

Legislative Update

Property Tax Moratorium & Tax Levy Cap



Objectives

- Review status of **Property Tax Moratorium** (SB889) and impact on FY2027 Budget
- Review timeline for **Constitutional Amendment Referendum** (HB1089) to Cap Growth in Property Tax
- Review the potential impacts associated with the **State Budget Framework.**

SB 889

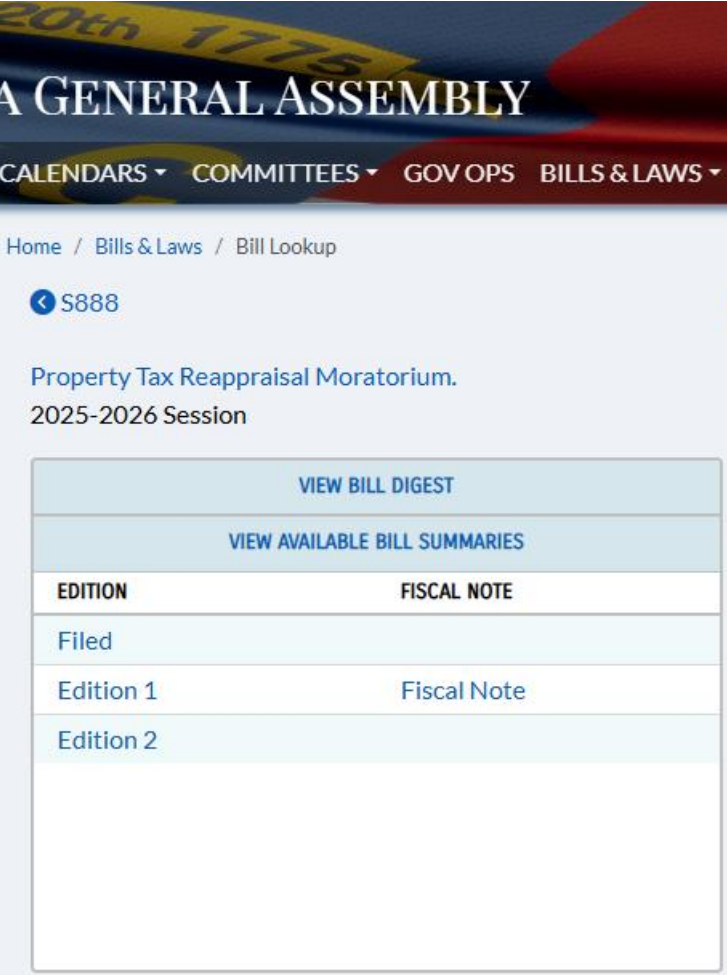
Property Tax Moratorium



Bill Overview

Senate Bill 889:

- A one-year pause on the current reappraisal.
- Property owners would be taxed based on the assessed value from the prior year.
- The new values would go into effect for January 1, 2027 → Fiscal Year 2028 budget.
- The bill passed the Senate on a 35-8 vote
- The bill is currently in the House of Representatives and as of June 3, 2026:
 - Withdrawn from Rules, Calendar, and Operations
 - Referred to the Committee on State and Local Government, if favorable then Finance; if favorable, then Rules

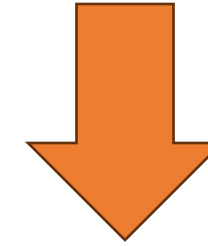


The screenshot shows the North Carolina General Assembly website. At the top, it says "20th 1775" and "A GENERAL ASSEMBLY". Below that are navigation links: "CALENDARS", "COMMITTEES", "GOV OPS", and "BILLS & LAWS". The breadcrumb trail is "Home / Bills & Laws / Bill Lookup". The bill number "S888" is displayed with a back arrow. The title is "Property Tax Reappraisal Moratorium. 2025-2026 Session". There are two buttons: "VIEW BILL DIGEST" and "VIEW AVAILABLE BILL SUMMARIES". Below these is a table with columns "EDITION" and "FISCAL NOTE".

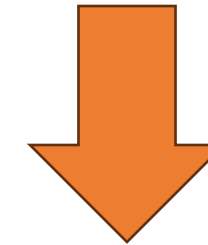
EDITION	FISCAL NOTE
Filed	
Edition 1	Fiscal Note
Edition 2	

Revised FY27 Budget Framework

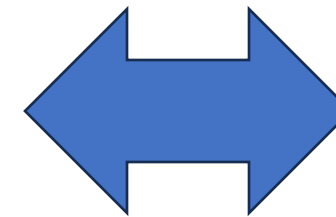
- If the Board maintains the current tax rate under a property tax moratorium, property tax revenues would decrease by an estimated \$89 million, plus an additional \$4.3 million due to public service equalization.
- Federal/State reimbursement would decrease, depending on balancing strategies, if merits and compensation maintenance are removed.
- Sales tax revenue assumption would not change



**Property Tax
Revenues
(\$93) million**



**Federal/State
Revenues
(\$1) million**



**Sales Tax
Revenues
No Change**

Impact to Fiscal Year 2027 Budget

- ▶ Results in no new funding for Guilford County Schools, including technology, security, and classified staff
- ▶ Limited funding for the school capital debt service plan and increased probability of tax rate increases or program discontinuation
- ▶ Results in no merit or compensation adjustments for county staff, including public safety
- ▶ Results in flat tax rates for rural fire districts
- ▶ Revise economic incentive participation



Moratorium Budget Framework (Policy Dials)

- **County Operations**

- Merit and compensation maintenance plan
- County Capital
- New position and operating expansion requests
- CBO allocation

- **K-12 Education**

- Maintain prior year funding allocation for local current expense
- Classified pay plan increase
- Technology and non-bond eligible capital
- Bond program

- **Community College**

- Maintain prior year funding allocation for local operating expense
- Capital Outlay
- Debt service and bond program to support economic development

**\$93 Million
Gap**

Timeline on Next Steps

- SB889 is not yet scheduled for a vote in the NC House
- If approved, the bill would require the Governor to sign.
- Should the Board of Commissioners adopt a budget on June 18, then staff will bring back amendments to reduce the budget ordinance.
- The County has met statutory requirements under NC159 by:
 - ✓ Receiving department budget requests by April 30
 - ✓ Presenting a recommended budget by June 1
 - Holding a public hearing (tonight)
 - Potentially adopting a budget ordinance no earlier than 10 days after the budget was presented

Session Law 2026-5 (HB1089) - Constitutional Cap Referendum



House Select Committee

- The North Carolina House of Representatives created a Select Committee on Property Tax Reduction and Reform.
- The Committee recommended a statewide ballot referendum giving the General Assembly the ability to limit the amount by which the levy of taxes on property may increase, including possible exceptions.
- The referendum legislation passed the House and Senate on May 20, 2026, and was chaptered as Session Law 2026-5 on May 21, 2026.

FOR AGAINST

Constitutional amendment requiring limits on property tax increases by local governments."

House Select Committee

Goal of bill is to limit the amount by which the authorized property tax levy could be increased during the annual budget cycle.



HOUSE BILL 1089: Const. Amend. Property Tax Levy Limit.

2025-2026 General Assembly

Committee: Senate Rules and Operations of the Senate	Date: May 20, 2026
Introduced by: Reps. Echevarria, Howard, Setzer, Paré	Prepared by: Nicholas Giddings
Analysis of: First Edition	Staff Attorney

OVERVIEW: House Bill 1089 is a recommendation of the House Select Committee on Property Tax Reduction and Reform and would submit to the voters of North Carolina the question of whether to amend the State Constitution to require the General Assembly to enact legislation limiting the property tax levy increase by counties and cities.

CURRENT LAW: The State Constitution may be amended by either a constitutional convention or by legislative action. An amendment proposed by legislative action must be approved by a vote of three-fifths of each house and submitted to the voters of the State. If a majority of the voters of the State approve, the amendment becomes effective either the January following the public vote or the date provided in the enactment.

The North Carolina Constitution (i) vests in the General Assembly the authority to grant units of local government the ability to levy property taxes and (ii) requires the authorization of those levies to be for purposes authorized by general law uniformly applicable throughout the State. The North Carolina General Statutes currently limits the authorization of property taxes generally to a maximum rate of \$1.50 per \$100 of value.

BILL ANALYSIS: House Bill 1089 would submit to the voters of North Carolina, the question of whether to amend the State Constitution to require the General Assembly to enact limits on the amount by which the authorized property tax levy could be increased and allow for exceptions applicable to the limitations enacted.

The ballot question would be considered at the statewide general election to be held on November 3, 2026, and the ballot question would read:

"Constitutional amendment requiring limits on property tax increases by local governments."

EFFECTIVE DATE: House Bill 1089 would be effective when it becomes law. If approved by a majority of the voters in the November 3, 2026, election, the amendment to the North Carolina Constitution would become effective upon certification of the referendum results.



House Select Committee

The following slides include information that was shared with the House Select Committee on December 17, 2025

Each limit affects a different term of the property tax equation:

Assessment Limits Affect:



Rate Limits Affect:



Levy Limits Affect:



$$[\text{Property Tax Base}] \times [\text{Property Tax Rate}] = \text{Tax Revenue}$$

Summary of Limits

The Select Committee reviewed three types of assessment limits:

Assessment Limits

- Restricts growth in the assessed value of taxable property (i.e., limit the tax base)

Rate Limits

- Restrict the tax rates leviable by a taxing jurisdiction (i.e., limit the ability to increase the tax rate)

Levy Limits

- Restrict the overall property tax revenues that local governments are allowed to collect (i.e., limit collectible revenue)

House Select Committee

Each limit affects a different term of the property tax equation:

Assessment Limits Affect:



Rate Limits Affect:



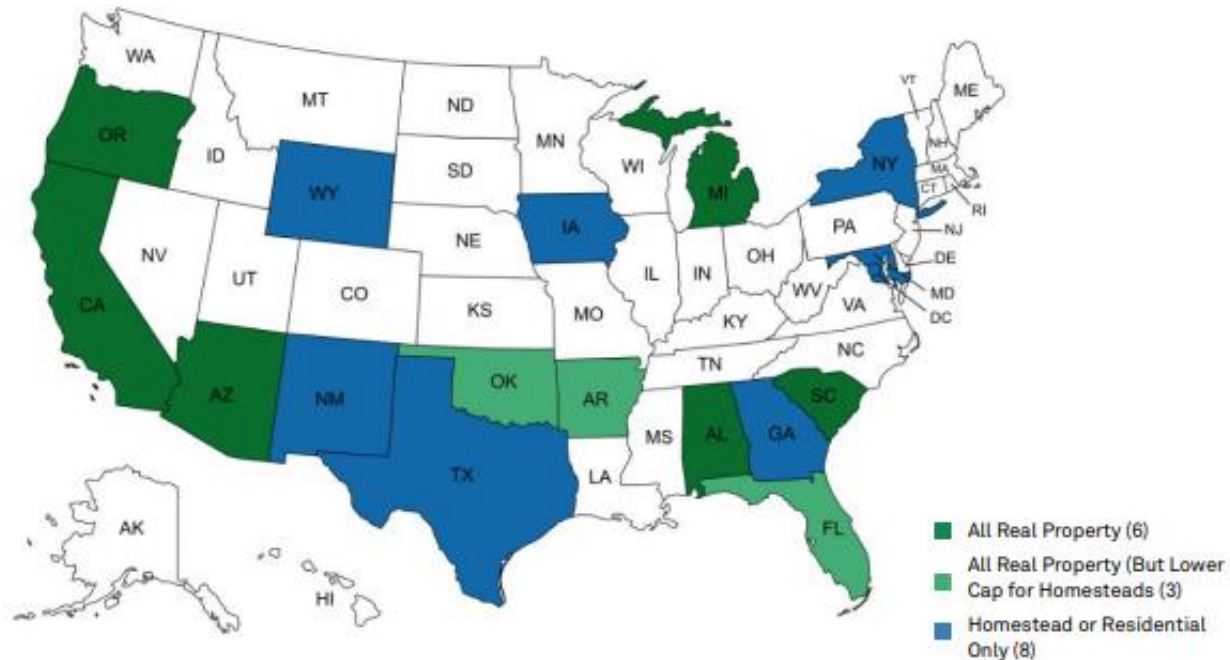
Levy Limits Affect:



$$[\text{Property Tax Base}] \times [\text{Property Tax Rate}] = \text{Tax Revenue}$$

House Select Committee – Assessment Limit

Figure 4: Types of Property Covered by Assessment Limits (2024)



Source: Created with mapchart.net.

*Note: See appendix 3 for notes on specific states. New York's assessment limit is only for New York City and Nassau County.

<https://go.lincolnst.edu/property-tax-limits-pd.pdf>

1. California – Proposition 13
 - *The assessed value of a property cannot increase by more than 2% annually over its base value, unless the property undergoes a change in ownership or new construction takes place*
2. Florida – Save our Homes Amendment
 - *Limits annual property tax assessment increases on primary residences with a Homestead Exemption to a maximum of 3% or the Consumer Price Index (CPI), whichever is lower*

House Select Committee

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Assessment Limits Affect:



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Levy Limits Affect:



$$[\text{Property Tax Base}] \times [\text{Property Tax Rate}] = \text{Tax Revenue}$$

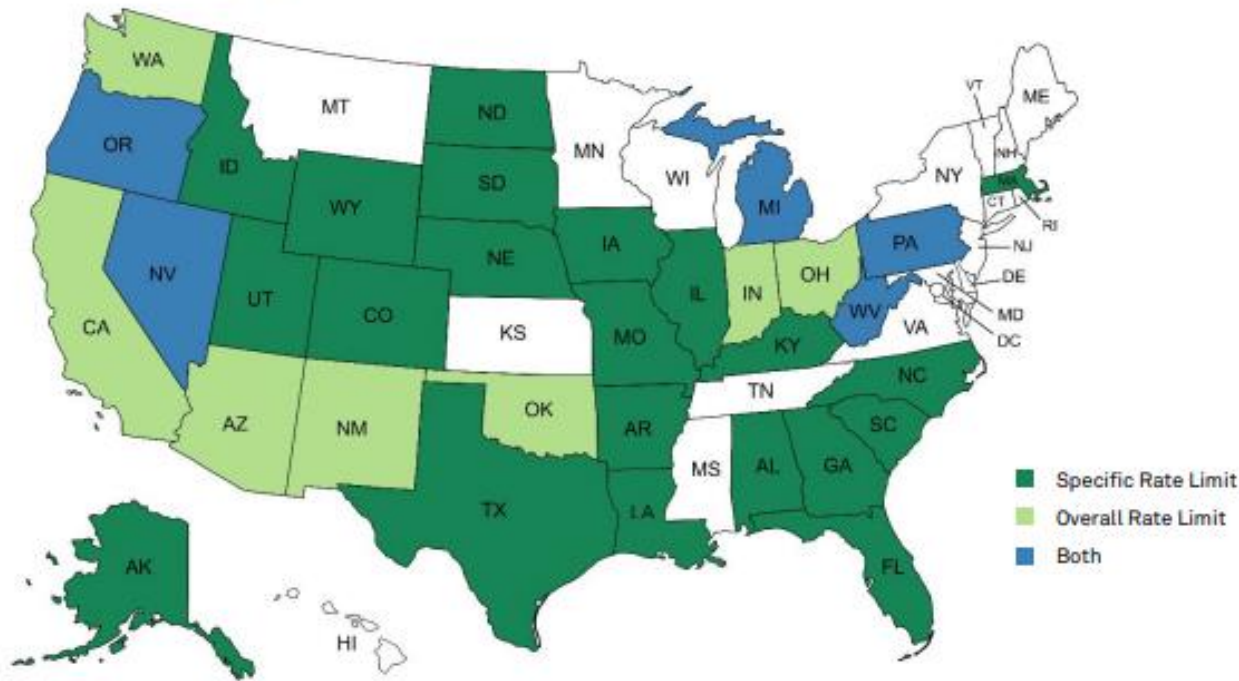
Property Tax Rate Limits

The Select Committee reviewed two types of tax rate limits:

1. Specific Rate Limits
 - *Cap the tax rate for individual types of local governments*
2. Overall Rate Limits
 - *Cap the total combined tax rate of all overlaying local governments*

House Select Committee – Rate Limit

Figure 2: States with Property Tax Rate Limits (2024)



Source: Created with mapchart.net.

<https://go.lincolnst.edu/property-tax-limits-pd.pdf>

1. North Carolina

- *Property tax rates are capped at \$1.50 per \$100 of assessed value for each separate taxing jurisdiction.*

2. South Carolina

- *Local governments in South Carolina may not increase the general-purpose millage rate by more than the sum of inflation and population growth*

House Select Committee

Each limit affects a different term of the property tax equation:

Assessment Limits Affect:



Rate Limits Affect:



Levy Limits Affect:



$$[\text{Property Tax Base}] \times [\text{Property Tax Rate}] = \text{Tax Revenue}$$

Levy Limits

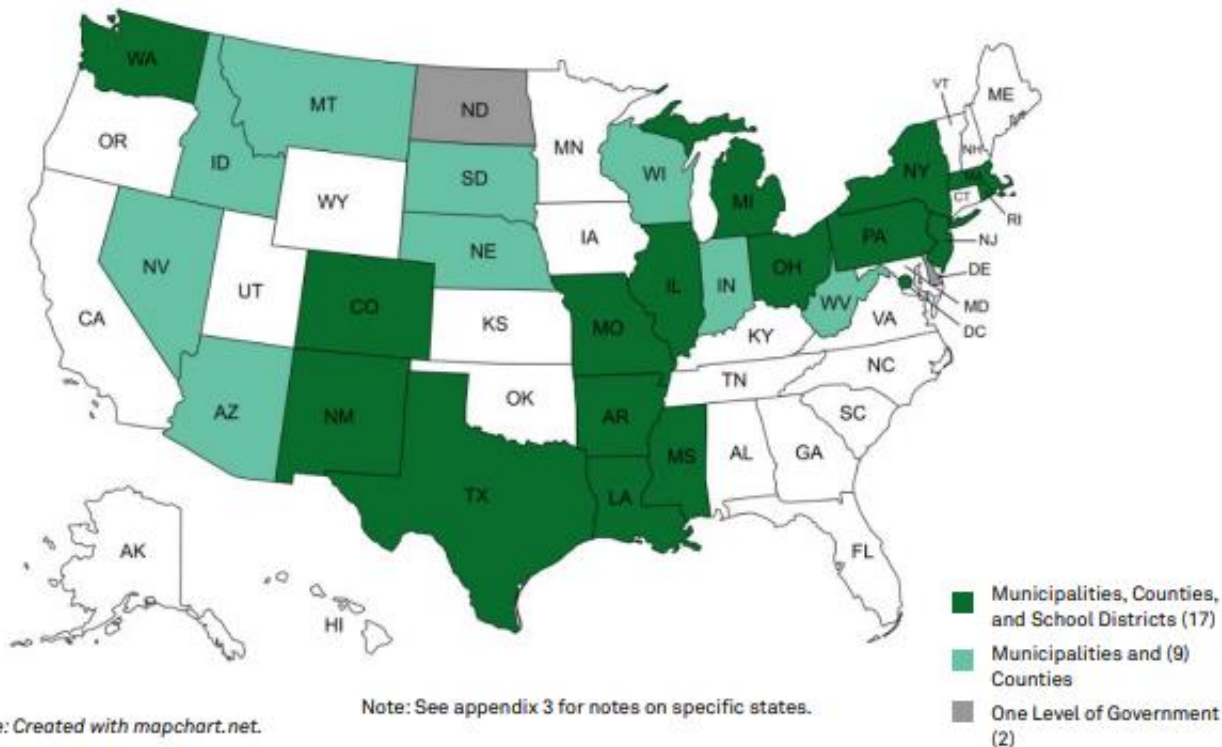
The Select Committee reviewed one type of tax revenue limit:

1. Levy Limit

- *Restricts the total dollar amount of property tax revenue a local government can collect; the levy limit does not apply to the tax rate or an individual homeowner's tax bill. The levy limit prevents the total dollar amount from growing too quickly.*
- *Use a formula to control growth, typically capping the increase over the previous year's total levy to a small, fixed percentage or the rate of inflation.*
- *Most states allow the local government to exceed the levy limit through formal override mechanisms (voter referendum or governing body vote)*

House Select Committee – Levy Limit

Figure 7: Local Governments Subject to Levy Limits (2024)



<https://go.lincolnst.edu/property-tax-limits-pd.pdf>

- 1. Massachusetts's Levy Limit**
 - *The total tax levy can only increase by 2.5% annually (plus revenue from new growth)*
- 2. New York**
 - *Property tax levies generally cannot increase by more than 2%, or the rate of inflation, whichever is lower. Requires a supermajority override of governing board.*

House Select Committee

Each limit affects a different term of the property tax equation:

Assessment Limits Affect:



Rate Limits Affect:



Levy Limits Affect:



$$[\text{Property Tax Base}] \times [\text{Property Tax Rate}] = \text{Tax Revenue}$$

Summary

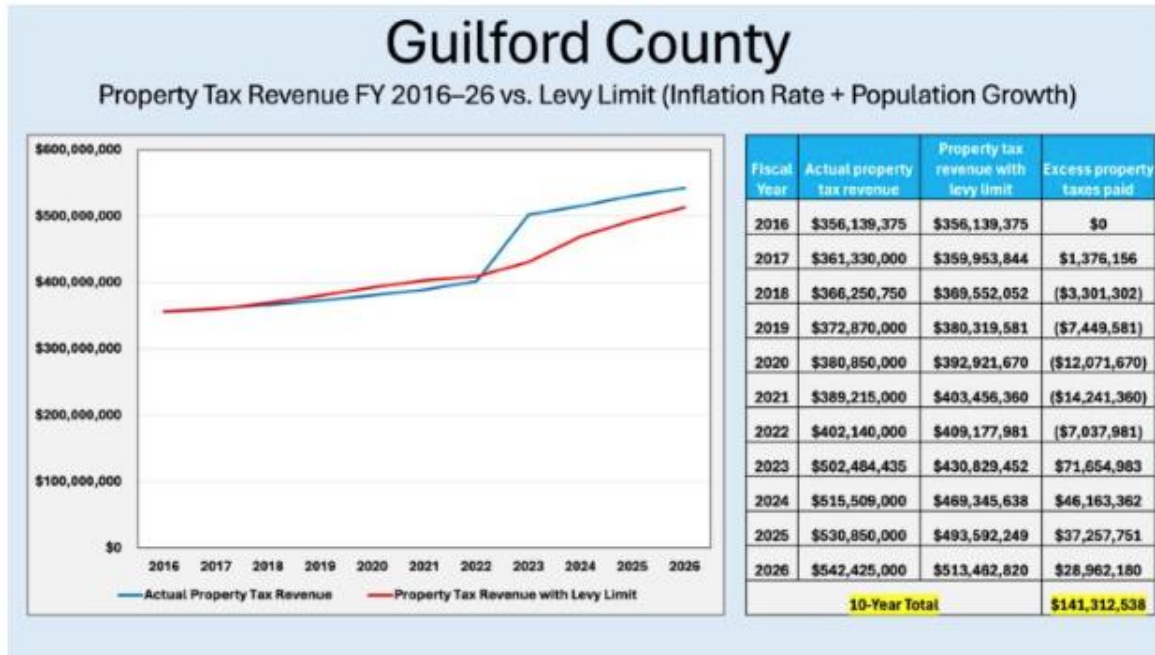
HB1089 itself does not set a formula to determine a cap, that would occur during long session starting next year.

The General Assembly of North Carolina enacts:

SECTION 1. Subsection (5) of Section 2 of Article V of the North Carolina Constitution reads as rewritten:

"(5) ~~Purposes of property tax.~~ Property tax purposes, limitation. The General Assembly shall not authorize any county, city or town, special district, or other unit of local government to levy taxes on property, except for purposes authorized by general law uniformly applicable throughout the State, unless the tax is approved by a majority of the qualified voters of the unit who vote thereon. The General Assembly shall enact general laws limiting the amount by which the levy of taxes on property may increase, which may include exceptions."

Tax Levy Limit of Inflation+Population Growth (Scenario)



A 3.7% limit on the increase in the tax levy (revenues) would result in a potential cap of ~\$23-26 million, limiting the tax rate growth to ~0.90 cent, **depending on how the legislation addresses natural growth in assessed value from new construction.**

	Property Tax Revenue with Limit	Assessed Value (2.2%)	Base Growth	Base Tax Rate	Maximum Levy	Maximum Tax Rate
FY2027	643,777,000	104,749,520,000		0.6190		
FY2028	667,596,749	107,054,009,440	14,086,480	0.6190	23,819,749	0.6236
FY2029	692,297,829	109,409,197,648	14,396,382	0.6190	24,701,080	0.6328
FY2030	717,912,848	111,816,199,996	14,713,103	0.6190	25,615,020	0.6420
FY2031	744,475,624	114,276,156,396	15,036,791	0.6190	26,562,775	0.6515

<https://www.johnlocke.org/how-much-is-too-much-an-analysis-of-property-tax-revenue-growth-in-the-states-most-populous-counties/>

*Projected base growth in total expenses is between \$22 - \$25 million, of which, some would be offset by growth in property tax, sales tax, federal/state and other revenues.

Additional Impact

Rural Fire Districts

- If the tax levy cap applies to Fire Districts, the county will need to consider the long-term sustainability of specific districts.
 - Volunteer rates continue to decline, resulting in the need for paid staff and revenue to support growing increase personnel expenses.
- Additional paid staff will be necessary as growth occurs to maintain a standard of coverage, or the ability to get a certain number of fire fighters on scene within a certain amount of time.
- Staff will need to explore fiscal sustainability plans of districts and the strategic location of new stations.

State Budget Framework



Proposed Budget Framework

Leadership in the NC House and NC Senate held a joint press conference on Tuesday May 12 to share an outline of a budget framework.

- No appropriations bill or legislation has been filed.
- No timeline or specific dates have been communicated, but we understand action should occur over the next two weeks.



Proposed Budget Framework

- Largest local impact is the proposed funding schedule for teachers.
 - The average increase for teachers is 8%; however, Guilford County Schools generally place the most tenured positions on state funding allotment; while local funds are cover more junior positions.
 - The distribution of salary increases will more heavily fall on locally funded positions (773 positions) at an average of 13%.
- **The BOE is planning to discuss the potential legislative impact on June 9th and any additional funding requests from the County.**
- The BoCC is not required to fund this requests.

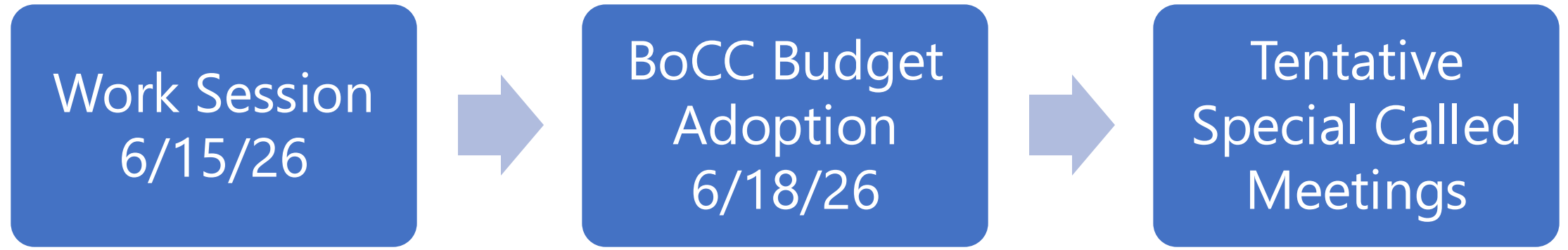
Conference Teacher Salary Schedule

Current Years of Experience	FY 2025-26 "A" Schedule	FY 2026-27 - \$48K Starting	% Change (w/o step)	% Change (w/ step)
0	\$ 4,100	\$ 4,800	17.1%	17.7%
1	\$ 4,175	\$ 4,825	15.6%	16.2%
2	\$ 4,250	\$ 4,850	14.1%	14.7%
3	\$ 4,325	\$ 4,875	12.7%	13.3%
4	\$ 4,400	\$ 4,900	11.4%	12.5%
5	\$ 4,475	\$ 4,950	10.6%	11.7%
6	\$ 4,572	\$ 5,000	9.4%	10.5%
7	\$ 4,663	\$ 5,050	8.3%	9.4%
8	\$ 4,753	\$ 5,100	7.3%	8.4%
9	\$ 4,844	\$ 5,150	6.3%	9.7%
10	\$ 4,935	\$ 5,314	7.7%	8.7%
11	\$ 5,025	\$ 5,365	6.8%	7.8%
12	\$ 5,116	\$ 5,416	5.9%	6.9%
13	\$ 5,206	\$ 5,467	5.0%	7.0%
14	\$ 5,297	\$ 5,570	5.2%	7.3%
15	\$ 5,388	\$ 5,682	5.5%	5.5%
16	\$ 5,388	\$ 5,682	5.5%	5.5%
17	\$ 5,388	\$ 5,682	5.5%	5.5%
18	\$ 5,388	\$ 5,682	5.5%	5.5%
19	\$ 5,388	\$ 5,682	5.5%	5.5%
20	\$ 5,388	\$ 5,682	5.5%	5.5%
21	\$ 5,388	\$ 5,682	5.5%	5.5%
22	\$ 5,388	\$ 5,682	5.5%	5.5%
23	\$ 5,388	\$ 5,682	5.5%	5.5%
24	\$ 5,388	\$ 5,682	5.5%	9.5%
25+	\$ 5,595	\$ 5,900	5.5%	5.5%

Average Salary Increase 8.0%



Next Steps



Questions?

