



Chatham County, NC

Legislation Text

File #: 17-2058, **Version:** 1

Vote on a request to approve the return of Chatham County to a four-year revaluation cycle

Action Requested: Vote on a request to approve the return of Chatham County to a four-year revaluation cycle.

Introduction & Background: NCGS 105-286(a) requires all counties to conduct a revaluation every eight years; however, Chatham County has implemented a four-year schedule. This is often recommended for counties with a higher population growth and related fluctuations in values. Due to declining market value during the recession, Chatham County elected to postpone the 2013 revaluation until 2017, allowing time for the economy to recover. Chatham County's last revaluation was effective January 1, 2009.

Discussion & Analysis: The local economy has recovered to the point that it would be more equitable for taxpayers to return to a four-year cycle. True market value in counties like Chatham can change dramatically in eight years. Currently, approximately 40 NC counties use the four-year revaluation cycle. Counties must balance their desire for uniformity, which suggests more frequent revaluations because not all property appreciates or depreciates at the same rate, with the substantial cost of undertaking a revaluation.

A shorter revaluation period of four years benefits both property owners and the county in several ways, including:

- It leads to more accurate property values and fewer appeals.
- It allows taxpayers to become and stay more familiar with the process.
- When the economy is booming, property values in the county can increase rapidly from year to year, creating the effect of "sticker shock" when new values are mailed out. This sticker shock is somewhat mitigated with a shorter cycle.
- It can help relieve pressure on property tax rates.

Market value is a factor used to determine the assessed value, which is used to determine the proportional share of taxes. Confusion arises because assessed value does not change as often as market value. Home sales are constantly fluctuating, reflected in the term "market-driven price". County wide revaluation is the only way to get the assessed value in line with the true market value. Since property values, such as home prices, are not static over time, the market values of property will change; however, in most cases, they do not change in a uniform pattern. Even within the same township, some properties will appreciate rapidly, while values elsewhere may stagnate or even drop. These variations in market value necessitate regular reassessment of the property in order to levy an equitable property tax.

Each year, the state sets guidelines for values of personal property, such as automobiles, boats and heavy machinery. Personal property will be taxed at a relatively higher rate than real property,

because it remains closer to fair market value.

As a final key point about the benefit of revaluation, NC Department of Revenue monitor counties sales ratio studies for disbursement of public utility companies' tax revenue (real estate and personal property). If the ratio falls below 90% the county will lose revenue and this may cause an increase in the tax rate to offset the loss in utility revenue. Periodic revaluations is the best and only way to do a good job of adjusting for these natural market driven changes in property values between real estate and personal property.

Budgetary Impact: The estimated cost to conduct a revaluation is \$900,000.00.

Recommendation: The Board of Commissioners should vote to return Chatham County to a four-year revaluation cycle.