

Property Taxation in North Carolina: From A to Z

The Machinery Act Chapter 105-Article 11.

Subchapter II. Listing, Appraisal and Assessment of Property and Collection of Taxes on Property

105-271. Official Title

- This Subchapter may be cited as the Machinery Act. (1939, c. 310, s. 1; 1971, c. 806. s. 1.)

105-272. Purpose of Subchapter

- The purpose of this Subchapter is to provide the machinery for the listing, appraisal, and assessment of property and the levy and collection of taxes on property by counties and municipalities.

105-395. Application and effective date of Subchapter

- The provisions of G.S. 105-333 through 105-344 (being Article 23 in this Subchapter) shall first be applicable to public service company property to be listed or reported for taxation as of January 1, 1972.
- It is the intent of the General Assembly to make the provisions of this Subchapter uniformly applicable throughout the State, and to assure this objective all laws and clauses of laws, including private and local acts, other than local acts relating to the selection of tax collectors, in conflict with this Subchapter are repealed effective July 1, 1971.

What is taxable (property)

- Almost Everything G.S.105-283
 - Planes, trains, automobiles, motorcycles, boats, tractors, etc.
- Not these assets G.S. 105-275 (1-49)
 - Non-business personal property
 - Intangible personal property (with a few exceptions)
 - Real and personal property used for air and water pollution abatement, reduction, or prevention.
 - Inventories owned by retail and wholesale merchants

Time for Listing and Appraising Property

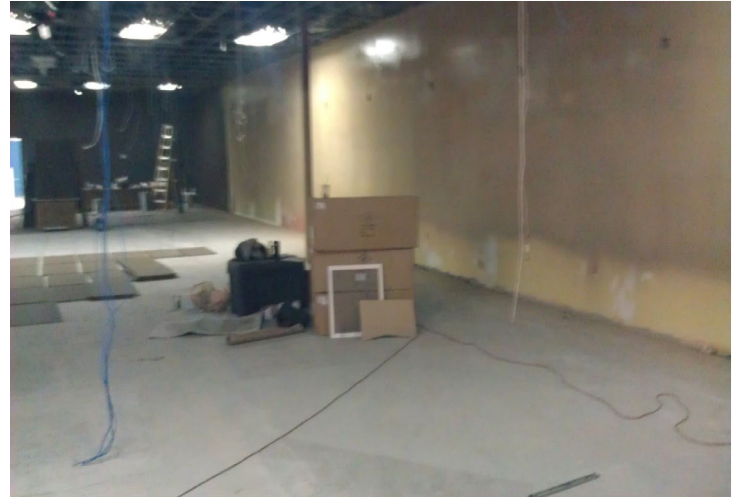
- Annual Listing Required – All property subject to ad valorem taxation shall be listed annually - 105-285.
- Personal property – Except as otherwise provided in this Chapter, the value, ownership, and place of taxation shall be determined annually as of January 1st.
- Real Property – The value of real property shall be determined as of January 1 of the years prescribed by 105-286 and 105-287.
 - Permanent listing system relieves persons required to list their real property annually; but these persons must provide the Assessor with information concerning improvements required by 105-309(c)(3) thru (c)(5).

Classification of Property

- Real versus Personal Property



Store furniture & fixtures and leasehold improvements: are they real or are they personal?



Business Personal Property Categories

- Machinery & Equipment
- Office Furniture & Fixtures
- Construction in progress
- Leasehold Improvements
- Computer software (off the shelf)
- Tools, dies, and molds
- Untagged Motor Vehicles (plus: mounted equipment and multi-year tagged trailers)
- Supplies inventory, fuel inventory, inventory not held for resale



Property Tax Rates

- Lowest County rate Carteret County – .33% of assessed value
- Highest County rate Scotland County – 1% of assessment
- A 2020 Toyota Camry XLE Hybrid, 27k miles, assessed value \$32,886

Tax bill sample calculation

Tax bill in Carteret County - \$108.52

Tax bill in Scotland County - \$328.86



Percent of Total NC State and Local Tax Revenue from Various Source

	1957	2002
Sales Taxes	41.4%	34.8%
Property Taxes	26.8%	24.0%
License Taxes	11.0%	4.0%
Individual Income Taxes	10.5%	32.2%
Corporate Income Taxes	9.1%	3.0%
Other Taxes	1.2%	2.0%


Valuation Principles

- The standard of value for North Carolina Property Tax Assessments: G.S. 105-283. Uniform appraisal standards
 - All property, real, and personal, shall as far as practical be appraised or valued at its true value in money.
 - Implicit in G.S. 105-283 is the going-concern assumption (N.C. Supreme Court In re: Appeal of AMP, Inc.)
- Approaches to Value
 - Cost
 - Market
 - Income

Appraisal of Personal Property: Elements to be Considered

- Appraisal of Personal Property – The following items must be considered:
 - (1) The replacement cost (2) Sales price of similar property (3) Age
 - (4) Condition (5) Productivity (6) The remaining life (7) Effect of obsolescence
 - (8) The economic utility of the property
 - (9) Any other factor that may affect the value of the property. 105-317.1 (a)
- The person making the appraisal shall consider any information as reported by the taxpayer to the N.C. Department of Revenue and to the IRS. 105-317.1.(b)

The Cost Approach is relied upon most often for the appraisal of business personal property

		NC Department of Revenue							Index Page 18			
		Local Government Division							Effective 1/1/2021			
		Personal Property Section										
		Schedule B Valuation Table										
		Historical (Original) Cost										
		Percent Good Factors										
Year		Trend							Life in Years			
Acq'd	Age	Factor	3	5	6	7	8	10	11	12	20	25
2020	1	1.00	67	80	83	86	87	90	91	92	95	96
2019	2	1.03	34	62	69	73	77	82	84	85	93	95
2018	3	1.05	5	42	53	60	66	74	77	79	89	92
2017	4	1.08		25	36	46	54	65	69	72	86	91
2016	5	1.09			25	32	40	55	59	63	82	87
2015	6	1.10				25	38	44	48	55	77	84
2014	7	1.12					25	34	40	47	73	81

Business Personal Property Audits

- Why do Counties audit – G.S. 105-296 (a). The assessor is charged with the responsibility to list and appraise all property located in their jurisdiction.
- The BPP tax is one of the few self reported property taxes
- The audit process is an educational tool
- Honest mistakes can be detected
- Ensure equity

Business Personal Property Audits

- Discovery of unlisted or undervalued property – G.S. 105-312
 - Duty to Discovery and Assess Unlisted Property – It shall be the duty of the assessor to see that all property not properly listed during the regular listing period be listed, assessed and taxed as provided in this Subchapter.

Business Personal Property – Audit Stories

- Tanks, Signs, Security Systems, Back-up Power, Generators
- Process Electrical, Piping, Heating Ventilation & Air Conditioning (HVAC)
- Cost Segregation-is the process of identifying PP assets that are grouped with real property assets and separating out personal assets for federal tax reporting



Process piping, electrical, tanks, & concrete



Coal Consumed During the Manufacturing Process



Golf Course Granular Inventory



Product	Bags	Pounds	Price Per Bag	Extended
0-0-30	51	2550	\$25.37	1,293.87
Hymag	15	750	\$35.00	525.00
Pro-Mag	9	450	\$59.50	535.50
18-3-16	12	600	\$56.00	672.00
13-0-46	10	500	\$55.00	550.00
Ammonium Sulfate	40	2000	\$15.00	600.00
Verde Cal	6	300	\$22.00	132.00
Calrite	20	1000	\$22.00	440.00
Humates	35	1750	\$24.52	858.20
Gypsum	40	2000	\$10.50	420.00
Charcoal	55	2750	\$45.50	2,502.50
Snapshot	60	3000	\$102.00	6,120.00
Ronstar G	1.5	75	\$88.00	132.00
21-7-4 w/Ronstar	2	100	\$20.00	40.00
Dylox	60	3000	\$29.70	1,782.00
18-4-26	85	3750	\$20.30	1,725.50
Woodace 18-5-10	75	3750	\$25.00	1,875.00
10-20-20	60	3000	\$36.85	2,211.00
Dylox	1.5	75	\$29.70	44.55
18-4-26	2	100	\$26.50	53.00
Rye Grass Seed	9	450	\$57.50	517.50
Bluegrass Seed	6	300	\$162.50	975.00
Fine Fescue Seed	10	500	\$98.00	980.00
Sand (bagged)	60		\$4.95	297.00
	Tons		Price per Ton	
Sand (loose)	72		\$29.00	2,088.00
				27,369.62

Business Personal Property Appeals

- A taxpayer who owns personal property taxable in the county may appeal the value, situs, or taxability of the property within 30 days after the date of the initial notice of value. G.S. 105-317.1.(c)
- Upon receipt of a timely appeal, the assessor must arrange a conference with the taxpayer to afford the taxpayer the opportunity to present any evidence or argument regarding the value, situs, or taxability of the property.

Appeals Process – Discovered Property

- Upon receipt of timely exception (within 30 days) to the notice of discovery the assessor shall arrange a conference with the taxpayer to afford them the opportunity to present any evidence or argument they may have regarding the discovery. G. S. 105-312 (d)
 - Assessor shall give written notice of their final decision within 15 days.
 - If taxpayer is still not in agreement, they have 15 days from the date of the assessors conference notice to request review by the Board of Equalization and Review.

How to appeal a regular Business Personal Property Assessment (assessor conference)

- A taxpayer who owns personal property in the county may appeal the value, situs, or taxability of the property within 30 days after the initial notice of value. G.S. 105-317.1.(c)
 - If the assessor does not give separate written notice of value to the taxpayer, then the tax bill serves as notice of the value of the personal property.
- Upon receipt of timely appeal, the assessor must arrange a conference with the taxpayer.
- If an agreement is not reached, the taxpayer has 30 days from the notice of the assessor's final decision to request a review decision by the board of equalization and review

How to appeal a regular Business Personal Property Assessment (board of equalization and review)

- On request, the board of equalization and review shall hear any taxpayer who owns or controls property taxable in the county. 105-322 (g)(2)
- After conducting any hearing, the board shall notify the appellant by mail as to the action taken on the taxpayer's appeal not later than 30 days after the board's adjournment.

How to appeal a regular Business Personal Property Assessment (board of equalization and review)

- A taxpayer may take exception to a decision made by the board of equalization and review by filing a timely appeal with the North Carolina Property Tax Commission ("Commission). G.S. 105-290
- The appeal must be received by the Commission or postmarked by the U.S. Postal Service within thirty (30) days from the mailing of the County Board's Notice of Decision. 105-290 (e).

Appeals to Property Tax Commission

- In its capacity as the State board of equalization and review, the Property Tax Commission (Commission) shall hear and adjudicate appeals from boards of county commissioners and county boards of equalization and review. G.S 105-290
- Appeals of Commission decisions or orders are to the North Carolina Court of Appeal and are based on the record made at the Commission hearing.
 - A notice is timely if received in the office of the Commission within thirty (30) days after the entry of the final decision or order of the Commission. (See G.S. 7A-29 for the appellate rules and procedures for an appeal to the Court of Appeals.

Business Personal Property Listing Tips

- Segregate property by correct class i.e., computer & software
- Describe leasehold improvements and building improvements in enough detail for county to correctly classify between real versus personal property
- File timely and accurate returns-penalty per 105-312 is 10% annually for a substantial understatement or failure to list





Questions?

THEATER
SODA SHOP

JEWELERS

Cordoba

ES GROWING & GLOWING
MARGARET OBRIEN
IN GLOST
WALTER BREEMAN IN COLOR

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