A major tax reform bill passed in July 2013 brings some significant changes to the North Carolina revenue structure beginning in 2014. The new rules include a reduction in personal income tax rates, a cap on mortgage interest deductions and elimination of the North Carolina estate tax.

Prior to these reforms, the Tar Heel State already taxed its residents at relatively modest levels. According to the most recent rankings from the Tax Foundation, a nonprofit research group, the combined state and local tax burden for North Carolina residents was 9.9% in 2010 – equal to the national average.

However, taking personal income tax into account and the state’s wide range of local property tax rates, the individual tax burden for many North Carolinians is significantly higher or lower than the statewide average. For example, the tax bill for a $300,000 home can be less than $900 year in some areas, or nearly $6,000 a year in others.

### Property Tax

#### RATES:
There is no statewide property tax in North Carolina, but all real property is subject to taxation by the county in which it is located. Additional property taxes and/or fees may be levied by cities, fire districts, school districts, etc. Tax rates are expressed as a dollar amount per $100 of assessed value, with rates varying by location from about 28 cents to just over $1.90 per $100 of assessed value.

#### EXEMPTIONS:
State law allows a homestead property tax exemption of $25,000 or 50% of assessed value (whichever is greater) for North Carolina residents who are at least 65 years old or are totally and permanently disabled. To qualify, the property owners must occupy the home as a primary residence and have combined income below an annually adjusted income eligibility limit (the limit for the 2011 tax year was $28,100). North Carolina also has a "circuit breaker" property tax deferral program for homeowners who are at least 65 years old or are totally and permanently disabled. To qualify, applicants must have owned and occupied the property for at least five years, and the owner and spouse must have combined income that is less than 150% of the homestead income eligibility limit described above. Disabled veterans and their spouses residing in North Carolina may qualify for a $45,000 homestead exemption.
ASSESSMENTS: State law requires all North Carolina counties to conduct a countywide reappraisal of real property at least every eight years (many counties have opted to conduct reappraisals more frequently). During years when properties are not reappraised, county assessors may adjust a property's assessed value only under limited circumstances, such as completion of major remodeling, demolition of existing structures, or to correct a past clerical or mathematical error. A property's assessed value cannot be adjusted to account for general economic conditions, normal physical depreciation of improvements, or minor improvements to the property such as painting and landscaping. Taxpayers have the right to appeal property tax assessments to the local Board of Equalization and Review, and then to the North Carolina Property Tax Commission if they are not satisfied with the local ruling.

Other Taxes

PERSONAL INCOME TAX: All residents of North Carolina are required to file a state tax return if their gross income exceeds the minimum filing requirements set by the Department of Revenue ($5,500 for individuals, $11,000 if married and filing jointly; different amounts apply for seniors, dependents, heads of household or qualifying widows and widowers). Nonresidents are required to file a state tax return if they received income related to the ownership of real estate or personal property in North Carolina, or if they received earnings from business activities or gambling in the state. The new tax code replaces the previous three-tier tax rate system with a flat rate of 5.8% in 2014, dropping to 5.75% in 2015. The standard deduction increases to $15,000 for married taxpayers filing jointly, $12,000 for heads of household or $7,500 for single filers. The new plan protects all Social Security income from taxation, but caps the deduction for mortgage interest and property taxes at $20,000. Refer to the Department of Revenue Web site (see below) for more information about available tax credits and deductions.

SALES TAX: The general sales tax rate is 6.75% in the majority of North Carolina's 100 counties; higher rates ranging from 7% to 7.5% are in effect in some locations. The July 2013 tax reform bill preserves existing sales tax rates, but increases revenue by adding to the list of items that are subject to sales tax, including electricity and piped natural gas, service contracts, event and movie tickets and manufactured homes.

VEHICLE REGISTRATION: Registration and licensing fees for private passenger vehicles include the title fee ($40), license plate fee ($28), annual safety inspection fee ($13.60), and in many counties, an emission inspection or "smog check" fee ($30 including safety inspection). There is no sales tax on motor vehicles in North Carolina, but the state charges a 3% Highway Use Tax every time a vehicle changes ownership.

REAL ESTATE TRANSFER TAX: When ownership in North Carolina real estate is transferred, an excise tax of $1 per $500 (or fraction thereof) is levied on the value of the property (i.e. $600 transfer tax on the sale of a $300,000 home). This tax is typically paid by the seller. Seven counties are authorized to impose an additional land transfer tax of up to 1% of the sale price.

ONLINE RESOURCES:

- North Carolina Department of Revenue, Information for Individuals
  www.dornc.com/individual/index.html
- North Carolina Department of Revenue, County and Municipal Property Tax Rates
  www.dornc.com/publications/propertyrates.html
- North Carolina Tax Collectors' Association, Directory of County Tax Collectors
  www.nctca.org/~nctca/content/county-tax-collectors
- North Carolina Department of Revenue, Individual Income Tax Information
  www.dornc.com/taxes/individual
- North Carolina Division of Motor Vehicles
  www.ncdot.org/dmv