

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** S.B. 421 (5<sup>th</sup> Edition of the Bill)  
**SHORT TITLE:** Homestead Property Tax Relief

<b>FISCAL IMPACT</b>				
	<b>Yes (x)</b>	<b>No ( )</b>	<b>No Estimate Available (x)</b>	
	<b><u>FY 1998-99</u></b>	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b> <b><u>FY 2002-03</u></b>
<b>REVENUES</b>				
<b>General Fund</b>				
<b>Counties and Cities</b>				
		<b>No General Fund Impact</b>		
		<b>(See Assumptions and Methodology)</b>		
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Cities and counties.				
<b>EFFECTIVE DATE:</b> Effective for taxable years beginning after the November 2000 general election.				

**BILL SUMMARY:** The bill authorizes a statewide vote to allow counties to increase the exemption and income threshold, at their own cost. The vote will take place at the first general election in 2000. If the option passes statewide, the counties can increase the exemption and income threshold locally, should they choose to do so.

**ASSUMPTIONS AND METHODOLOGY:** The Homestead Exemption is a partial exemption from property taxes for the residence of a person who is aged 65 or older, or totally disabled, and who has an income of less than \$15,000. The exemption amount was last increased in 1996, when it was increased from \$15,000 to \$20,000 effective July 1, 1997. Before then the exemption was last increased in 1993 from \$12,000 to \$15,000. The income eligibility amount was last increased in 1996, when it was increased from \$11,000 to \$15,000. Before then the income threshold had last been increased in 1987, when it was increased from \$10,000 to \$11,000. The annual cost of the Homestead Exemption is now approximately \$26 million. This cost is divided between the state and localities. Currently all exemption and threshold levels are set by the state legislature, and apply statewide.

If the local option concept is approved by voters in the statewide vote, local county commissions could take action to further increase the exemption and/or the income threshold. In that case, the revenue loss would grow as a direct result of the act of individual counties. As such, it is not possible to create a reliable fiscal estimate. The first year any county initiated changes could become effective is FY 2001-02.

**FISCAL RESEARCH DIVISION (733-4910)**

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