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## Coates' Canons Blog: The Nuts and Bolts of Property Tax Bills

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Tis the season for cities and counties to start mailing their 2015-2016 property tax bills. This annual event raises a very basic question: exactly what must and may be included on a property tax bill?

Surprisingly, the Machinery Act provides detailed guidance about almost every aspect of the property tax process *except* property tax bills. This lack of guidance means local governments can decide for themselves about the timing, form, and content of their property tax bills.

In fact, local governments could choose to skip mailing tax bills entirely, thanks to the Machinery Act provision that charges all of us property owners with notice of our tax obligations even if we don't receive actual notice in the form of a bill. I don't recommend this approach, for lots of obvious reasons (including the possibility that it opens the door for retroactive property tax exemptions).

Given that local governments have unusual flexibility regarding their property tax bills, here are my thoughts on how best to approach this issue.

### *Inclusion on Property Tax Bill ? Property Tax Collection Remedies*

Cities and counties may include any debts they desire on a property tax bill. Want to include recycling fees? Sure. Stormwater fees? No problem. Library fines? Knock yourself out.

But including a debt on a property tax bill does not automatically give the local government property tax collection remedies for that debt. (A big exception to this rule is solid waste fees; see below for more on them.)

The fact that I owe \$4.50 to the library in late fines because I couldn't stop reading about Coach K's keys to success on and off the court does not give the county the right to foreclose on my house. With the exception of solid waste fees, including a particular debt on the property tax bill does not change the collection remedies available for that debt. I discuss the collection remedies for a wide variety of local government fees and (non-property) taxes here.

Without question, including a debt on the property tax bills makes it very likely that that debt will be paid. The average county property tax collection rate exceeds 98%. Most taxpayers will look at the total amount due on the bill and pay that amount in a timely fashion without thinking too much about what's included in that amount.

But collection could get complicated for that small percentage of taxpayers who don't pay their bills in full by the property tax delinquency date (the following January 6). If the tax collector needs to employ attachment and garnishment or other enforced collection remedies for a "blended" bill that includes both property taxes and other debts, she must be careful not to include those other debts in the enforced collection effort.

For example, assume that Carolina County includes an annual storm water fee on its property tax bills. Those bills are not collectible using property tax collection remedies. Billy Blue Devil's bill includes \$1,000 in property taxes and \$100 in storm water fees. If Billy fails to pay his bill by January 6, 2016, the tax collector may garnish his bank account for the \$1,000 in property taxes but not for the \$100 in storm water fees. (See this bulletin for how to collect storm water fees.)

### *Solid Waste Fees*

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This fee is the only one that automatically gains property tax collection remedies if it is included on the property tax bill. G.S. 153A-292 and -293 (counties) and G.S. 160A-314 and -314.1 (cities) require the local government to first adopt a resolution requiring solid waste fees to be billed and collected as property taxes. Once that occurs and the solid waste fees are added to the property tax bill, then these fees are subject to the same collection remedies as property taxes: foreclosure (because they become a lien on the real property being served), attachment and garnishment, and levy and sale.

For more on solid waste fees, see Kara Millonzi's blog posts [here](#) and [here](#).

### *Interest and Discounts?*

Unpaid property taxes become delinquent and begin to accrue interest on January 6 of the fiscal year in which they are levied. Interest accrues at 2% for the first month (or part thereof) and .75% for every month (or part thereof) after until paid. G.S. 105-360(a). (Note that different rules apply to taxes on registered motor vehicles (RMVs).)

A discount applies to the payment of (non-RMV) property taxes prior to their due date, September 1 of the fiscal year in which they are levied, if and only if the local government adopts a discount schedule under G.S. 105-360(c). The typical discount is 1 or 2 percent. (Again, registered motor vehicle property taxes differ.)

The big question: do these discounts and interest apply other taxes or fees that are included on a property tax bill?

I think the best answer is yes, but only if the local government adopts an ordinance or resolution that applies Machinery Act discounts and interest to the other tax or fee in question. This approach assumes that the tax or fee in question is not already subject to its own statutory late payment penalty or interest; if so, then that specific statutory penalty or interest provision should apply rather than the Machinery Act's interest provisions.

Because of the special rules concerning solid waste fees discussed above, it may be that the Machinery Act's interest and discount provisions automatically apply to them. But that's not certain. The best practice is for the local government is to make that clear and explicit in the resolution adding them to the property tax bill that these fees will be subject to Machinery Act interest and (if one exists) discount.

Your tax collector will be grateful if you decide to apply Machinery Act interest and discounts to the additional debts billed with property taxes. If not, the collector will need to make separate early and late payment calculations for the property taxes and for the other debts.

### *Must the county collect these additional amounts for the city?*

Many cities contract with their counties to collect their property taxes. If so, must a county collect other amounts that a city wishes to bill with property taxes? In a word, no. There is no statutory duty for a county to collect any tax or fee on behalf of their cities. That subject is completely up for negotiation between the local governments.

A county could agree to collect a city's solid waste fees along with that city's property taxes as part of the contract between the two governments. I think most counties would be happy to do so, as it would presumably increase the collection fees it receives from the city and (assuming that the city agrees to apply Machinery Act interest and discounts) would be subject to the same collection and accounting procedures that are already in place for the city's property taxes. But nothing requires a county to do so.

## Links

- [www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=105-348](http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=105-348)
- [canons.sog.unc.edu/?p=2224](http://canons.sog.unc.edu/?p=2224)
- [www.barnesandnoble.com/w/leading-with-the-heart-mike-krzyzewski/1103274205](http://www.barnesandnoble.com/w/leading-with-the-heart-mike-krzyzewski/1103274205)
- [www.sog.unc.edu/publications/bulletins/beyond-property-tax-collecting-other-taxes-and-fees-0](http://www.sog.unc.edu/publications/bulletins/beyond-property-tax-collecting-other-taxes-and-fees-0)
- [www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=153A-292](http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=153A-292)



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- [www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=153A-293](http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=153A-293)
  - [www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=160a-314](http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=160a-314)
  - [www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=160a-314.1](http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=160a-314.1)
  - [canons.sog.unc.edu/?p=3309](http://canons.sog.unc.edu/?p=3309)
  - [canons.sog.unc.edu/?p=7837](http://canons.sog.unc.edu/?p=7837)
  - [www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=105-360](http://www.ncga.state.nc.us/gascripts/statutes/statutelookup.pl?statute=105-360)