



# NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

## Legislative Fiscal Note

**Short Title:** Truth in Taxation.  
**Bill Number:** Senate Bill 992 (Third Edition)  
**Sponsor(s):** Sen. Carl Ford, Sen. Buck Newton, and Sen. Tom McInnis

### SUMMARY TABLE

#### FISCAL IMPACT OF S.B.992, V.3

	<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>
<b>State Impact</b>					
Special Fund Revenues	120	120	120	120	120
Less Expenditures	-	-	-	-	-
<b>Special Fund Impact</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>
<b>NET STATE IMPACT</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>
<b>Local Impact</b>					
Local Revenue	-	-	-	-	-
Less Local Expenditures	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>NET LOCAL IMPACT</b>	<b>(2,500,000)</b>	<b>(2,500,000)</b>	<b>(2,500,000)</b>	<b>(2,500,000)</b>	<b>(2,500,000)</b>

### FISCAL IMPACT SUMMARY

The bill would require local governments that intend to adopt a property tax rate above the revenue neutral rate in the same year as when a revaluation goes into effect to notify every property owner with that and other information via mail or electronically. FRD estimates compliance with this portion of the bill would cost local governments about \$2.5 million annually.

The bill would also increase the late renewal registration fee for appraisers by \$2, which is estimated to increase Board revenue by about \$120 each year.

### FISCAL ANALYSIS

#### Revenue Neutral Tax Rate and Notices

Local governments adopt property tax rates each year. Before a rate is adopted, local budget officers must determine the revenue-neutral rate by determining the rate (for next year) that

would keep next year's revenues at the current year's amount, once adjusted for growth.<sup>1</sup> Local governments are not required to adopt this rate, but they must include it in their proposed budget.

The bill establishes a process that local governments must follow when they seek to exceed the revenue neutral property tax rate:

- That would be effective in the same year as a reappraisal's effective date, or
- Because of receiving substantially less revenue after having adopted a revenue-neutral rate at the last reappraisal.

Local governments meeting either of those conditions would be required to both:

- Publish a notice of its intent to exceed the revenue-neutral rate in a newspaper and on the government's website, and
- Notify every taxpayer in their jurisdiction of its intention to exceed the revenue neutral rate either by mail or electronically.

This required notice would have to include the following:

- The date, time, and location of the hearing,
- The proposed revenue needed to balance the local government's budget,
- The revenue-neutral rate,
- The proposed tax rate,
- The amount of property tax due for the current year, and
- The projected amount of property tax that would be due next year under two scenarios:
  - Scenario 1: if the Revenue Neutral Rate is adopted, and
  - Scenario 2: if the local government's proposed rate is adopted.

To compute the fiscal impact, FRD used data from the NC Department of Revenue on the number of parcels in each county, previous revaluation data, tax rate data, and a study by the UNC School of Government. In 2024, this latter research examined the rates adopted in North Carolina counties' two most recent revaluations, in comparison to the respective revenue neutral rate.<sup>2</sup> This research showed that, at the time, compared to the revenue neutral rate: 67% were above, 16% were equal to, 16% were below, and 1% was missing.

Using 2025 revaluation data from 29 counties, the School of Government also found that: 23 counties (or 79%) adopted rates above the revenue neutral rate, two (or 7%) were below revenue neutral, and four (or 14%) adopted the revenue neutral rate.<sup>3</sup> Since the rates a local government would adopt cannot be predicted, FRD estimated the fiscal impact had the bill's requirements been in place given the School of Government's findings from 2025. FRD determined there were about 1.6 million parcels from those 23 counties that were above the revenue neutral rate in the year a reappraisal was effective. Although the bill allows this notice to be sent electronically, and while

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<sup>1</sup> The growth factor accounts for changes in boundaries (annexation, etc.) and improvements made to properties, among others, per G.S. 159-11.

<sup>2</sup> McLaughlin, Chris (2024, April). How Do Counties Respond to Revenue-Neutral Tax Rates? *UNC School of Government*.

<sup>3</sup> McLaughlin, Chris, (2026, May). 2025 Reappraisals and the Revenue Neutral Tax Rate. *UNC School of Government*.

the cost of electronic notification would be minimal, the number of counties that would do so is unknown.

Therefore, FRD estimated the cost of paper mailing to determine the fiscal impact of this requirement. FRD estimated the cost of mailing a notice to parcel owners letting them know about the intent to adopt a rate above revenue neutral. This was computed using the price of a US Postal Service first class stamp in 2027 (82 cents effective July 12, 2026) plus a figure for paper and printing (5 cents) for each parcel. Correspondingly, the estimated per-parcel price of a required mailing would be about 87 cents. Applying the price per mailing to the number of parcels that met the criteria in a prior year means this would have cost those counties about \$1.0 million collectively. When generalized to the broader population, and accounting for the fact that the average period between reappraisals is 4 years, counties would only encounter this new requirement once every few years. Since roughly the same number of counties conduct a revaluation each year, FRD assumes the same cost over subsequent fiscal years, all things being equal.

The bill would also apply to other taxing units besides counties, such as municipalities and special districts. FRD is unaware of a reliable method to compute a fiscal estimate for special districts and others. However, FRD is able to estimate the fiscal impact for municipalities, although this estimate has a larger margin of error than the county portion for a number of reasons (not accounting for specific municipalities in a revaluation year, etc.). Nevertheless, FRD determined the estimated percentage of parcels in municipalities by using the 2023 proportion of property valuations, where 39% were in unincorporated areas and 61% were within a municipality.

From the earlier methodology, there are about 5.7 million parcels across all 100 counties. If 39% equals 5.7 million parcels, that means the total unique and non-unique (duplicated-property in both county and municipality) number of parcels would equal 14.6 million across the state. Therefore, there would be an estimated 8.9 million parcels across the state within a municipality that would need a mailing if they met the bill's criteria. Applying the same 87 cent cost per mailing results in an estimate municipal impact of about \$7.7 million if all municipalities met the criteria since statewide data was used. Assuming 79% adopted a tax rate above revenue neutral (from the previous county discussion) as a proxy for the percentage of municipalities that would meet the criteria since it is unknown, results in an estimated expenditure of about \$6.1 million for all municipalities for each occurrence. Finally, FRD applied the percent of all counties that typically have a revaluation (about one-quarter) to estimate the bill would cost municipalities about \$1.5 million annually.

#### Real Estate Appraiser Late Renewal Fee

This section of the bill increases by \$2 the late registration renewal fee for licensed, certified, and trainee real estate appraisers, from \$10 per month to \$12 per month late—but not to exceed \$120. In FY 2024-25, the Appraisal Board suspended or revoked 5 licenses. Given the small sample size and risk associated with the estimate, FRD assumes all 5 had a suspension because of late license renewal. Assuming all would be late for a year, the Board would receive an estimated \$120 in additional revenue due to the bill.

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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UNC School of Government; NC Department of Revenue; NC Appraisal Board.

## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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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**

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

## **ESTIMATE PREPARED BY**

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June 30, 2026



**Signed copy located in the NCGA Principal Clerk's Offices**