

Property Tax Trends

Joint Board of Commissioners and Board of Education Meeting

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FY 2026 Wake County Property Tax Base (Billions)

| | FY 2025 Actual | FY 2026 Adopted | FY 2026 Projected | Difference |
|---------------------------|----------------|-----------------|-------------------|------------|
| Real Property | \$274.6 | \$278.7 | \$277.1 | -\$1.6 |
| Personal Property | 11.1 | 11.8 | 11.8 | \$0 |
| Public Service | 4.3 | 4.5 | 4.6 | \$0 |
| Registered Motor Vehicles | 17.7 | 18.9 | 19.0 | \$0.1 |
| Total | \$307.7 | \$313.9 | \$312.4 | -\$1.5 |

FY 2026 Property Tax Revenue

- **\$20.4 million less property tax revenue projected than budgeted**

| FY 2025 Actual | FY 2026 Adopted | FY 2026 Projected |
|-----------------|-----------------|-------------------|
| \$1,593,758,960 | \$1,620,179,000 | \$1,599,745,000 |

2024 Appeals

| | 2016 | 2020 | 2024 |
|--------------------------|--------|--------|--------|
| Informal Review | 17,879 | 17,397 | 15,936 |
| Percent of Total Parcels | 5% | 4.4% | 3.7% |
| Formal Appeal | 3,650 | 6,391 | 8,936 |
| Percent of Total Parcels | 1% | 1.6% | 2.1% |
| Property Tax Commission | 381 | 708 | 1,529 |
| Percent of Total Parcels | 0% | 0% | 0% |

Property Tax Commission

| | Total Filed* | Open | Closed |
|-------------|--------------|------|--------|
| Residential | 516 | 233 | 283 |
| Commercial | 694 | 438 | 256 |
| Total | 1,210 | 671 | 539 |

*Includes multiple parcels shown as one filing

- **Total Value – Open Appeals**
 - Residential: \$180 million
 - Commercial: \$9.4 billion
- **Total Value Reduced – Closed Appeals**
 - Residential: \$12.7 million
 - Commercial: \$1.35 billion

Total Exempt, Excluded, and Deferred Value

- Normally nominal increase in year after revaluation effective
- Increase of \$1.2 billion in exempt value for FY 2026

| Tax Year | Total Value (Billions) | Annual Change (Billions) |
|----------|------------------------|--------------------------|
| 2017 | \$23.8 | \$0.54 |
| 2021 | \$29.8 | \$0.08 |
| 2025 | \$41.3 | \$1.22 |

Improvements on Brownfields

- **NCGS 105-277.13(c)**

- Percentage of appraised value of the qualified improvements that is excluded based on the taxable year:

| <u>Year</u> | <u>Percent of Appraised Value Excluded</u> |
|-------------|--|
| Year 1 | 90% |
| Year 2 | 75% |
| Year 3 | 50% |
| Year 4 | 30% |
| Year 5 | 10% |

Trend: Brownfields

- **\$514.5 million increase in excluded value from Brownfield projects**

| | Excluded Value |
|---------------------------------------|----------------|
| 2024 Taxable Value (Excluded in 2025) | \$233.2 M |
| 2025 Additional Value Excluded | \$281.3 M |
| Total Value Excluded | \$514.5 M |

Affordable Housing

- **NCGS 105-278.6(a)(8)**

- A nonprofit organization providing housing for individuals or families with low or moderate incomes...

Shall be exempted from taxation if (i) As to real property, it is actually and exclusively occupied and used, and as to personal property, it is entirely and completely used, by the owner for charitable purposes; and (ii) the owner is not organized or operated for profit.

Blue Ridge Housing of Bakersville, LLC.

2013

- **Ownership Structure: 99.9% Investor Member; 0.1% Nonprofit Member**
- **Balancing Test**
 - Control of operations
 - Status as trustee of property
 - Possibility of future increased ownership
 - Intent of participating parties
- **Court concluded that even though not-for-profit had 0.1% ownership, property could qualify as exempt for property tax purposes**
- **Court did not define low and moderate income for purposes of 105-278.6(a)(8)**

Trend: Affordable Housing

- Increase of \$776.3 million of exempt value for FY 2026

| Tax Year | Properties Qualified | Total Living Units | Exempt Living Units | Unit % Increase | Total Value Assessed | Exempted Value |
|----------|----------------------|--------------------|---------------------|-----------------|----------------------|----------------|
| 2020 | 66 | 2,891 | 2,891 | 9.2% | 223,089,037 | 223,089,037* |
| 2021 | 69 | 3,503 | 3,503 | 21.2% | 289,993,674 | 289,993,674 |
| 2022 | 76 | 4,276 | 4,276 | 22.1% | 368,306,829 | 368,306,829 |
| 2023 | 73 | 4,581 | 4,581 | 7.1% | 388,014,684 | 388,014,684 |
| 2024 | 97 | 8,134 | 8,134 | 77.6% | 1,428,371,902 | 1,428,371,902* |
| 2025 | 137 | 13,209 | 12,693 | 56.0% | 2,299,181,354 | 2,204,668,044 |

*Revaluation

Example

- **Existing Apartment Complex in Raleigh**
 - 2024: 0% exempt, \$104.2 M taxable value
 - 2025: 70% exempt, \$31.3 M taxable value
- **70% units 80% AMI (moderate income)**
 - 80% AMI = market rent



Trends for FY 2027

- Exempt and Excluded Property Applications Due 2/1/26
- Currently entering and reviewing
- Potential of additional value excluded from tax base
 - 66 Brownfield applications
 - 170 Affordable Housing applications
 - At current tax rate, represents \$6.5 million of lost County property tax revenue (in addition to \$6.6 million lost in FY 2026)



Significant Impact of Blue Ridge Loophole

- ***Self Help Organization estimates 94% of rental property in Wake County charge market rents at 80% AMI***
 - Value of apartments in Wake County: \$29.2 Billion
 - Value currently exempt: \$2.2 Billion
 - Applications pending: \$1.2 Billion
 - Net Taxable Value: \$25.8 Billion
- **94% = \$24.25 Billion**
 - \$24.25 Billion times \$0.5171 cents per \$100 of value = \$125.4 million of County property tax at risk.

Other Items

- **House Select Committee on Property Tax Reduction and Reform**
 - Review of exemptions
 - Discussion of property tax levy limits
 - Additional requirements and notifications
- **Senate Committee Announced**

Next Steps

- **Finalizing Property Tax Base Estimate for FY 2027 Budget; Significantly Less Growth than Prior Years**

| | |
|--|------------------|
| Estimated Property Tax from Growth | \$28.2 Million |
| FY 2026 Shortfall (Appeals/Exemptions and Exclusions) | (\$20.4 Million) |
| Net New Property Tax (w/o property tax rate increase) | \$7.8 Million |

- **Preparing for Revaluation Effective 1/1/2027**
- **Monitoring Potential Legislative Changes**



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