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## Coates' Canons Blog: County Tax Collection Obligations for Motor Vehicles Under the “Tag & Tax Together” Program

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On September 1, the state's Tag & Tax Together program formally launches statewide. All N.C. vehicle owners will be required to pay property taxes owed on their vehicles at the same time they register those vehicles each year with the Division of Motor Vehicles. The joint payment system actually went live in July, meaning vehicle owners with September renewals can already pay their taxes and registration fees simultaneously via the DMV website.

In return for payment of a small transaction fee to the DMV, counties won't need to worry about mailing tax bills for the state's 8 million or so registered vehicles and (hopefully) will benefit from increased collection rates for taxes on those vehicles.

Counties can't forget entirely about collecting these taxes, however. A number of potentially knotty problems remain. One of them is bankruptcy filings by vehicle owners, which I discussed here. Another is “gap billing,” a term I use to describe the county's obligation to collect property taxes owed on a vehicle that moves between registered and unregistered status.

The DMV will be responsible for collecting taxes owed on registered vehicles. It remains the county's job to collect taxes on unregistered vehicles. When a registration expires on a vehicle and the owner waits months or years to renew that registration, it might be difficult to determine which entity collects which taxes for which time period. This blog post should help.

The key question in determining whether it's the DMV or the county that is responsible for collecting property taxes on a vehicle for the period after its registration expires is, “Did the vehicle's tax year change?”

If the vehicle tax year did not change, then the DMV will normally be responsible for collecting the taxes on the vehicle for the time in between the expiration of the registration and the renewal of that registration. The late renewal relates back to the prior expiration date and the vehicle is considered registered (and therefore the responsibility of the DMV) for the entire period.

If the vehicle year did change, then the county will likely be responsible for collecting the taxes in between the expiration and renewal. The renewal is considered a “new” registration that does not relate back to the prior expiration date. The vehicle was unregistered (and therefore the responsibility of the county) for that entire period.

As I understand the process, the DMV will change a vehicle's registration year (and therefore the corresponding tax year) in two circumstances:

1. The vehicle was not drivable at the time the old registration expired; or,
2. It has been more than 12 months since the old registration expired.

If neither of these circumstances exist, then the vehicle's registration and tax year should remain the same despite a delay in renewing the registration.

Here are a few examples to illustrate these principles. The statutes that govern this process are G.S. 105-330.3 and -330.4.

### **Example 1: No Change to Vehicle Tax Year**

Billy BlueDevil owns a Ford Fusion with a Durham County registration and tax year that ends on October 31, 2013. He paid the 2012-2013 taxes owed on the car, which were \$120. Billy decides not to renew the registration when it expires. But in February 2014 his other car breaks down and Billy needs to start driving the Ford again. He visits the DMV and renews the registration for the Ford on February 20, 2014. The DMV does not change the registration and tax year for Billy's Ford.

*What taxes must Billy pay when he renews the Ford's registration in February 2014?*

Billy will be required to pay the 2013-2014 taxes on the Ford, plus interest. Interest begins to accrue at a rate of 5% for November 16 thru December 31, 2013, and .75% each month for January 2014 and February 2014.

*When will the tax year for the Ford end?*

Billy's late renewal did not change the Ford's tax year. It will run from November 2013 to October 2014.

*Does the county have any responsibility to collect property taxes on Billy's Ford?*

No. Despite Billy's late renewal, for tax purposes the Ford is treated as if it were always registered. The DMV has sole responsibility for collecting taxes on registered motor vehicles.

### **Example 2: Car Not Drivable, Vehicle Tax Year Changes**

Wanda Wolfpack owns a Chevy Camaro. Her Wake County registration and tax year ends on September 30. Because her Camaro is not drivable at that time, she does not renew her registration in 2013. In June 2014, Wanda gets the Camaro serviced and registers it with the DMV, which creates a new tax year for the Camaro.

*What taxes must Wanda pay when she renews the Camaro's registration in June 2014?*

Wanda will pay the 2014-2015 taxes on the Camaro. No interest is charged because it is not considered a late registration; it is essentially a new registration with a new tax year.

*When will the tax year for the Camaro end?*

The new registration and tax year for the Camaro will run from July 2014 to June 2015.

*Does the county have any responsibility to collect property taxes on Wanda's Camaro?*

Yes. Under G.S. 105-330.3(a1), the county is responsible for a "gap bill" to recapture the property taxes for the period between the expiration of Wanda's prior registration and her new registration. In this case, the gap billing should cover nine months: October 2013 thru June 2014. The tax is prorated based on what the taxes would have been for a full tax year using the tax rate in place at the time the bill is created and the vehicle value as of January 1 for the year in which the registration expired.

Presumably Wake County would learn of Wanda's new registration and begin to create her gap bill in July 2014. (It might

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be June 2014, but I expect that there will be some delay between registration with the DMV and notice being provided to the county). Assume Wake County's tax rate as of July 2014 is \$.60 and the value of Wanda's Camaro as of January 1, 2013 (the year in which her old registration expired) was \$10,000. A full year of tax would be \$60. Wanda's prorated gap bill for 9 months therefore would be \$45. It would be due on September 1. If unpaid, interest would accrue at 5% for September and .75% for every month thereafter.

*What collection remedies may the county use for the gap bill?*

Despite its unusual calculation method, the gap bill is a plain-vanilla personal property bill in terms of collection. Just like it may for any other personal property tax bill, the county may collect a gap bill using attachment and garnishment, levy and sale, or, if the taxpayer also owns real property in the county, foreclosure (because the tax lien on real property includes taxes on all personal property other than registered motor vehicles listed by the same taxpayer in the same county). However, the county may **not** place a block on the taxpayer's motor vehicle registration to collect a gap bill. Registration blocks are only available for taxes on registered motor vehicles, and a gap bill is a tax on a motor vehicle for the time period in which it was *unregistered*.

### **Example 3: Unregistered for More than a Full Fiscal Year, Vehicle Tax Year Changes**

Tim Tarheel owns a Toyota Camry. His Buncombe County registration and tax year ends on September 30, 2013. He fails to renew his registration until October 2015, at which time the DMV creates a new tax year for the Camry.

*What taxes must Tim pay when he renews the Camry's registration in October 2015?*

Tim will pay the 2015-2016 taxes on the Camry. No interest is charged because it is not considered a late registration; it is essentially a new registration with a new tax year.

*When will the tax year for the Camry end?*

The new registration and tax year for the Camry will run from November 2015 to October 2016.

*Does the county have any responsibility to collect property taxes on Tim's Camry?*

Yes. Just as in example #2 above, the county will be required to bill Tim for the months his Camry was not registered.

Tim's Camry was unregistered for 25 months—October 2013 thru October 2015—meaning the gap bill be prorated for 25 months of taxes. The tax rate will be Buncombe County's tax rate as of the date the gap bill is prepared, which likely would be November 2015. The tax value of the Camry will be the car's tax value as of January 1, 2013, the year in which Tim's prior registration expired.

The gap bill would become delinquent and accrue interest on the first day of the second month after the bill is created, at rate of 5% for the first month and .75% for every month thereafter.

*Could the county create a discovery bill for Tim's Camry?*

Yes, but that would be a much more complicated approach. It would require two different tax bills with different tax values, tax rates, delinquency dates, and interest rates.

The discovery bill would cover the 2014-2015 tax year for Tim's failure to list his unregistered Camry as personal property. The discovery bill would use the car's tax value as of January 1, 2014 and Buncombe County's tax rate for the 2014-2015 tax year. Discovery penalties of 20% (for missing two listing periods, 2014 and 2015) must be added. The bill would become delinquent on January 6, 2016 and accrue interest at the "regular" Machinery Act rate of 2% for the first month and .75% for every month thereafter.

The gap bill would cover the months the Camry was unregistered prior to and after the 2014-2015 tax year (13 months total: October 2013 thru June 2014 and July 2015 thru October 2015). It would have the same tax rate, tax value,

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delinquency date and interest rate as the gap bill for Tim's Camry described above—all of which differ from the discovery bill.

G.S. 105-330.3(a1) contemplates the use of a discovery bill when a vehicle remains unregistered for more than a full tax year. That said, my friends at the Department of Revenue and I agree that the better approach is to avoid using the discovery process. We recommend recapturing all of the taxes for the unregistered months using single gap bill prorated for all of the months between expiration and registration. When the General Assembly reconvenes in 2014, the Department of Revenue will propose technical changes to G.S. 105-330.3 to make the law reflect this more simple process.

*What collection remedies may the county use for the gap bill and/or discovery bill?*

Both the gap bill and a discovery bill, if used, would be personal property tax bills that may be collected using attachment and garnishment, levy and sale, or, if the taxpayer also owns real property in the county, foreclosure (because the tax lien on real property includes taxes on all personal property other than registered motor vehicles listed by the same taxpayer in the same county). However, the county may not place a block on the taxpayer's motor vehicle registration to collect either bill. Registration blocks are only available for taxes on registered motor vehicles, and both the gap bill and the discovery bill would represent taxes on a motor vehicle for the time period in which it was *unregistered*.

Got questions? Make plans to join me, David Baker, and Pete Rodda for a webinar on county collection responsibilities for motor vehicles under the new "Tag & Tax Together" program on September 17. [Click here to register.](#)

## Links

- [canons.sog.unc.edu/wp-content/uploads/2013/08/dmv\\_frontpage\\_tagtax\\_page.png](https://canons.sog.unc.edu/wp-content/uploads/2013/08/dmv_frontpage_tagtax_page.png)
- [www.ncdot.gov/dmv/vehicle/tagtax/](http://www.ncdot.gov/dmv/vehicle/tagtax/)
- [edmv.ncdot.gov/VehicleRegistration/Account/LogOn?ReturnUrl=%2fVehicleRegistration%2f](http://edmv.ncdot.gov/VehicleRegistration/Account/LogOn?ReturnUrl=%2fVehicleRegistration%2f)
- [canons.sog.unc.edu/?p=7188](https://canons.sog.unc.edu/?p=7188)
- [www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=105-330.3](http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=105-330.3)
- [www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=105-330.4](http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=105-330.4)
- [www.sog.unc.edu/courses/webinars/webinar-demand-rmv-property-tax-collection-system](http://www.sog.unc.edu/courses/webinars/webinar-demand-rmv-property-tax-collection-system)