

Item Title: Phased-In Implementation of a Two-Year Revaluation Cycle

Specific Action Requested:

That the Board of Commissioners adopts a resolution advancing the next scheduled countywide revaluation to be effective January 1, 2027, and orders subsequent revaluations to be performed on a two-year cycle thereafter.

Item Summary:

Purpose: §105-286(a)(3) requires the Board of Commissioners to adopt a resolution providing for the advancement of a countywide revaluation.

Background: North Carolina Law requires all counties to revalue real property at least once every eight (8) years. On March 21, 2016, the Board of Commissioners adopted a resolution enabling a four-year revaluation cycle. Tax Administration has conducted two revaluations on a four-year cycle; the first four-year revaluation was effective as of January 1, 2020, and the most recent revaluation was effective as of January 1, 2024.

Strategic Plan: This action aligns with the Board of Commissioners' policy authority to advance the timing of reappraisal granted by the State of North Carolina and does not relate to goals in the strategic plan.

Fiscal Impact: Funds for staffing that supports a shortened revaluation cycle is included in Tax Administration's FY 2025 budget. Future costs for technology innovation, more frequent printing and mailing, and other items supporting the county-wide revaluation will be paid through the Tax Administration revaluation budget.

Additional Information:

Tax Administration is responsible for appraising, assessing, and listing all real estate and personal property within Wake County, its 15 municipalities and related service districts. The Department also collects all current and delinquent taxes on such property excluding registered motor vehicles. In addition, the Department oversees the billing and collection of the Prepared Food & Beverage Tax, Hotel/Motel Room Occupancy Tax, Rental Vehicle Tax, Special Assessments, and various licensing and permits.

Property tax is Wake County's largest revenue source, comprising 75% of all General Fund revenues. The FY 2025 tax base is \$307.5 billion, and with a tax rate of 51.35 cents per \$100 of assessed value, almost \$1.5 billion is projected in County property tax revenue for FY 2025. Of the County's total tax base, approximately 90% is real property. Revaluations are required by state law and is how the tax value is set for real property – which is all residential and commercial land and structures such as homes, office

buildings, stores, and farms. Accordingly, revaluation also impacts the tax base of municipal, fire district and other special tax districts.

By state law, property shall be valued at market value. Revaluation prevents unfair taxation. Because property taxes are based on a property's market value, if counties didn't conduct periodic revaluations, some property owners would pay more than their share of property tax while others would pay less than their share.

Real estate values rapidly increased in Wake County; between 2020 and 2024 the County experienced a record increase in value of 51 percent (53 percent residential and 45 percent commercial). The most recent revaluation reflected this record increase in market activity and property owners saw unprecedented increases in their assessed value.

Wake County is not alone in seeing this record increase in market value. Neighboring counties such as Johnston, Durham, and Orange counties are also seeing record increases. Their revaluations effective January 1, 2025 are increasing property owners' assessed values to also reflect the significant growth in market value. Johnston County property owners received their notices of assessed value in January, and Durham and Orange County notices are planned for March.

To mitigate such large increases in value, it is proposed to increase the frequency of property revaluations to better serve the growing community. Starting with a transition from the current four-year cycle, the next revaluation would be effective January 1, 2027, with subsequent revaluations effective every-two years such that the first revaluation on a two-year cycle would be effective January 1, 2029. This gradual transition is recommended to allow property owners to adapt to this new approach.

More frequent revaluations ensure real estate sales are more aligned with assessed value. It will mitigate significant adjustments every four years. In addition, more frequent assessments will ensure that new construction and renovations are valued closer to their actual market worth, which allows growth in the tax base to be realized sooner. This promotes fairness in property value assessments and reduces the property tax burden on lower valued, older properties. More frequent revaluations also align with best practices and the County's national peers. Outside of North Carolina, apart from one county, the top 10 fastest growing counties with populations with more than a million residents revalue property annually. It also aligns with southeastern peers; most counties in Virginia and Florida reassess property annually.

Attachments:

1. Presentation
2. Resolution