



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Protect Taxpayers and Local Governments.
Bill Number: House Bill 1213 (Second Edition)
Sponsor(s): Rep. Loftis, Rep. Ward, and Rep. Harrison

SUMMARY TABLE

FISCAL IMPACT OF HB 1213 (V2) (\$ in millions)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
Local Impact					
Local Revenue		4.8	5.9	8.3	11.1
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	-	\$4.8	\$5.9	\$8.3	\$11.1

FISCAL IMPACT SUMMARY

HB 1213 would prohibit solar energy electric systems that are fully installed and producing usable electricity after July 1, 2027 from receiving a property tax exclusion. The bill would not affect such systems meeting the operational requirements prior to July 1, 2027. The bill is estimated to increase local government revenues by \$5 million annually beginning in FY 2027-28, increasing to about \$11 million in later years.

FISCAL ANALYSIS

Current state law excludes 80% of the appraised value of a solar energy electric system from property tax.¹ The exclusion includes all equipment used directly and exclusively for the conversion of solar energy to electricity. According to Department of Revenue data, the statewide aggregated value of property excluded from property tax due to this exclusion have declined over recent years, from \$6.6 billion in FY 2022-23 to \$5.7 billion in FY 2025-26.

The bill would not allow any properties to begin receiving an exclusion after July 1, 2027, but properties with operational systems in place before this date would continue receiving the 80% exclusion. To estimate the fiscal impact of this change to counties, FRD computed an average year-over-year percent change in solar energy electric system property values excluded over the previous 10 years.² Only counties with a positive value for average year-over-year change advanced to be used in the next step; this is because counties with negative values are not expected to have growth in values excluded that would be affected by the bill. FRD then applied

¹ G.S. 105-275 (45).

² FRD also removed significant outliers due to data omissions, etc. to avoid skewing the average figure.

each county's average growth percentage to its FY 2025-26 total value of property excluded due to this exclusion to determine a projected FY 2026-27 value.

FRD then subtracted the projected FY 2026-27 estimated valuations from those projected to be excluded from tax for FY 2027-28, which were also adjusted using the same year-over-year growth factor. The difference between these two years represents the growth in valuations that would not be realized due to the bill's effective date of July 1, 2027.

After establishing the estimated valuation growth that would not forego exemption prior to the bill's effective date, FRD then applied the respective county's property tax rate to determine the estimated fiscal impact, and adjusted future years estimates by the previously used percentage change factor. FRD also made this calculation for property values in municipalities but used an average weighted municipal property tax rate since data regarding values excluded per respective municipality is not readily available.

FRD notes that any future revenue gains or losses associated with the bill may differ from those estimated here because of several factors FRD cannot reliably estimate, including but not limited to changes in local valuations, rates, and decisions made by solar energy electric systems.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

NC Department of Revenue.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

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

CONTACT INFORMATION

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

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Signed copy located in the NCGA Principal Clerk's Offices