

## Limiting property tax revenue in the state constitution is a bad deal for North Carolinians

The NC General Assembly has placed a constitutional amendment on the November ballot that, if approved by voters, would require lawmakers to limit annual growth in local property tax revenue.

- **This is not a direct limit on property tax rates but a “levy limit” on the total property tax revenue local governments can collect. If revenue exceeds the limit, tax rates would automatically decrease, but an individual homeowner’s bill could still increase.**
- The constitutional amendment is very vague, but if passed, the amendment allows the state legislature to restrict local communities in ways that will likely erode public services, fail to address unaffordable property tax bills, and exacerbate inequities.



### Property tax revenue provides over one-third of funding for local governments in North Carolina — limits would likely mean cuts to local services we all rely on

Local governments fund things we all rely on: public school buildings, libraries, parks, emergency services, sidewalks, elections, and more. Property taxes, the largest source of funds used to pay for these services, are especially important because they provide stable revenue, since property tends to hold its value over time.

Because NC law bans local income taxes and limits local sales taxes, counties and towns have few other ways to pay for services. **States that have imposed property tax limits have seen local governments closing community pools, considering deep cuts to emergency services, cutting services at libraries, and more.**



### Property tax limits are another way for out-of-touch state lawmakers to restrict local communities’ freedom to make their own funding decisions

A statewide levy limit would empower state lawmakers, elected to gerrymandered districts that don’t represent North Carolina voters, to **restrict local democratic decision-making**. The amendment includes vague language about creating exceptions to state-imposed limits. But without more details, there’s no guarantee that local communities will have meaningful opportunities to decide their own futures.



### North Carolina’s counties, cities, and towns are already under strain because of state and federal cuts

**Local budgets are already stretched thin from big new costs for key services like SNAP food assistance because of federal cuts that the state is passing onto counties.**

In states with property tax levy limits, local governments rely more on unstable state funding, along with fines and fees that fall hardest on people with low incomes. North Carolina has its own state revenue crisis because of income tax cuts over the last 15 years, and local governments already struggle to make up for a lack of state funds. **Wake County estimated that they could lower their property tax rate by over one-third if it weren’t for budgetary holes left by the state.**



### High property tax bills driven by rising home values can cause real problems for housing affordability, but a levy limit won’t fix them

A homeowner’s property tax bill depends both on their assessed home value and on the property tax rate. When home prices rise rapidly, a new appraisal can mean a jump in tax payments that can strain people’s incomes and even spur displacement. The real solutions to address high housing costs include expanding the supply of affordable housing and boosting workers’ incomes.

Research has also shown the appraisal process deepens economic and racial inequities. For example, Black homeowners are more likely than white homeowners to have their homes overvalued and less likely to successfully appeal high valuations. **More frequent appraisals, better data and staffing, and support for homeowner appeals could reduce inequities and sudden tax increases. A levy limit would not.**

## **If lawmakers really wanted to address unaffordable property taxes, they could expand targeted relief programs without hurting local services**

The NC General Assembly already has the authority to expand property tax relief for people with low and fixed incomes — no constitutional amendment needed. NC has statewide property tax relief programs, but they're limited to people with very low incomes who are elderly or have disabilities, or are veterans with disabilities. Funding for these programs comes out of local budgets.

**The NC General Assembly could expand eligibility for property tax relief and pay for it with state funds to provide targeted relief to those who need it, without compromising local services.** Renters with low incomes face the greatest challenges with housing affordability, and renters pay property taxes through their rent. Levy limits don't provide renters with immediate relief, but lawmakers could pass a property tax credit that would support renters and homeowners. Lawmakers could also curb commercial property tax exemptions that can put more pressure on tax revenue from homeowners. **Unlike targeted relief programs, levy limits provide little benefit to low-income homeowners but can mean big giveaways for wealthy property owners.**



**An elderly homeowner with an annual income of \$50,000 and an annual property tax bill of \$2,200**

**VS.**



**A corporate owner of a luxury rental high rise**

With a property tax levy limit, each owner would save:

**\$175 annually**

**VS.**

**\$125,000 annually**

With expanded property tax relief, each owner would save:

**\$1,100 annually**

**VS.**

**\$0 annually**



**Property tax levy limits exacerbate existing inequities between wealthy and low-income households and between rural and urban counties**

**Property taxes are already regressive, meaning lower-income households spend the largest share of their income on property taxes. Property tax limits often make the tax system even less equal.** They generally give bigger benefits to wealthy property owners and disproportionately benefit white homeowners over Black and Latine homeowners.

Levy limits can also widen the gaps between wealthy and low-income communities. They are indexed to current property tax revenue when the limit is passed, so wealthier areas that start from a larger tax base are at an advantage. Even when they exempt new construction, it doesn't help low-wealth and rural counties that aren't adding new buildings. **Thirty-nine rural NC counties rely on property tax for over half of their general fund budget, and their local services could be especially hard hit by a levy limit.**

**THERE ARE FAR MORE EFFECTIVE AND EQUITABLE RESPONSES TO UNAFFORDABLE PROPERTY TAXES THAT DON'T UNDERMINE LOCAL BUDGETS AND COMMUNITY AUTONOMY!**

\* For citations and sources, visit [NCBudget.org/LevyLimit](https://NCBudget.org/LevyLimit)

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