Brunswick County

Revenue-neutral Information and Analysis for the Fiscal Year 2011-12

What is a Revenue-Neutral Rate

Per UNC School of Government:

A Revenue-neutral rate provides taxpayers a benchmark against which they can compare a proposed post-revaluation tax rate. The 2003 General Assembly in G.S. 159-11 requires each taxing unit to publish a revenue-neutral property tax rate as part of its budget for the fiscal year following the revaluation of its real property.

Revenue-neutral Growth Calculation For Brunswick County

Fiscal Year	Assessed Valuation	Valuation Increase	% Change
2011-12	$23,667,873,488		
2010-11	$33,581,998,023	$35,397,524	0.11%
2009-10	$33,546,600,499	$461,383,740	1.39%
2008-09	$33,085,216,759	$1,660,680,146	5.28%
2007-08 (last revaluation)	$31,424,536,613		
Average Growth			2.26%
Last Year Prior to Revaluation	$33,581,998,023	Rate $0.305	$102,425,094 levy
First Year of Revaluation	$23,667,873,488	Rate $0.4328 to produce same levy	$102,425,094 levy
Increase for Average Growth	$23,667,873,488	Revenue-neutral rate $0.4425 to produce 2.26% growth	$104,741,509 levy

Countywide Value & Levy Analysis

		FY 11 Tax Levy at $0.305	FY 12 Tax Levy Revenue-neutral at $0.4425
FY 11 value	$33,581,998,023	$102,425,094	
Values 1/1/11 (FY 12)	$23,667,873,488		$104,741,509
Decline in value	($9,914,124,535)		
% decline in value	(29.52%)		
FY 12 increase in tax levy			$2,316,415
FY 12 % increase in tax levy			2.26%
The FY 12 increase in the revenue-neutral tax rate is $0.1375 or 45% to produce the same levy as FY 11 plus the average growth over the last 3 fiscal years. The average growth for the last 3 fiscal years was 2.26%.			

Example Value & Levy Analysis at County Average for $100,000 property with (29.52%) decline in value

		FY 11 Tax Levy at $0.305	FY 12 Tax Levy Revenue-neutral at $0.4425
FY 11 value	$100,000	$305	
Values 1/1/11 (FY 12)	$70,478		$312
Decline in value	($29,522)		
% decline in value	(29.52%)		
FY 12 increase in tax levy			$7
FY 12 % increase in tax levy (average growth)			2.26%
The 45% increase in the revenue-neutral rate is needed to produce the same tax as the previous value, after a (29.52%) drop in value, plus the average growth of the most recent 3 years.			

Why does the revenue-neutral rate go up 45% when values go down 29.52%?

Example: If 100 is decreased by 30%, the product is 70, but the % increase from 70 to 100 is 43%.

Example-Value falls 50% revenue-neutral rate must go up 100% to achieve same tax dollars

		Tax at $0.305	Revenue-neutral Tax rate needed in EXAMPLE is $0.61
Assume Property Value	$200,000	$610	
New Value	$100,000	$305	$610
Decline	($100,000)	(305)	$0
% Decline	50%	50%	0%

In the example above, the tax rate has to rise 100% (.305 to .61) to make up for a 50% drop in value in order to produce the same amount of tax dollars. There is an inverse relationship between the value and the rate. When the value falls, the rate must rise more than the percentage drop in value to produce the same tax. The larger the percentage drop in value, the higher the percentage increase in rate needed to make up for the decline.

Why is the average annual tax base growth factor part of the revenue-neutral rate calculation?

Even in nonrevaluation years, most tax bases increase due to new construction and the accumulation of personal property by taxpayers. Absent a revaluation, the current tax base can be expected to increase by the average growth rate over the past several years. This means that even if the tax rate were kept constant, next year's tax levy would be larger than this year's tax levy. A revenue-neutral rate must be increased by an average growth factor to account for this expected natural growth in the tax base and tax levy. Remember that the revenue-neutral rate represents the tax rate that, when applied to the newly revalued tax base, is estimated to produce the same tax levy as would have been produced next year using the current year's tax rate if a revaluation had not occurred. If a revenue-neutral rate were not increased by an average growth factor of the tax base, the calculation would understate the tax levy that would be produced without the revaluation in the coming fiscal year.

Source: UNC School of Government Local Finance Bulletin Number 39, August 2009