Brunswick County

Revenue-neutral Information and Analysis for the Fiscal Year 2019-2020

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	Valuation	Increase/ (Decrease)	% Change
2019-20	$28,350,647,558		
2018-19	$25,573,185,495	$508,633,468	2.03%
2017-18	$25,064,552,027	$790,995,009	3.26%
2016-17	$24,273,557,018	$815,042,737	3.47%
2015-16 (last revaluation)	$23,458,514,281		
Average Growth			2.92%
Last Year Prior to revaluation	$25,573,185,495	Rate $0.4850	$124,029,950
First Year of Revaluation	$28,350,647,558	Rate $0.4375 to produce same levy	$124,029,950
Increase for Average Growth	$28,350,647,558	Revenue-neutral rate $0.4503 to produce 2.92% growth	$127,652,602

Countywide Value & Levy Analysis

		FY 19 Tax Levy at $0. 4850	FY 20 Tax Levy Revenue-neutral at $0.4503
FY 19 value	$25,573,185,495	$124,029,950	
Values 1/1/19 (FY 20)	$28,350,647,558		$127,652,602
Increase in value	2,777,462,063		
% increase in value	10.86		
FY 20 increase in tax levy			$3,622,652
FY 20 % increase in tax levy			2.92%

The FY 20 decrease in the revenue-neutral tax rate is $0.0347 or 7.16% to produce the same levy as FY 19 plus the average growth over the last 3 fiscal years. The average growth for the last 3 fiscal years was 2.92%.

Example Value & Levy Analysis at County Average for $100,000 property with (10.86%) increase in value

		FY 19 Tax Levy at $0.4850	FY 20 Tax Levy Revenue-neutral at $0.4503
FY 19 value	$100,000	$485.00	
Values 1/1/19 (FY 20)	$110,860		$499.20
Increase in value	$10,860		
% increase in value	10.86%		
FY 20 increase in tax levy			$14.20
FY 20 % increase in tax levy (average growth)			2.92%

The 7.16% decrease in the revenue-neutral rate is needed to produce the same tax as the previous value, after a 10.86% increase in value, plus the average growth of the most recent 3 years.

Why does the revenue-neutral rate go down 7.16% when values go up 10.86%?

Example: If 100 is increased by 30%, the product is 130, but the % decrease from 130 to 100 is 23%.

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

		Tax at $0.4850	Revenue-neutral Tax rate needed in EXAMPLE is $0.2425
Assume Property Value	$100,000	$485	
New Value	$200,000	$970	$485
Increase	$100,000	485	$0
% Increase	100%	100%	0%

In the example above, the tax rate has to decrease 50% (.4850 to .2425) to make up for a 100% increase 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 increases, the rate must drop less than the percentage increase in value to produce the same tax. The larger the percentage increase in value, the higher the percentage decrease 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