers must collect vehicle property taxes with car sales. 2006-02-17: During the short session, legislators plan to revisit this issue. 2006-03-09: Issues are still being worked on. We hope to find a compromise with the dealers. 2006-03-30: David Baker will discuss this with Paul Meyers; it may have to wait until the short session.	
2.	2006-01-04: Should IRP be revised to collect vehicle property tax?	DMV/ Dept of Revenue	ASAP/ 2006-03-30	Closed	2006-01-04: Per the law, IRP should be revised to accommodate HB 1779. 2006-01-26: The Dept of Revenue is researching whether there may be some exceptions for IRP vehicles. 2006-02-17: A meeting will be scheduled to review the business rules of IRP; other IT committee members can attend. 2006-03-09: DOR is researching to see if IRP vehicles can be exempted from HB 1779. DOR announced that the IRP vehicles will be excluded from the requirements of HB 1779.	2006-03-30: The plan is to exclude IRP vehicles from the HB 1779 requirements. The Revenue Laws meeting is scheduled for April 19 to exclude the IRP vehicles via a law change.
3.	2006-01-04: Address the credit card cost (Visa, Mastercard) for collecting taxes and registration cost.	IT Committee	ASAP	Open	2006-02-17: Credit card processing was recommended to deal with bad checks. DOR charges \$2 per \$100 as a convenience fee. The average tax bill is \$100. 2006-03-30: Stephanie King will	

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.3 Issues Log

Issue #	Issue Date/Issue Description/Issue Category	Originator of Issue/Assigned To	Expected Resolution Date/Actual Completion	Status	Planned Resolution/Discussion	Actual Resolution
					take ownership of this issue. 2006-04-06: A meeting was held with the State Controllers Office to discuss credit card processing. At the meeting it was stated that a convenience fee could not be charged for face-to-face merchant card transactions. A convenience fee could be charged for internet transactions. Mastercard allows for a flat fee or a sliding scale. Visa only allows a flat fee, not a sliding scale or percentage. There are several fees charged for credit/debit card transactions. It was stated that a typical fee for \$100 is \$1.68 for Visa and \$1.86 for Mastercard.	
4.	2006-01-04: How does the US Real ID project impact the Collect Property Tax project (HB 1779)?	Mark Paxton/ STARS project team	2006-02-17 2006-02-16	Closed		206-02-16: If the enterprise data (e.g., customer name) is expanded, the US Real ID project will impact the Collect Property Tax project.
5.	2006-02-17: How will leased vehicles be handled?	IT Committee	2006-03-24	Open	2006-03-21: Should the invitation to renew for leased vehicles be sent to the lessee since the vehicle can be renewed only if the taxes are paid? Then, the lessee would pay the taxes and get reimbursed by the leasing company, or would request the leasing company to pay the taxes so that the lessee can renew his/her registration? 2006-03-30: A meeting with the leasing companies should be held. We need to research whether there is a leasing association.	

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.3 Issues Log

Issue #	Issue Date/Issue Description/Issue Category	Originator of Issue/Assigned To	Expected Resolution Date/Actual Completion	Status	Planned Resolution/Discussion	Actual Resolution
6.	2006-02-22: How will STARS be refreshed with new/revised street addresses from the counties to validate addresses for billing purposes?	STARS team/ IT Committee	2006-03-15	Open	2006-03-09: There are data transport issues for the new street addresses. 2006-03-22: The STARS team is working closely with Wake County.	
7.	2006-02-22: What changes should be made to the Return Check and Refund subsystems to support HB 1779?	Theresa Jones/ Fiscal, BSIP, STARS, State Automated Drivers License System	2006-03-15 / 2006-03-30	Closed	2006-02-22: A meeting with Fiscal, BSIP, STARS, and SADLS will be scheduled for 3/3/06 at 10:30 am to discuss this issue.	2006-03-09: The returned checks and refunds for property taxes will be deducted from the current month's revenue for the appropriate county.
8.	2006-03-06: Will this project impact the State Highway Patrol?	DOR/ IT Committee	2006-03-24 / 2006-03-09	Closed		2006-03-09: This project will not impact the State Highway Patrol.
9.	2006-03-06: Will this project impact Division of Criminal Information?	IT Committee/ STARS	2006-03-24 / 2006-03-09	Closed		2006-03-09: This project will not impact DCI.
10.	2006-03-06: Who will determine the fee per transaction for the collection of property taxes by the tag agents?	DOR/ IT Committee	2007-12-31	Open	2006-03-09: The group decided that Paul Meyers should lead this issue. Portia Manley will call Paul.	
11.	2006-03-06: Property tax data must be kept for 10 years. DMV registration data must be kept for three years plus the current year. How will this impact STARS purge process?	DOR/ Counties & IT Committee	2006-03-24 / 2006-03-09	Closed		2006-03-09: Counties stated that we should follow DMV's purging rules. Purging of property tax data associated with a registration can be done after 18 months. DMV will continue to retain vehicle registrations and associated records for the current year and three previous years.
12.	2006-03-07: Who will be authorized to initiate refunds for property taxes?	Fiscal/STARS- IT Committee	2006-03-24 / 2006-03-09	Closed		2006-03-09: The counties will be authorized to initiate refunds for property taxes. In addition, DMV would initiate refunds for plate turn-ins with vehicle ownership transfer and the

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.3 Issues Log

Issue #	Issue Date/Issue Description/Issue Category	Originator of Issue/Assigned To	Expected Resolution Date/Actual Completion	Status	Planned Resolution/Discussion	Actual Resolution
						counties would approve the refund online. The refund would be for the remaining months on the registration.
13.	2006-03-07: Should the property tax fees be distributed by DOT to the Property Tax Division or directly to the counties?	Fiscal/STARS-IT Committee	2006-03-24 / 2006-03-21	Closed	2006-03-09: DOR Chief Financial Officer is recommending that DMV distribute the funds to the counties.	2006-03-21: The decision was made for DMV to distribute the funds to the counties.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.4 Work Flow

Phase	Start Date	End Date	Est. Hours	Resources
General Management	09/05/06	12/31/09	4,144	DOT/IT Management
Project Management	09/05/06	12/31/09	6,000	Project Manager.
Project Administration	09/05/06	12/31/09	3,290	Project Manager, Project Leader
Software Project Tracking Oversight	09/05/06	12/31/09	4,000	Technical Team
Project Organization	09/05/06	11/30/06	1,000	Project Manager, Project Leader
User Requirements	12/01/06	06/29/07	9,092	Project Manager, Project Leader, Lead Analysts
Detailed Design	07/02/07	12/31/07	8,000	Project Manager, Project Leader, Lead Analysts
Evaluation and Selection	07/02/07	03/28/08	1,308	Project Manager, Project Leader, Lead Analysts
Develop Program Specs	12/01/07	03/28/08	4,528	Technical Team Leader, Lead Analysts
Programming/Unit Testing	02/04/08	10/31/08	40,000	Technical Team
System/Integration Testing	09/29/08	01/02/09	7,184	Technical Team
Client Testing	01/05/09	06/26/09	20,000	Technical Team
System Demo (Event)	06/26/09	06/26/09	0	Project Manager, Project Leader
Implementation	06/15/09	07/01/09	2,200	Technical Team
Post-Implementation	07/01/09	12/31/09	4,360	Technical Team
Project Closeout	01/02/09	03/31/10	100	Technical Team
STARS Total			115,206	
Department of Revenue Total	09/05/06	12/31/09	1,500	Department of Revenue team
Emission Total	09/05/06	12/31/09	500	Emission project team
BSIP Total	09/05/06	12/31/09	13,704	BSIP project team
Return Check Total	09/05/06	12/31/09	4,080	SADLS project team
County Total	09/05/06	12/31/09	27,320	County project teams
ITS/SCIO Coordination Total	09/05/06	12/31/09	20,000	ITS/SCIO Personnel
JAD Sessions – Client Labor	12/01/06	12/28/07	22,460	STARS, Return Check, Emissions, BSIP, DOR, and NC Counties
Client Testing – Client Labor	1/05/09	6/26/09	16,352	STARS, Return Check, DOR, BSIP, SADLS
Grand Total			221,122	

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.5 Roles and Responsibilities

9.5.1 Business Responsibilities of DMV - Vehicle Registration

- Assist in defining the business requirements for the proposed system changes.
- Review and provide acceptance for all major deliverables.
- Develop training materials and train personnel on the system changes.
- Perform/review acceptance testing for STARS system changes.
- Perform production/post-implementation testing for the system changes.
- Design Combined Property Tax and Registration Renewal invoice
- Establish a Memorandum of Understanding between DMV and DOR

9.5.2 Business Responsibilities of DMV - Motor Carrier

- Assist in defining the business requirements related to the International Registration Plan/Motor Carrier and STARS interface.
- Perform/review acceptance testing for changes related to the IRP/Motor Carrier interface with STARS.

9.5.3 Business Responsibilities of DMV – Fiscal

- Assist in defining the business requirements related to the fiscal interfaces.
- Review and provide acceptance for all major deliverables.
- Perform/review acceptance testing for changes related to the fiscal interfaces.

9.5.4 Business Responsibilities of the Property Tax Division of the Department of Revenue.

- Assist in defining the business requirements related to the county interface and valuation system
- Review and provide acceptance for all major deliverables.
- Perform/review acceptance testing for changes related to the county interface and valuation system
- Design Combined Property Tax and Registration Renewal invoice
- Establish a Memorandum of Understanding between DMV and DOR

9.5.5 Business Responsibilities of the NC Counties

- Assist in defining the business requirements
- Review and provide acceptance for all major deliverables
- Perform/review acceptance testing for changes related to the county interface and valuation system

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.5.6 Business Responsibilities of DMV – Emissions

- Assist in defining the business requirements for the proposed system changes.
- Review and provide acceptance for all major deliverables.
- Perform/review acceptance testing for emission system changes.
- Perform production/post-implementation testing for the system changes.

9.5.7 Technical Responsibilities of DOT/IT/STARS

- Hold meetings with the user groups to identify the user requirements and design for the system changes. Develop and distribute meeting agendas and minutes.
- Create and distribute project documents including the High level Requirements document, Statement of Work, User Requirements document, Detailed Design document, project status reports, program specifications and test plans.
- Develop system changes according to identified user requirements.
- Unit and system test all programs.
- Support client acceptance testing.
- Implement system changes including any data conversions.
- Provide maintenance and support after system implementation.

9.5.8 Technical Responsibilities of the Property Tax Division of the Department of Revenue.

- Develop or procure the vehicle valuation system.
- Unit and system test all changes to the valuation system and the interface with STARS.
- Support acceptance testing.
- Provide maintenance and support after system implementation.

9.5.9 Technical Responsibilities of DOT/IT/Database Administration

- Support project by implementing database and customer information control system changes in all test and production environments.

9.5.10 Technical Responsibilities of BSIP

- Make BSIP program changes required to implement the system.
- Unit and system test BSIP programs
- Support acceptance testing.
- Provide maintenance and support after system implementation.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.5.11 Technical Responsibilities of Return Check

- Make changes to Return Check programs required to implement the system.
- Unit and system test all Return Check programs
- Support acceptance testing.
- Provide maintenance and support after system implementation.

9.5.12 Technical Responsibilities of Counties

- Provide technical expertise on the current county tax systems.
- Make any changes required to existing county tax systems resulting from the project.

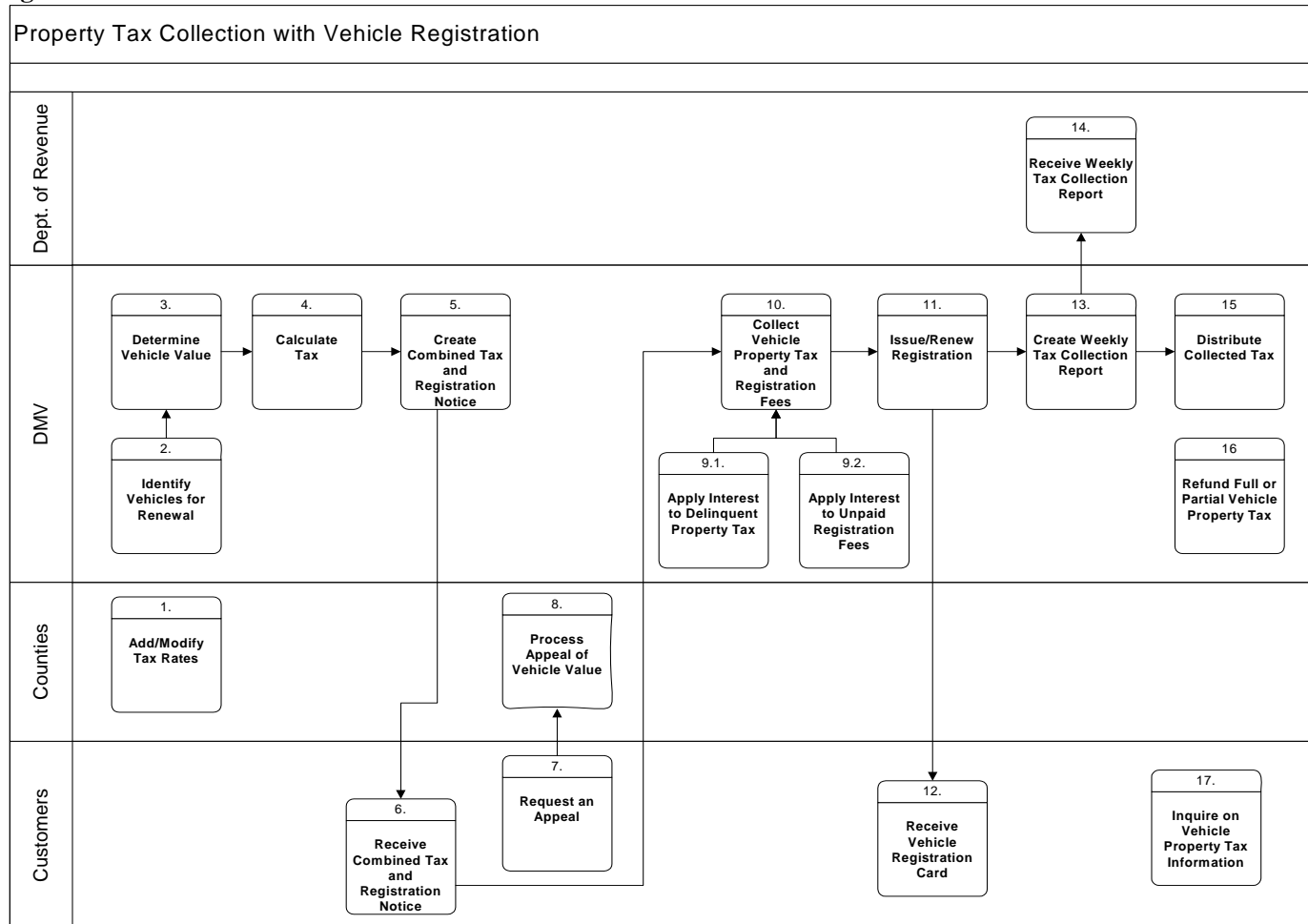
9.5.13 Information Technology Services/State Chief Information Office

- Direct HB 1779 project
- Coordinate cross agency/county issues and tasks

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.6 High Level Process Flow



COLLECT PROPERTY TAX PROJECT

High Level Requirements

1. Add/Modify Tax Rates

The counties will be responsible for entering and maintaining the tax rates. The rates will each have a start and end time to ensure the appropriate tax is charged to the customer. The counties will maintain the tax rates on an ongoing basis. (Section 6; G.S. 105-330.5(d))

2. Identify Vehicles for Renewal

DMV will identify all the vehicle registrations that will expire in the next few months. (Section 6; G.S. 105-330.5(a))

3. Determine Vehicle Value

The value of the vehicles will be determined as of January 1 of the year the taxes are due. The valuation should take into account local market conditions and allow for adjustments for mileage and the condition of the vehicle. (Section 2; G.S. 105-330.2)

4. Calculate Tax

Calculate all county and municipal corporation taxes due for the vehicle. (Section 6; G.S. 105-330.5(a))

5. Create Combined Tax and Registration Notice

DMV will combine the registration information with the property tax information and print a combined tax and registration notice. The notice will include the date of the notice, the appraised value of the motor vehicle, the tax rate of the taxing units, information regarding appeals and the registration fees. DMV will mail the notice. (Section 6; G.S. 105-330.5)

6. Receive Combined Tax and Registration Notice

The customer will receive the combined property tax information prior to the expiration date of the vehicle registration. The customer has three options for renewing the registration and paying the property tax and registration fees; 1) mail the notice to DMV/Lock Box with the specified fees; 2) renew via the DMV internet renewal application; or 3) renew in person at a DMV license plate agency. (Section 3; G.S. 105-330.4 (a))

COLLECT PROPERTY TAX PROJECT

High Level Requirements

7. Request an Appeal

The vehicle owner may appeal the value of the vehicle and the situs and taxability of the vehicle. The appeal must take place before the taxes become delinquent. (Section 2; G.S. 105-330.2)

8. Process Appeal of Vehicle Value

If during the appeal it is found that the vehicle value is in error, then the vehicle value will be modified. The customer may also be due a refund of taxes already paid. (Section 2; G.S. 105-330.2)

9.1. Apply Interest to Delinquent Property Tax

Interest on unpaid taxes accrues at the rate of 5 percent for the first month following the date the taxes were due and three-fourths percent for each month thereafter. DMV will collect the interest at the time of the registration renewal. (Section 4 and 5; G.S. 105-330.4(b))

9.2. Apply Interest to Unpaid Registration Fees

Starting on July 1, 2009, interest on unpaid registration fees accrues at the rate of 5 percent for the first month following the date the registration was due and three-fourths percent for each month thereafter. DMV will collect the interest at the time of the registration renewal. (Section 5; G.S. 105-330.4(b))

10. Collect Vehicle Property Tax and Registration Fees

DMV will accept payment from the customer for registration fees, taxes and penalties. The fees collected will be separated so that they can be distributed to the correct agencies. (Section 3; G.S. 105-330.4(a), Section 4 and 5; G.S. 105-330.4(b))

11. Issue/Renew Registration

The new or renewed vehicle registration is issued to the customer.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

12. Receive Vehicle Registration Card

Upon successful issuance or renewal of the vehicle registration, DMV issues a registration card to the customer either in person or via the mail.

13. Create a Weekly Tax Collection Report

DMV shall create a weekly report containing information required by the Property Tax Division to the taxing units. (Section 6; G.S. 105-330.5(b))

14. Receive a Weekly Tax Collection Report

The Property Tax Division will receive a weekly report containing information required by the Property Tax Division to the taxing units. (Section 6; G.S. 105-330.5(b))

15. Distribute Collected Tax

DMV will account for taxes and fees due the taxing units and remit the fees at least once a month. (Section 6; G.S. 105-330.5(b))

16. Refund Full or Partial Vehicle Property Tax

When an appeal is decided in favor of the customer, DMV will refund all or part of the taxes paid for the vehicle. (Section 2; G.S. 105-330.2(c))

17. Inquire on Vehicle Property Tax Information

DMV will provide an option to allow customers to view property tax paid for the current and designated previous years. The amount of history available will be determined during the requirements collection phase.

COLLECT PROPERTY TAX PROJECT

High Level Requirements

9.7 Document Revision Log

Version Number	Date	Revision
1.0	04/13/2006	Baseline

HB 1779

Reports

Legislative
Committee

Legislative Subcommittee Report H 1779 Study Group

The Legislative Subcommittee was created to assist in determining the feasibility of a merged property tax/motor vehicle registration system envisioned by H 1779. Our primary focus at this point was to consider potential legislative changes necessary for the blending of applicable law governing property tax administration and motor vehicle registration.

There are four basic points driving the need for a merged system:

1. Voluntary compliance in paying taxes levied on registered motor vehicles is eroding. When the current motor vehicle billing process was implemented in 1993 over 80% of all motor vehicle tax bills were paid before the past due date. Today only 66% of such bills are paid timely, resulting in significant delinquencies for local tax collectors. In Forsyth county alone, over 10,400 additional motor vehicle bills become past due each month.
2. Significant revenue is uncollected at the end of the fiscal year. It is estimated that approximately \$80 million in city, county and fire district taxes levied on motor vehicles are uncollected at the end of each fiscal year.
3. The enforcement of collections is difficult under the current system. Local collectors do not have the necessary demographic data for the effective enforcement of delinquent motor vehicle taxes. It is economically feasible for tax collectors to seize motor vehicles for non-payment of taxes due to the sheer volume of unpaid accounts.
4. The current system is inherently inefficient. Each year the Division of Motor Vehicles will mail some 8 million invitations to renew a license plate. The counties follow about three months later with another 8 million property tax bills. There is an obvious savings to be realized with a combined billing with the added benefit of fewer interactions with government for the taxpayer.

During our meetings it has become apparent that a blending of DMV and property tax business rules and statutory requirements is truly a monumental task. Members of the Study Group have learned that we do not individually possess sufficient knowledge of the business rules and statutory obligations of our counterparts to make intelligent decisions without careful study. The analysis necessary for this blending has barely started, mostly within the IT and Legislative Subcommittees.

The Legislative Subcommittee has identified a number of issues that will require careful consideration, particularly between the property tax and DMV groups. The following list of issues has been discussed, but only in generalities. Some of these issues may require legislative action for resolution while others may be handled through the Memorandum of Understanding between the Property Tax Division and Division of Motor Vehicles.

- How should we handle the billing of property taxes on leased vehicles if the vehicle is owned by a leasing company and the license plate is issued in the name of the lessee?
- Do we continue the proration of taxes in any form?
- What do we do with the thousands of unpaid delinquent tax bills in county systems when H 1779 is implemented? Do we continue the blocking process? If so, should we block the vehicle rather than the license plate?
- Should IRP vehicles be listed with the tax assessor in a similar manner as unregistered vehicles?
- How should we handle the billing of and collection of property taxes for vehicles sold through a new or used vehicle dealer?
- Do we issue a renewal for a late payment that did not include the appropriate amount of interest? (the answer is no in the property tax world)
- How do we enforce registrations/property tax collections if the owner chooses to ignore the invitation to renew? Or, if the owner wants to pay the property tax but chooses not to renew the registration?
- How do we handle the accounting and the transfer of funds?
- What is the appropriate rate of compensation of contract agents?
- How do we handle refunds?
- What affect will bankruptcies have on the new process?
- Should we reconsider concepts other than what is envisioned by H 1779?

Throughout our discussions no individual or group has brought forward any reason as to why the H 1779 concept cannot work. Our Subcommittee membership has generally agreed that this concept is feasible and no obstacle has been identified that cannot

be overcome. There must be significantly more study and discussion of the issues listed above and other issues that have yet to be identified. But it is the finding of the Legislative Subcommittee that the H 1779 concept is viable and feasible.

The Legislative Subcommittee strongly recommends that a small subcommittee be created to assist the Property Tax Division and Division of Motor Vehicles in developing answers to the issues listed in this report. The Legislative Subcommittee is prepared to accept this role and shift its focus from feasibility to implementation if that is the desire of the two Divisions. It is our recommendation that this Subcommittee commence monthly meetings (at minimum) to carefully examine the current business rules, operations and statutory requirements for the administration of the property tax and DMV registrations. We must carefully consider every facet of operations in order to make recommendations or decisions (as appropriate) to the Property Tax Division and Division of Motor Vehicles on how to blend the business rules and operations for the successful implementation of H 1779. These decisions should be communicated to the IT Committee so that the system can be constructed appropriately and the September 2006 target for the start of development can be maintained. Any issue requiring a legislative change would be drafted appropriately for introduction in the 2007 session – or if time allows, the 2006 short session.

The most critical legislative requirement at this time is a technical change to make it clear that 60% of the first month's interest will be dedicated to funding the H 1779 project. This technical change is in a bill that will be recommended by the Revenue Laws Study Committee for the short session.

HB 1779

Impact Statements

NC Association of
Assessing Officers

NC Tax Collectors
Association

April 5, 2006
HB 1779 Impact Statement
North Carolina Association of Assessing Officers
North Carolina Tax Collectors Association

Introduction

HB 1779 will accomplish a long-standing goal of North Carolina's property tax professionals by merging the property tax function with the license registration for registered motor vehicles. All other states that levy a property tax on registered vehicles operate under some form of a merged system for good reason – to avoid the inevitable delinquencies that occur when a motor vehicle owner can obtain registrations without paying property taxes.

There are four basic points driving the need for a merged system:

1. Voluntary compliance in paying taxes levied on registered motor vehicles is eroding. When the current motor vehicle billing process was implemented in 1993 over 80% of all motor vehicle tax bills were paid before the past due date. Today only 66% of such bills are paid timely, resulting in significant delinquencies for local tax collectors.
2. Significant revenue is uncollected at the end of the fiscal year. It is estimated that approximately \$80 million in city, county and fire district taxes levied on motor vehicles are uncollected at the end of each fiscal year.
3. The enforcement of collections is difficult under the current system. Local collectors do not have the necessary demographic data to effectively enforce the collection of delinquent motor vehicle taxes. The sheer volume of delinquent accounts renders it economically infeasible for tax collectors to routinely seize motor vehicles for non-payment of taxes.
4. The current system is inherently inefficient. Each year the Division of Motor Vehicles will mail some 8 million invitations to renew a license plate. The counties follow about three months later with another 8 million property tax bills. There is an obvious savings to be realized with a combined billing with the added benefit of fewer interactions with government for the taxpayer.

Impact on Tax Assessors

HB 1779 actually does not significantly change the way tax assessors assess motor vehicles for taxation. All 100 North Carolina assessors currently determine the appropriate tax situs of each registered vehicle and determine an appropriate market value for each vehicle as of January 1 of the year in which the bill becomes due. HB1779 does not alter this process. Rather than performing this work on 100 separate computer systems, HB1779 requires the consolidation of the situsing and valuation processes in an enhanced STARS system. Tax assessors envision a "master address/situs" database as a part of the enhanced STARS system that automatically assigns most registered motor vehicles to the appropriate taxing jurisdiction - just as individual county systems do now. Tax assessors also envision a "master valuation table" as a part of the enhanced STARS system that will automatically assign a value to the vast majority of vehicles – just as county computer systems do now.

One notable difference is the role of the Property Tax Division of the North Carolina Department of Revenue in creating a statewide schedule of values. Currently, each county assessor creates a schedule of values applicable only in his or her county. The governing board for the county ultimately is responsible for adopting and approving the county's schedule of values. The NCAAO sees the role of the Property Tax Division in formulating a statewide schedule of values as a positive step that will result in more uniform and equitable valuations of registered motor vehicles statewide.

The exemptions and appeals process for county assessors also remains largely unchanged in the new system. The vehicle owner continues to be responsible for applying for property tax exemptions. The assessor remains responsible under the new system for determining the taxability of the vehicle after the application for exemption is filed. Likewise, the burden remains on the property owner to furnish whatever proof is necessary to justify an adjustment to the valuation of a vehicle. Tax assessors envision these functions as a part of the enhanced STARS system. In most North Carolina counties, valuation adjustments are

resolved and bills are adjusted in a matter of a few minutes. We anticipate no substantial change in the number of valuation appeals or adjustments to bills.

The tax assessor will continue to require the listing of unregistered vehicles (those without an active registration) as of January 1 each year. The assessor will remain responsible for determining the situs and valuation of unregistered vehicles. It is anticipated that the schedule of values developed by the Property Tax Division will also be used in the valuation of unregistered vehicles.

In summary, the role of the NCAAO membership is largely unchanged under HB1779.

Impact on Tax Collectors

HB 1779 would essentially relieve county tax collectors from the responsibility of collecting taxes levied on registered motor vehicles. H 1779 requires the taxes to be collected with registration fees by the Division of Motor Vehicles or its contract agents. Local tax collector theoretically could become DMV contract agents; however, it appears unlikely this would actually happen.

Tax collectors would cease to look at taxes levied on registered motor vehicles as a traditional tax levy. Taxes levied on registered vehicles under the new system will not be charged to the collector or DMV. Under the new system, a registration cannot be obtained or renewed unless the property taxes are paid. Thus, if the taxes are not paid, the affected vehicle becomes an unregistered vehicle which must be listed each January. Unregistered vehicles will continue to be included in the annual tax levy that is actually charged to the tax collector – just as they are now.

Past-due bills on registered motor vehicles that reside within the tax collector's charge as of the implementation date of the new H 1779 system will remain in the tax collector's charge. Tax blocks for unpaid taxes that are a feature of the current process will remain in place. While the NCTCA membership is hopeful the blocking process will force vehicle owners to pay their delinquent bills, **the NCTCA strongly recommends that STARS be upgraded to block BOTH the vehicle identification number (VIN) and the license plate. This would totally eliminate the ability to avoid the block by simply purchasing a different license plate.**

It is anticipated that refunds and prorations be handled within the enhanced STARS system. It is further anticipated that prorations and refunds will be generated based upon the documented actions of the vehicle owner as reflected in the STARS system, eliminating the need for review by local tax collectors.

In summary, the role of the tax collector in collecting taxes on registered motor vehicles is virtually eliminated under the new system established by H 1779.

Impact on Costs

Local costs associated with registered motor vehicle billing and collections may appear in the Assessor's budget, Collector's budget, or any combination. Therefore, it is appropriate to address this matter separately.

The cost to enhance the STARS system to bring property tax functions within the system has not been finalized. The funding for this enhancement is provided by utilizing the increase in the first month's interest for non-payment of registered vehicle taxes from 2% to 5%. This difference, referred to as "60% of the first month's interest" should provide sufficient funding for the development of the enhanced STARS system. The anticipated revenue stream is estimated to exceed \$4 million annually. It is interesting to note that the funding for the implementation of HB1779 is derived from the people who are creating the tax collection problem.

HB1779 requires the costs of printing and mailing the bill to be remitted from the tax revenues collected. This simply transfers these costs from local budgets, but since the costs will be taken from revenues before distribution, there is no net difference to the counties. **The Division of Motor Vehicles will realize an immediate savings of as much as \$4 million annually** as the registration fees will appear on a combined noticed which is paid for by the counties.

Local governments will realize significant savings by not mailing past due notices and blocking notices. Assuming a total cost of printing and mailing a notice at approximately 50 cents per notice, counties would save approximately \$2.5 million annually in initial past due notices and another \$350,000 in blocking notices.

A question remains as to the amount of the fee to be remitted to the DMV and its contract agents for the collection of property taxes. HB1779 established the fee to be at least 1/3 of the fee paid by DMV for registrations. At approximately 50 cents per transaction, the cost to local governments would be approximately \$4 million annually.

The most obvious benefit to local governments is the enhanced cash flow created by fewer delinquencies. It is estimated that approximately \$80 million in city, county and fire district taxes levied on motor vehicles are uncollected at the end of each fiscal year.

HB 1779

Impact Statements

NC Automobile Dealers
Association

North Carolina Automobile Dealers Association

Impact of House Bill 1779 on North Carolina's Franchised New Automobile and Truck Dealers

Background on NCADA's position on H.B. 1779

The North Carolina Automobile Dealers Association has been supportive of and has assisted in efforts to combine the process of motor vehicle property tax collection with annual motor vehicle registration renewals since the proposal was first initiated with the introduction of House Bill 1779. However, from the beginning of these efforts, NCADA has indicated adamant and continuing opposition to any proposal which would require North Carolina's new automobile and truck dealers to collect personal property tax on new and use motor vehicles at the point of sale. The sponsor of the legislation and other supporters indicated throughout the legislative process that such a point of sale obligation on dealers was not included in HB1779.

NCADA has participated in the task force created by HB1779 to assist the Department of Revenue and the Division of Motor Vehicles in implementing the required systems to combine property tax collections and motor vehicle registration renewals. While there remains debate on the matter, it is clear that some parties are interpreting the provisions of HB1779 as imposing a requirement on dealers to remit payment of personal property tax when submitting a customer's title and registration materials for a new tag to DMV or to local tag agents. Such a requirement would have the effect of imposing a "de facto" obligation on a dealer to collect the initial personal property tax payment from customers at the time of sale of a new and used motor vehicle. NCADA does not agree with this interpretation and it is NCADA's belief that legislators supporting HB1779 in the 2005 session did not intend to impose such an obligation on North Carolina dealers.

Impact of H.B. 1779 on North Carolina Franchised Dealers

As originally envisioned and presented to NCADA, the provisions of HB 1779 combining the property tax collection and vehicle registration renewal systems should have a minimal impact on North Carolina's franchised new automobile and truck dealers. NCADA would continue to educate its membership on the status of these implementation efforts and assist the Department of Revenue and the DMV as requested.

However, if the provisions of HB1779 are interpreted to require dealers to collect personal property tax from customers at the point of sale, the impact on North Carolina dealers would be **significant and extremely negative**.

North Carolina dealers already collect a significant amount of state and federal taxes and fees from customers at the point of sale. Adding another \$100, \$300 or more to the cost of a car or truck purchase at the time of sale could have a negative effect on sales in North Carolina. Customers would have the added burden of yet one more expense to cover as they seek to obtain financing for a vehicle purchase. In many instances, this could be the one factor that causes a sale to fall through. Further, it is doubtful that lenders would be willing to finance one more additional expense that is not secured by the value of the vehicle. As such, it is likely that customers would be forced to remit the full amount of the property tax at the time of the sale.

Such an interpretation of HB1779 would cause diminished vehicles sales in North Carolina adding to the economic hardships dealers have been facing throughout the past year. Naturally, as North Carolina dealerships generate more than 20% of the retail sales tax collected in North Carolina, a significant impact on the overall North Carolina economy could result as well.

Further Legislative Action

For the benefit of both North Carolina consumers and dealers, NCADA is opposed to any interpretation of HB1779 or any other proposal that would require dealers to collect initial vehicle property tax payments at the point of sale. As NCADA does not believe it was the intent of the members of the General Assembly to impose such a requirement, NCADA respectfully states its intent to seek any necessary legislative action to clarify the provisions of HB1779.

It is not NCADA's intent to disrupt the efforts of the HB1779 task force as it works to implement the necessary systems. However, NCADA feels that it is crucial to clarify the provisions and prevent any interpretation of HB1779 that would impose point of sale requirements on dealers as soon as possible. In this way, the efforts of the task force and the originally stated purpose of HB1779 to collect property tax at the time of registration renewal may continue unimpeded.

H.B. 1779 Task Force May 15, 2006 Report

NCADA requests that its position on HB1779, as well as its position on further necessary legislative action be included in all relevant sections of the HB1779 Task Force May 15, 2006 report, including the issues log portion of the IT subcommittee.

HB 1779

Impact Statement

NC License Plate Agencies

Impact on License Plate Agencies With the Implementation of HB 1779

Per your request (and without full prior knowledge of DMV's requirements of us upon implementation of HB 1779) we have created the following impact statement. Contract agencies will provide collection services, educate the public concerning changes, and handle dramatically increased funds.

In order to effectively achieve this we may need to:

1. Bond each employee

Per Commissioner Tatum, with the possibly huge influx of cash created by our collection of vehicle property taxes, we will have to provide bond coverage for each employee. We are investigating this with insurance companies, but do not yet have an exact cost estimate. However, the quotes have been as high as \$5,000.00 per year for a medium to large office.

2. Increase staff

In order to handle the additional customer contact time we will have to increase our staffs. Depending on the location we expect to need at least one-half to as many as two full staff positions. Also, depending on the location the hourly wage should run from \$8.00 to as much as \$12.00 per hour. The minimum additional cost estimate for this is \$8,320 per year (half time @ \$8.00/hr) and the maximum would be about \$49,920 (2 full time @\$12.00/hr) per year plus Social Security and State and Federal Unemployment taxes and benefits for both. Once again, these figures are approximate and will vary from office to office with the low estimate covering only the very small offices while medium to large offices could anticipate one- and-one-half to two additional employees. These staff increases will also necessitate the addition of extra terminals in most offices. Additional space requirements would call for new counters or increased office size and costs for this would vary per location. We also anticipate increased and longer telephone contacts as we explain the changes to angry and confused customers. We may have to add an additional employee for customer services (telephone.) As this employee would generate no revenue, it would be costly.

3. Install increased security

With the great increase in cash flowing through our offices, most will need to improve physical security measures. The installation of alarm systems, cameras and monitoring equipment, and, in some locations, more secure work areas will be required. Even with these measures in place, customers will notice that we are collecting massive amounts of cash. We will have to increase the number of deposits per day. Credit/debit card capability in our offices will be mandatory for us to undertake this endeavor. While debit/credit cards will help with security, it will add to the overall contact time spent with each customer.

4. Increase limits on business insurance and errors and omissions insurance

This will increase our already high insurance premiums and will vary by office as our premiums are based on gross revenues.

HB 1779

Impact Statement

NC Department of Revenue

**IMPACT STATEMENT
FROM NORTH CAROLINA DEPARTMENT OF REVENUE CONCERNING THE IMPLEMENTATION OF
HB 1779**

The implementation of HB 1779 will impact certain state departments in various ways. This statement is an attempt to focus on the impact the law will have on the business practices of the North Carolina Department of Revenue. HB 1779 impacts the Department in the four major ways listed below:

1. The valuation of Motor Vehicles.
2. The preparing, printing and mailing of notices.
3. The review of the financial reporting of the money collected on motor vehicles.
4. The day-to-day administration of the law.

1. The valuation of Motor Vehicles -- N.C.G.S. 105-330.2(b)

The Property Tax Division of the Department of Revenue will be required to solicit vendors or businesses to procure the valuations on vehicles throughout the state. The valuation company that is selected will have to provide specific pieces of information that can be utilized to uniformly and equitably value motor vehicles in North Carolina. The Division will have to research and then decide which company will best serve the taxpayers in North Carolina. A review of this process will have to be made by the Division on a yearly basis.

The Division will need to make sure that a ratio study is performed each year to verify the accuracy of the values being provided by the valuation company. The actual calculations done for the ratio study may be incorporated into the newly developed centralized computer system. If this is not the case, then the Department will need to do additional research and perform a manual ratio study with data gathered from various entities.

The valuation aspect of the law provides a way for county assessors to deviate from the standard statewide valuation on vehicles. This is due to market driven values that may be slightly higher or slightly lower in a particular county. The Division will need to evaluate the validity of the request based on the ratio study mentioned above. In the event that a deviation is permitted, our office will need to communicate that accepted variance to the assessor and to county taxpayers.

There has been much discussion about making various adjustments to the value of vehicles based on excessive mileage, poor condition, branded title, etc. The Property Tax Division will be required to research and determine a fair adjustment concerning each of these conditions. Those standardized adjustments will then be incorporated into the computer system and the adjustments will be automatically calculated prior to the actual mailing of the tax bill.

2. The preparing, printing and mailing of notices – N.C.G.S. 105-330.5(a)

A decision was made that the Division of Motor Vehicles will combine the registration information with the property tax information, print a combined tax and registration notice, and mail the notice. As long as this decision remains in effect, it removes significant impact to the Department regarding this section of the impact statement. For informational purposes, we have included the other possible options below if this decision were to change.

Under the current statute, the Property Tax Division of the Department of Revenue is required to prepare a combined tax and registration notice on each vehicle, and either the Department or a third-party contractor which the law allows for, would print and mail the notice. As mentioned above, the current decision is that DMV will perform this duty. The number of notices is expected to total 7 to 8 million annually. The impact of printing and mailing the tax/registration notices on the Department would double the current printing and mailing requirements already being performed by the Department and would necessitate the purchase of a (new) large volume laser printer and mail processing equipment. Printing and mailing the notices would also require additional staff to handle the process of preparing, printing, bursting and mailing the notices on a daily basis.

If a decision were made to out-source the printing and mailing of notices, the Department's one-time equipment costs would be zero and recurring operational/staff costs would be minimal. Out-sourcing the process would require the Department to be responsible for selecting, managing and administering the third party contractor.

3. The review of the financial reporting of the money collected on motor vehicles -- N.C.G.S. 105-330.5(b).

The Department of Transportation will be responsible for remitting the collected tax funds to each county. The Department of Revenue will be directly impacted due to the statutory requirement to review and determine the accuracy of the accounting records via a report(s) generated by the Department of Transportation. Once these funds have been electronically transferred to the counties, the Property Tax Division will assume a role of consultant to help counties further distribute the taxes collected to various municipalities and jurisdictions. This will require staff time and resources.

4. The day-to-day administration of the law -- N.C.G.S. 105-289.

The Property Tax Division of the North Carolina Department of Revenue has general and specific supervision over the valuation and taxation of property by the taxing units throughout the State. HB 1779 will impact the day-to-day administration of the property tax by the Division.

As the implementation of this law draws closer, the Department will have the responsibility of training various entities throughout the state. It is presumed that teaching for the following groups would be necessary: License tag agencies, automobile dealers, county staff, taxpayers within various regions, and other groups not yet identified. The teaching aspect of this law will continue for several months beyond implementation. An informational document may need to be created to answer basic questions concerning the new law as it relates to the general public.

The Property Tax Division will need to develop essential forms and documents to be submitted by various groups to facilitate the process created by HB 1779. Some of these documents may take on the form of directives or opinions on how to carry out the normal business practices of the groups most closely related to the changes that will occur.

A key document in this process is the Memorandum of Understanding which will be between the Department of Revenue and the Department of Transportation. This document will address the various business practices of the two Departments and the local taxing units. The impact of this document on the Department of Revenue's processes will be determined at a later date.

Conclusion:

HB 1779 will impact the North Carolina Department of Revenue as described above. The Property Tax Division will be impacted greatly and its day-to-day functions will change due to this new law. Additional staff and resources will be needed by the Property Tax Division to fulfill the requirements of the new Combined Motor Vehicle Registration and Renewal and Property Tax Collection System.

Other Divisions within the Department of Revenue will also be impacted and additional staff and resources may also be needed. The amount of additional staff and resources will vary greatly depending on the decision as to how the notices required by HB 1779 will be prepared, printed and mailed.

HB 1779

Impact Statement

NC Department of
Transportation

Fiscal Section

Analysis of Impacts to DOT Fiscal

Implementation of HB1779 will significantly affect financial operations in the fiscal area at NCDOT. The department has analyzed high-level impacts of this legislation focusing on the collection and distribution of funds from vehicle property taxes on behalf of the counties.

Financial staff estimates 13 additional administrative positions will be needed for these functions. Estimated annual cost for FY08-09 is \$692,388.

Today, registration services are performed and collected by more than 420 branch agents and dealers throughout the state. To implement this legislation, NCDOT would need to develop integrated accounting procedures for DMV collections, refunds and bad debt at a more detailed level to accommodate the distribution of funds for 100 counties plus 400 to 650 cities and towns. It is vital that the enhanced STARS functionality is fully implemented and that all parties are thoroughly trained prior to “go-live” for the project. Ongoing support will be critical as we begin the collection and distribution of funds.

The reconciliation of collections, refunds and bad debt includes cash/check transactions, and credit card transactions via the Internet. Electronic funds transfer transactions will also be significant. New requirements have been discussed to allow credit card point of sale transactions to be performed by branch agents throughout the state. Because the reconciliation of collections, refunds and bad debt will become more complex, additional accounting personnel will be a key factor for success. Maintaining internal controls will be essential in the certification of funds on deposit with the State Treasurer and the distribution of collections.

There will be an exponential increase in the amount of bad debt that DMV will have to manage as a result of the collection of vehicle property taxes. Currently, we receive about 5,000 bad debt inquiries per month in the Fiscal–DMV area. It is logical to assume as the amounts increase by producing a combined bill, the bad debt will follow. Inquiries resulting from these occurrences will require additional personnel to accommodate the increased number of bad debt items and telephone inquiries.

DOT Fiscal Section Fiscal Impact Detail										
Fiscal-DMV Personnel Requirement & Fringes										
Classification	PG	Salary	FICA	Retire	Health Insurance	Payroll Additive	Total FY07-08	Total FY08-09	Total FY09-10	Total FY10-11
Accountant II	75	41,366	3,164	2,482	3,432	740		51,713	53,005	54,330
Accountant II	75	41,366	3,164	2,482	3,432	740		51,713	53,005	54,330
Accountant II	75	41,366	3,164	2,482	3,432	740		51,713	53,005	54,330
Accountant I	72	36,521	2,794	2,191	3,432	654		45,667	46,809	47,979
Accountant I	72	36,521	2,794	2,191	3,432	654		45,667	46,809	47,979
Accountant I	72	36,521	2,794	2,191	3,432	654		45,667	46,809	47,979
Accountant I	72	36,521	2,794	2,191	3,432	654		45,667	46,809	47,979
Accountant I	72	36,521	2,794	2,191	3,432	654		45,667	46,809	47,979
Accounting Specialist II	69	32,432	2,481	1,946	3,432	580		40,545	41,559	42,639
Accounting Specialist II	69	32,432	2,481	1,946	3,432	580		40,545	41,559	42,639
Accounting Specialist I	67	30,045	2,299	1,803	3,432	538		33,050	33,876	34,723
Accounting Tech III	63	25,886	1,980	1,553	3,432	463		32,362	33,171	34,000
Accounting Tech III	63	25,886	1,980	1,553	3,432	463		32,362	33,171	34,000
Total Personnel Requirement	13							562,338	576,396	590,888

Operating Budget Requirements

Office Supplies								1,000	1,000	1,000
Telephone Charges									2,925	4,500
Telephone								8,450		
Office Furniture								33,800		
Equipment Maintenance								20,000	6,500	6,500
Computers								46,800		
Training								20,000	20,000	20,000
Total Operating								130,050.00	30,425.00	32,000.00

Total Requirement

692,388.10	606,820.74	622,887.96
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*Space for employees is limited in current environment.

Telephones - 13 phones @ \$650.00/each (from ITS Telephone Order Service Request)

Office Furniture - cost for desks, chairs, file cabinets and other items to establish working area for 13 or more employees. Out years cost would be for replacements, additions, and repairs.

Office Equipment - equipment for 13 new employees to include a copier and service agreement @ approximately \$6,500/each.

Computers - 13 computers and printers @ approximately \$3,600/each

Training- Cost would be incurred to train employees on use of SAP, different DMV systems and how to handle all aspects of collections. Turnover or additional positions would require additional training each year for new employees.

HB 1779

Impact Statement

NC Department of
Transportation

DMV

Impact Statement from North Carolina Division of Motor Vehicles Concerning the Implantation of H.B. 1779

During the 2005 session, the North Carolina General Assembly ratified House Bill 1779 titled "An act to create a combined motor vehicle registration renewal and property tax collection system". The bill makes a number of changes to the way property tax on motor vehicles is collected. In order to improve collection, the property tax will be collected by DMV when a motor vehicle registration is issued or renewed

The impacts to DMV:
(Please See Attached Cost Sheet)

Personnel

This project will require a total rewrite of the State Titling and Registration System (STARS) in order to integrate its functionality with the local government property tax collection systems. It will also require routine maintenance of this system as well as any enhancements necessary. We assume a total change in the collecting of vehicle property tax at DMV will result in an increase in customer service inquiries, complaints, and number of visits to DMV or branch agents to complete their tasks. This will require an increase in the number of customer service personnel including Information Processing Technicians, Call Center representatives, and Field Operation Support personnel.

In addition, the amount of revenue taken in by tag agents and vehicle registration services should quadruple. With the increase of revenue, the amount of time monitoring tag agencies' operations would require additional Motor Vehicle Field Supervisors. Implementation of this new system will require extensive training of DMV and tag agents' staff, which will require additional Staff Development resources. In addition, all new office positions will require basic office equipment such as workstations, personal computers, telephones, etc.

Equipment

The current DMV remittance process system will have to be replaced in order to accommodate the amount of collections anticipated with this new integrated tax collection system. Currently, on a monthly basis, DMV renews and issues from 400,000 to 700,000 vehicles registrations. Of that amount, DMV receives back approximately, 1,200,000 transactions from customers conducting their transaction by mail. Therefore, the Division believes that it would be both more effective and efficient to move this process out to a lock box service. With the type of service the customer would mail their renewal to an off site operation where their renewal information would be captured. This is a process that is currently be utilized by some county tax operations. This process would eliminate the need for the Division to purchase and maintain the expensive equipment required. The average cost of a lock box service is 16 cents per transaction.

Credit Cards

DMV conducts over 953,000 Internet renewals or 17% of the renewals processed annually. We would assume the same percentage would renew via the Internet for the integrated tax system following the implementation. Currently the Division does not accept Internet transactions for more than \$50 due to sliding scale credit card fees, which cannot be absorbed in the Division's operating budget. This should be taken into consideration with the passage the H.B. 1779. The Division would need to recoup these associated costs in order to maintain Internet services. It is estimated that an average transaction would be \$135 for tag renewals and tax assessment. It is also estimated that 1,530,000 transactions will be processed annually with credit cards. The credit card usage fee on these transactions would be \$3.40 per transaction at an annual cost of **\$5,171,400**. There is also a charge back cost associated with disputed charges, which we estimate at \$25/dispute x 1,000 per year for a total annual cost of **\$25,000**. (Note: there is no sure method of determining what percentage of transactions will be realized via credit cards business. Due to the varying size of the transactions and the potential transaction volumes, the Division could experience sizable cost increases in a short period of time for credit card usage fees for which the existing operating budget could not supplement. Consideration should be given to adequately address these unanticipated cost especially considering North Carolina citizens might increasingly choose the credit card payment method due to the

size of these transactions.) DMV currently experiences an annual increase in credit card transactions at a rate of 16%. This percentage is being used to anticipate annual growth in this process.

(The credit card concerns are being addressed by DOT Fiscal)

Electronic Funds Transfer (EFT)

There are over 250 on-line dealers using third party vendors. Currently, these dealers are submitting their funds through EFT within ten days. The contracts with the third party vendors are up for renewal with the Division. The Division must comply with the State Treasurer's cash management process, therefore, submitting funds within two days. The third party vendors; CVR and TriVin, will need to comply with the new contract, which will follow the State Treasurer's policy. This might effect the willingness of some of the dealers currently participating in the program, therefore, more dealers may be going to the tag agents or DMV to conduct their business.

DMV Fiscal Impact Detail

Personnel Requirements

Classification	PG	Min Rate	# of Empl	Total Salary	FICA	Retire	Health Ins	Payroll Additive	Total FY07-08	Total FY08-09	Total FY09-10
MV Field Supervisors	69	31,582	6	189,492	14,496	11,018	20,592	3392	238,990	250,940	263,486
Staff Development Specialist I	67	29,195	2	58,390	4,467	3,395	6,864	1,045	74,161	77,869	81,763
Administrative Assistant II	65	26,968	6	161,808	12,378	9,409	20,592	2,897	207,084	217,438	228,310
*Information Processing Tech	63	25,036	37	926,332	70,865	53,867	126,984	16,581	1,194,629	1,577,230	1,656,092
Driver License Examiners	65	26,968	5	134,840	10,315	7,841	17,160	2,414	172,570	181,198	190,258

*Note: (10) additional Call Center personnel will be added
FY08-09 (47 total IPT)

Total Personnel Requirement(in FY08-09 it will become 66)			56						1,887,434	2,304,675	2,419,909
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	Rate	# of Units			
Operating Budget Requirements					
Cell Phones (Field Supervisors)	840	6		5,040	5,040
Computers/Printers/Monitors	3,600	50		180,000	36,000
Data Lines (Field Supervisors)	600	6		3,600	3,600
Desktop Calculators	59	56		3,304	590
Fax Machines	277	8		2,216	
Laptops/Printers (Field Supervisors)	2,494	6		14,964	
Office Furniture/Cubicles	2,600	47		122,200	26,000
*Office Space (64 sq. ft/person)	16/sq. ft.	47		48,128	58,368
Remittance Processor/maintenance	130,000	2		230,000	10,000
Telephones - Call centers	263	10			2,630
Telephones	175	50		8,750	
Vehicles (Field Supervisors)	3,538/yr	6		21,228	21,228
Credit Card Usage Fee/Charge Back Fee	\$3.40/trans \$25/chg back			5,202,000	6,034,320

Total Operating				5,871, 130	6,141,976	7,098,047
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Total Requirement				7,758,564	8,446,651	9,517,956
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Recommendations for Methods of Valuation

1) A Uniform Schedule of Values

This recommended plan calls for the Property Tax Division to review the valuation services available and adopt the schedule that can be used to best comply with G.S. 105-330. When selecting a schedule of values, the division should consider all relevant factors. Some of these factors include but are not limited to:

- 1) The accuracy of the values and support for proving the accuracy.
- 2) How much the valuation service charges for providing the values.
- 3) Compatibility with the software created for the new system.
- 4) The completeness of the collective values (number of VINs matching a value.)
- 5) Other items or services provided with the list of values. (hardcopies, etc.)
- 6) Their level of support to our specific statutory requirements.

For example, valuation service A may have the lowest cost, but the list of values may only match 70 percent of the Vehicle Identification Numbers in North Carolina. In addition, the valuation service may not be flexible in the format they provide their values in. This would leave 30 percent of North Carolina's vehicles needing manual valuation. Valuation service B may guarantee a 95 percent match of VINs and devote a full time position to assist with valuation issues specific to North Carolina requirements. These and other factors should be carefully considered before a selection is made.

Based on related dates in HB 1779, the uniform schedule of values should be chosen and put into the system by September 1 of each year. This is because values are determined as of January 1 of the year that taxes are due. Taxes on December expirations are due January 15, and would therefore have the newest values. These vehicles will be sent a combined invitation to renew and a property tax notice around November 1, before expiration. Values should be in the new system by September 1, to begin processing the property tax information that will be printed before mailing November 1.

2) A plan for determining appraisal accuracy statewide

We suggest that a sales ratio study be performed each year to determine the accuracy of appraisals in North Carolina. Licensed dealers collect sales price data at the time of collecting the Highway Use Tax and this data is available from the Division of Motor Vehicles. The Property Tax Division should work with the provider of the valuation service, the Division of Motor Vehicles and a statistician to ensure the study is performed as accurately as possible.

It may also be possible to have the new integrated computer system incorporate the ability to perform the sales ratio study automatically. A separate ratio should be calculated for different classes of vehicles (heavy trucks, trailers, and motorcycles, SUVs).

3) A plan for taking into account local market conditions

The assessor would be required to submit to the Property Tax Division, for approval, their requested deviation from the uniform schedule along with evidence of why it is needed. For example, an assessor in a mountain county may believe that the uniform schedule has 4x4 vehicles appraised too low for their county and may be able to provide evidence that the values of 4x4 vehicles should be 5 percent higher in their jurisdiction. Upon approval by the Property Tax Division, the integrated computer system would allow the adjustments countywide. Information from the sales ratio study could be used to support the need to adjust values in a jurisdiction.

4) A plan for allowing adjustments for the mileage of individual vehicles

We recommend automatic mileage adjustments based on a mileage adjustment table adopted by the Property Tax Division and annual mileage information incorporated into the new system. The Property Tax Division should have the ability to adjust the mileage adjustment table in the new

integrated computer system. Annual mileage information is available in an emissions part of the current system and as of January 2006, 48 counties are a part of that emissions system. The new integrated computer system should use all mileage information available to arrive at the most accurate motor vehicle values.

Available mileage information can be used to estimate mileage as of the January 1 valuation date and make positive or negative adjustments to the uniform value.

If mileage information is not automatically available, any assessor or collecting authority should be able to enter information from the most recent inspection receipt of a vehicle and an automatic mileage adjustment and recalculation of property tax will occur.

Condition Standards

The Property Tax Division will study and adopt along with the uniform schedule of values, a set of categories as a condition grading system along with percentage adjustments. For example, these categories may be:

Excellent	plus 5 percent
Average	no adjustment
Below Average	minus 5 percent
Poor	minus 10 percent

The January 1 appraisal date may prove to be a factor that would make this adjustment inaccurate since some appeal deadlines are not close to the appraisal date. For example, a vehicle with a November 2009 expiration has a tax due date and appeal deadline of Dec. 15, 2009. However the valuation is to be as of Jan. 1, 2009, almost a year prior to the appeal deadline. It is difficult for a taxpayer to prove the condition of the vehicle as of the valuation date.

A possible solution is to have two or more appraisal dates, July 1 and January 1 for example.

Vehicle Descriptions needed for appraisal

The integrated computer system should have appraisal notes and fields tied to each VIN. This would allow the adjustments or notes of an assessor who inspected the vehicle to be reviewed by a different assessor if the vehicle is moved within North Carolina. This may also prevent multiple visits to the assessor for valuation adjustments.

In some situations, the VIN does not fully describe the characteristics of the vehicle. For example, a VIN for a trailer does not describe all of the characteristics needed to properly appraise the trailer. The lack of proper description is also a problem in the appraisal of recreational vehicles. We suggest that the Property Tax Division work with the Division of Motor Vehicles to develop a plan in the memorandum of understanding described in G.S. 105-330.2(c). This plan should result in the collection of the needed appraisal information at the time of title and/or registration of a trailer or RV.

Adjustment for Title Brand

The Property Tax Division can recommend standards for valuation adjustments due to branded titles, which should be made automatically, based on data from DMV. For example, the division might recommend that a branded title (salvaged, reconstructed, flood or fire damage) receive an automatic 25 percent reduction in value. This should be an adjustable function of the integrated computer system.

Recommendations for Integrated Computer System

After carefully reviewing the law and the time constraints, the STARS, BSIP and other applications will be enhanced to accommodate HB 1779. The requirements of this law will require complex modifications to the titling, registration, and fiscal components of these current titling and registration applications. Modifications will also be made to the Emissions application to allow the utilization of actual mileage in calculating property tax. In addition, changes will be made to the Return Check application to accommodate HB 1779. The project is scheduled to be initiated on Sept. 5, 2006, and to be implemented on July 1, 2009.

PROJECT IMPLEMENTATION COST

DOT-IT PRE-IMPLEMENTATION DEVELOPMENT COST - \$20,372,300

POST IMPLEMENTATION	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
DMV'S ANNUAL CREDIT CARD COST	5,202,000	6,034,320	6,999,811				
DMV'S PERSONNEL REQUIREMENT	1,887,434	2,304,675	2,419,909				
DMV'S OPERATING REQUIREMENTS	669,130	107,656	98,236				
DOT'S FISCAL OPERATING	130,050	30,425	32,000				
DOT'S FISCAL PERSONNEL REQUIREMENTS	562,338	576,396	590,888				
DOT-IT TOTAL TECHNICAL OPERATIONS COST			3,727,084	3,727,084	3,727,084	3,727,084	3,727,084
TOTAL	8,450,952	9,053,472	13,867,928	3,727,084	3,727,084	3,727,084	3,727,084

<u>REVENUE</u>	FY 06-07	FY 07-08	FY 08-09	FY 09-10
TOTAL BASED ON 60% INTEREST OF UNPAID TAXES	2,100,000	1,633,333	1,633,333	1,633,333
COMPENSATION PAID FOR RENEWALS AT .48 PER TRANSACTION			YEAR 2009	YEAR 2010
*CHL.STD.TRANSACTION			29,895	30,493
*RAL. STD. TRANSACTION			32,669	33,310
*MAILED IN TRANSACTION			623,481	635,950
TOTAL			686,045	699,753

*BASED ON 2% ANNUAL INCREASE EACH YEAR