

REQUEST FOR BOARD ACTION

**HENDERSON COUNTY
BOARD OF COMMISSIONERS**

MEETING DATE: October 1, 2007

SUBJECT: Land Transfer Tax Referendum Update

ATTACHMENTS: Yes

SUMMARY OF REQUEST:

This item has been placed on the agenda to provide the Board an update of activities that have taken place with respect to the Land Transfer Tax Referendum. Attached are two informational brochures which were developed to provide public education on the issue.

BOARD ACTION REQUESTED:

No Board action requested. For informational purposes only.

Suggested Motion:

No motion suggested.



The Voter's Choice: Proposed Land Transfer Tax Henderson County Ballot Referendum November 6, 2007

Land Transfer Tax: At-a-Glance

- A one-time tax assessed **only** when property is sold.
- Based on **0.4% of the property sales price**.
- **Revenue** generated by the land transfer tax would be **earmarked for capital projects such as school construction**.
- Could **reduce dependence on property tax** for school construction.
- Could generate about \$3.9 - \$4.1 million annually.
- Identified by the Alternative Revenue Task Force, a citizen's committee, as an appropriate revenue source.

What is a Land Transfer Tax?

A land transfer tax is a one-time tax that is assessed at the time a home, office building, land or other real estate is sold. It is calculated and collected like the existing deed stamp tax, which the seller of real estate pays at closing. The 0.4 % tax is generally applied to the property's sales price.

Is it an impact fee?

No, the county does not have authority to collect impact fees; that takes an act by State General Assembly. **The result is similar**, however, in that **the land transfer tax spreads the burden of paying for additional county facilities like schools to those who are generating the growth— those buying and selling real estate**.

What is excluded?

Cars, boats, planes, and other personal property; gifts of real estate and inherited real estate transfers; will-related transfers of real estate; foreclosure deeds (or deeds in lieu of foreclosure); deeds of trust; term leases; government transfers; consolidations and mergers; legally mandated transfers of property; any transfer where nothing of value is provided in exchange.

Henderson County: the Numbers

- Current population: **100,107^a**
- Projected growth: county population expected to **increase by 45% by 2030^a**
- School enrollment: **13,134, increased by 12.1% since 2002^b**
- Current county budget: **\$113 million**
- Current county property tax rate: **46.2 cents per \$100 valuation**

^a NC State Demographic Estimate.

^b Based on NCDPI statistics from 2002 Final ADM to 2007 Second Month ADM.

How much money will it raise?

A land transfer tax could generate about \$3.9 - \$4.1 million annually. Property that is sold for \$1 million, would generate \$4,000. Property that is sold for \$200,000 would generate \$800.

How would the revenue be used?

- ⇒ Schools construction and expansion: Two new elementary schools (Mills River and Hillandale) and the continued expansion of a third (Dana) in 2009 at a cost of almost \$31 million;
- ⇒ Classroom additions at North Henderson High, Apple Valley Middle, Edneyville, Etowah, and Upward Elementary Schools in 2010 at a cost of about \$12.5 million;
- ⇒ Other school construction needs, parks, libraries, and other facility needs.

What happens if voters reject it?

Currently, the property tax is the county's only flexible means for paying for school additions and other capital needs. If voters reject the land transfer tax, **this could require the county to raise property taxes significantly to pay for school and other capital construction needs**.



**The Voter's Choice:
Proposed Land Transfer Tax
Henderson County Ballot Referendum
November 6, 2007**

What you'll see on the ballot

Real property transfer tax at the rate of up to four-tenths of one percent [0.4%] of value or consideration.

FOR

AGAINST

Why is this issue on the ballot?

For years, most counties in North Carolina have had to rely almost solely on property tax revenues and some sales tax proceeds to pay for capital needs to keep up with growth. This year, the NC General Assembly gave counties the ability to ask voters for authority to collect a 0.4% land transfer tax **OR** a quarter-cent sales tax as additional revenue sources, not both.

Henderson County's Board of Commissioners has placed the land transfer tax option on the November 6 ballot for voter consideration. Commissioners opted for the land transfer tax because it would raise significantly more revenue than the sales tax option.

Why not increase the sales tax?

The anticipated revenue for a .25 percent local option sales tax increase would not be enough to fund the debt service on Hillandale, Mills River and Dana Elementary Schools construction. This could require the county to raise property taxes to pay for school and other capital construction needs.

Why is the land transfer tax needed?

The land transfer tax is an optional revenue source that would reduce the pressure on property taxes to pay for schools, parks, libraries, and other facility needs. The county has identified more than \$100 million in school construction, parks and other capital facility needs in coming years.

**Land Transfer Tax
versus
Property tax**



House = \$250,000
Additional Annual Payments
Based on a 10% rate increase

Property Tax	<u>OR</u>	Land Transfer Tax
	Year	
\$115	1	\$0
\$115	2	\$0
\$115	3	\$0
\$115	4	\$0
\$115	5	\$0

Land Transfer Tax you pay
ONE TIME ONLY
when you sell.

Additional property taxes you pay
EVERY YEAR, FOREVER.



Sales Price:
\$100,000

One-time land transfer tax:
\$400



Sales Price:
\$200,000

One-time land transfer tax:
\$800



Sales Price:
\$300,000

One-time land transfer tax:
\$1,200

LAND TRANSFER TAX: AT-A-GLANCE

- A **one-time tax** assessed only when property is sold
- Based on **0.4%** of the **property sales price**
- Applies to all **real estate sales** and exchanges
- Calculated the same as the current deed stamp tax
- Revenue generated through the land transfer tax would be earmark for capital projects such as **school construction**
- Could generate about **\$3.9—\$4.1 million** annually
- Identified as an appropriate revenue source by the Alternative Revenue Task Force - a **citizen's advisory committee**

HENDERSON COUNTY SCHOOL NEEDS

- In FY 2009, the county committed to \$31 million in school projects: building two new schools—Mills River and Hillandale elementary schools, and making additions to Dana Elementary School.
- Classroom additions North Henderson High, Apple Valley Middle, Etowah, Edneyville and Upward Elementary are projected to cost \$12.5 million.

[Source: Henderson County Board of Education]

WHAT IS A LAND TRANSFER TAX?

A tax assessed when a home, office building, land or other real estate is sold. The tax would be 0.4% of the property's sales price.



Sales Price
\$100,000

One time land transfer tax:
\$400



Sales Price:
\$200,000

One time land transfer tax:
\$800



Sales Price:
\$300,000

One time land transfer tax:
\$1,200

LAND TRANSFER TAX VERSUS PROPERTY TAX



House = \$250,000

Additional Annual Payments
Based on a 10% rate increase

Property Tax	<u>OR</u>	Land Transfer Tax
	Year	
\$115	1	\$0
\$115	2	\$0
\$115	3	\$0
\$115	4	\$0
\$115	5	\$0

Land Transfer Tax
You pay **ONE TIME ONLY**
when you sell

Additional property taxes you pay
EVERY YEAR, FOREVER.