

Haywood County "Toeprints"

May 5, 2021

Vol. #12 Issue #4 (Subject: Reval and the Revenue-Neutral Tax Rate.)

www.haywoodtp.net

What's Happening?

The purpose of this newsletter is to inform Haywood County Taxpayers of what transpires at the bi-monthly County Commission Meetings. This newsletter will be written from the perspective of a casual observer, myself. Any opinions expressed will be mine.

Budget Update by Bryant Morehead.

Bryant Morehead gave a hastily prepared budget presentation at the May 3, 2021 county commission meeting. "Hastily prepared" because it hadn't been attached to the agenda on the county website prior to the meeting. **Tracy Wells** indicated she did not get it until the morning of the meeting. See the presentation:

<https://www.haywoodtp.net/pubII/210503BudgetOverView.pdf>

Bryant Morehead presented several aspects of the revaluation and a new calculated Revenue-Neutral Tax Rate.

[**Editor's Note:** See the following Toeprints for a refresher course on Revenue-Neutral Tax Rate:

<https://www.haywoodtp.net/pubTP/T110428SE.pdf>]

On his slide "Revenue Neutral Tax Rate Calculation", he lists the percent change from year to year, with 2021 exploding at 17.04%. I cannot recall ever a yearly rate increase as this. The calculation is designed to smooth out wild deviations, such as this, but let's see where this goes.

At the bottom of his little chart, **Bryant Morehead** states that the Average Growth in Tax Base is 1.59%. It is not clear from his presentation and chart how 1.59% was derived.

- He calculates property taxes based on the 2020 valuation.
- He calculates property taxes base on the current tax rate and the total valuation in 2020, \$45,545,588.
- He applies the "Natural Growth" rate of 1.59%, coming up with \$46,269,763.
- Working backwards, he uses the 2021 revaluation to derive the Revenue Neural Tax Rate of 50.78 Cents.

Well, that's not how the formula works.

First of all, **Morehead's** label of "Average Growth in Tax Base" should be "Average annual growth since the last revaluation". Nowhere do I see that **Morehead** computes the average of the Annual % Increase.

For a better understanding of this Calculation, please see the calculation performed by **Julie Davis** (contains an error which I spotted) following this newsletter. The second image is the final corrected Revenue-Neutral Tax Rate Calculation. Here is a dialog between me and then county manager, **Marty Stamey**:

From: Monroe Miller
Sent: Sunday, May 22, 2011 7:25 PM
To: Marty Stamey
Cc: Julie Davis
Subject: Two fold...

Hi Marty,

This e-mail is twofold...

1. I wanted to advise Julie that there is an error in the presentation of her FY2011-2012 Haywood County Revenue-Neutral Tax Rate Calculation presentation. The numbers are computed properly, but the bottom box in Step 1 should read " = \$37,306,883/(\$7,086,104,458/100)", instead of what she has.

Followed by an acknowledgment from **Julie Davis**:

Subject: RE: Two fold...
Date: Mon, 23 May 2011 08:22:28 -0400
From: Julie Davis <jhdavis@haywoodnc.net>
To: Monroe Miller, Marty Stamey
<Mstamey@haywoodnc.net>

Monroe,

Thanks for letting us know about the number being in the wrong box. We will correct the page on the website.

Julie H. Davis, Finance Director

I have made a Request for Public Information from our newly minted Finance Director, Kristian Owen, for a replication of the form **Julie Davis** used for the FY2011-2012 Haywood County Revenue Neutral Tax Rate Calculation, but have not received it at this time.

So, here I get to reference two (2) articles in the Mountaineer, written by the Liberal Hack News Editor, **Vicki Hyatt**.

In the first article, 'Tax value notices might cause sticker shock', April 1, 2021. She quotes **Kevin Ensley**:

“... Haywood County Commission Chairman Kevin Ensley has been through four property reappraisal cycles.

The only year he remembers that commissioners didn't lower the tax rate when the values were up was in 2002, he recalled. Two of the commissioners up for re-election didn't make it, and Ensley was one who did.

“I didn't vote on that budget, but the values went up close to 30%,” he said. “They were building the justice center and just left the rate as it was.”

For the past two revaluation cycles, 2011 and 2017, property values actually dropped, Ensley said, which made the revaluation processes relatively simple. The lingering effects of the recession depressed values in 2001, while the 2017 valuation showed an average drop of 2%, he added.

It's when property values rise significantly that property owners get nervous. The values alone, though, are only a part of the equation because it is the tax rate that determines the ultimate amount owed. Haywood commissioners have indicated they will reduce the tax rate, so overall, taxpayers shouldn't owe much more than they did last year unless there were other property improvements that drove the value up.”

In the second **Vicki Hyatt** article, ‘Canton is all-in on recreation this budget year’, May 4, 2021,

“ ... Under the draft budget, the board will be able to decrease the tax rate from \$.58 per \$100 of value to a proposed \$.54 per \$100 of value under the proposal thanks to the countywide reappraisal that, on average, increased property values 24%.

During re-evaluation years, local government leaders must publish a revenue-neutral rate — a number that would reflect what the tax rate would be to keep its property tax revenue the same as the previous year with a nod toward inflation. That rate in Canton would have been \$.50 per \$100 of value.”

So, here we have -

- Bryant Morehead telling us that the Average Growth in Tax Base is 59%,
- Canton governing board is telling us that, thanks to the countywide reappraisal that, on average, increased property values 24%.

Well what is it? Interesting to note that one of the values for the new Canton tax rate is 50 Cents, and **Morehead's** is 50.87 Cents.

Science Experiment.

Let's see if what **Kevin Ensley** says is true! Take your last years property value, multiply it by .585/100, and compare that with this year's revaluated appraised value and multiply it by .5087/100 and compare it with last years.

Let's do a couple of examples, first using **Morehead's** Annual Growth in Tax Base number of 59%. Suppose you have a property worth \$100,000. This year it would be valued at \$159,000.

Last year,
 $(100,000) * (.585/100) = \$585.$

This year,
 $(159,000) * (.5087/100) = \808.83

WTF?

That's an increase of \$223.83, or a 38% increase.

Let's do the same calculation using Canton's numbers. Their increase in property values was 24% (how can it be 24% in Canton, while 59% in the rest of the county?), and Canton was looking at a spread of two new tax rates - \$.54/100 and \$.50/100.

Let's look at the new \$.54/100 first, applying a growth increase of 24%. The same \$100,000 property last year would be \$124,000 this year.

Last year,
 $(100,000) * (.58/100) = \$580.$

This year,
 $(124,000) * (.54/100) = \669.60

That's an increase of \$89.60, or a 15% increase.

Now for \$.50/100.

Last year,
 $(100,000) * (.58/100) = \$580.$

This year,
 $(124,000) * (.50/100) = \620.00

That's an increase of \$40.00, or a 7% increase.

Looks like ole **Kevin Ensley** is trying to pull the wool over someone's eyes. Let's wait and see what Kristian Owens comes up with.

So, you can do this science experiment yourself. Have a party and fasten your seat belt.

Legend: If any name is in **bold**, it can't be a good thing.

Monroe A. Miller, Jr.
Haywood County Taxpayer
2200 Camp Branch Road
Waynesville, NC 28786

www.haywoodtp.net

Si vis pacem, para bellum



FY2011-2012 Haywood County Revenue-Neutral Tax Rate Calculation

In a property revaluation year, the North Carolina General Statute 159-11(e) requires local governments to calculate the revenue-neutral property tax rate for comparative purposes.

Steps in determining the revenue neutral rate

Step 1: Determine a rate that would produce revenues equal to those produced for the current fiscal year.

Step 2: Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Step 3: Adjust the rate to account for any annexation, deannexation, merger, or similar event.

N.C.G.S. 159-11(e) - In each year in which a general reappraisal of real property has been conducted, the budget officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget. The revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. To calculate the revenue-neutral tax rate, the budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year. The budget officer shall further adjust the rate to account for any annexation, deannexation, merger, or similar event.

Step 1: Determine a rate that would produce revenues equal to those produced for the current fiscal year.

FY2011 projected total valuation before revaluation	\$ 7,258,148,368
FY2011 tax rate	0.514
Tax levy at FY2011 rate without revaluation = (\$7,258,148,368/100) x .514	\$ 37,306,883
FY2012 projected total valuation after revaluation	\$ 7,086,104,458
Tax rate that would produce revenue equal to FY2011 = \$37,306,883/(\$7,258,148,368/100)	0.5265

Step 2: Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Fiscal Year	Assessed Value	Annual % Increase
2007	\$ 6,499,330,181	Last revaluation year
2008	\$ 6,771,497,642	4.19%
2009	\$ 7,039,518,034	3.96%
2010	\$ 7,196,429,119	2.23%
2011 (projected)	\$ 7,258,148,368	0.86%
Average annual growth since FY2007 revaluation		2.81%

FY2012 revenue-neutral rate (2.81% growth factor applied) = 0.5265 x 1.0281	0.5413
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Step 3: Adjusting for annexations is not applicable for Haywood County.

Note: The property tax rate is the amount of tax charged per \$100 of assessed property value.



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