



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Farmland Protection Act.
Bill Number: House Bill 729 (Second Edition)
Sponsor(s): Rep. Dixon, Rep. Howard, and Rep. Riddell

SUMMARY TABLE

FISCAL IMPACT OF HB 729 (V.2) (\$ in millions)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
Local Impact					
Local Revenue	46.2	49.4	52.8	56.5	60.4
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	\$46.2	\$49.4	\$52.8	\$56.5	\$60.4

FISCAL IMPACT SUMMARY

HB 729(v.2) would increase local government revenues by approximately \$46 million per year because it repeals the current property tax abatement program for solar energy electric systems effective for taxable years beginning on or after July 1, 2025.

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 a Department of Revenue report on exclusions and exemptions, approximately \$5.9 billion in property tax value is currently excluded from tax in the program in FY 2024-25.

The bill eliminates the exclusion, meaning the 80% of property values currently excluded from property tax would no longer be excluded and would be subject to tax. An overwhelming majority of property excluded from property tax with this exclusion is in unincorporated areas within counties. To estimate the fiscal impact for counties, FRD used each county's respective property tax rate per \$100 in valuation and its corresponding total valuations of excluded property in the program in FY 2024-25. To estimate the impact for municipalities, FRD used the total aggregated valuations in municipalities in the program in FY 2024-25 and the average weighted municipal property tax rate per \$100 valuation.

¹ G.S. 105-275 (45).



FRD estimates repealing the exclusion would increase local revenues by approximately \$46 million per year beginning in FY 2025-26 as the bill's effective date is July 1, 2025. FRD notes that about half of the increase in local property tax revenue due to the bill would be seen in 13 counties (Bladen, Cleveland, Cumberland, Duplin, Edgecombe, Halifax, Hertford, Northampton, Richmond, Robeson, Scotland, Washington, and Wayne). To account for changes in valuations subject to property tax, estimates for future years are adjusted using historical data on valuations in the solar abatement exclusion program.

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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