NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Legislative Fiscal Note

Short Title: Modify Homestead Circuit Breaker.
Bill Number: House Bill 692 (First Edition)
Sponsor(s): Rep. Alexander

SUMMARY TABLE

FISCAL IMPACT OF H.B. 692, V.1 ($ in millions)

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Local Impact					
Local Revenue	(250)	(257)	(265)	(273)	(281)
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	**(250)**	**(257)**	**(265)**	**(273)**	**(281)**

FISCAL IMPACT SUMMARY

This bill would reduce local property tax revenue by modifying the circuit breaker property tax program. The bill would increase the number of qualifying homeowners and the total value excluded from taxation, resulting in a decrease in local property tax revenue of $250 million in FY 2019-20, increasing to $281 million in FY 2023-24.

FISCAL ANALYSIS

This bill would change the circuit breaker property tax deferment benefit into a tax exclusion and would change eligibility standards for the program.

Currently, under this program, taxes for each year are limited to a percentage of the qualifying owner's income. A qualifying owner must either be at least 65 years of age or be totally and permanently disabled. For an owner whose income amount for the previous year does not exceed the income eligibility limit for the current year, which for the 2019 tax year is $30,200, the owner's taxes are limited to four percent (4%) of the owner's income. For an owner whose income exceeds the income eligibility limit ($30,200) but does not exceed 150% of the income eligibility limit, which for the 2019 tax year is $45,300, the owner's taxes are limited to five percent (5%) of the owner's income.

However, the taxes over the limitation amount are deferred and remain a lien on the property. The last three years of deferred taxes prior to a disqualifying event will become due and payable, with interest, on the date of the disqualifying event. Interest accrues on the deferred taxes as if they had been payable on the dates on which they would have originally become due. Disqualifying events are death of the owner, transfer of the property, and failure to use the property as the owner's permanent residence.

This bill changes the program to a tax exclusion so that taxes over the limitation are never due. It also changes the income standard, criteria required to qualify, and the allowed exclusion amount. Income eligibility and exclusion amounts are based on the percentage of NC median family income, which for 2017 is $65,964, the age of the homeowner, and the duration of home ownership. Homeowners aged 65 to 67 who currently qualify for the circuit breaker deferment program would not qualify for the new exclusion.

The program criteria in the bill are summarized in the table below:

Exclusion Allowed Above Percentage of Income

Income Eligibility Limit - Percentage of NC Median Family Income	Homeownership Tenure: 5-10 years			Homeownership Tenure: 10+ years		
	Age 67-69	Age 70+	Disabled	Age 67-69	Age 70+	Disabled
0-30	3%	3%	3%	3%	3%	3%
30-150	6%	6%	6%	6%	6%	6%
150-200	not eligible				10%	10%

Fiscal Research used microdata from the American Community Survey 2013-2017 5-Year Sample to estimate the amount of property tax that would be eligible to be excluded under the revised program. We included properties that were owned and occupied by respondents who identified themselves as the householder or householder's spouse and who met the age, disability, and tenure limits. We assumed that homeowners who reported that they had a disability, were not in the labor force, and were receiving Social Security or Supplemental Security Income were totally and permanently disabled. Total reported family income was used to determine eligibility based on the income limits. The revenue loss was projected by applying a growth rate of 3% annually.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

American Community Survey

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.

ESTIMATE PREPARED BY

Rodney Bizzell and Emma Turner

ESTIMATE APPROVED BY

Mark Trogdon, Director of Fiscal Research
Fiscal Research Division
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