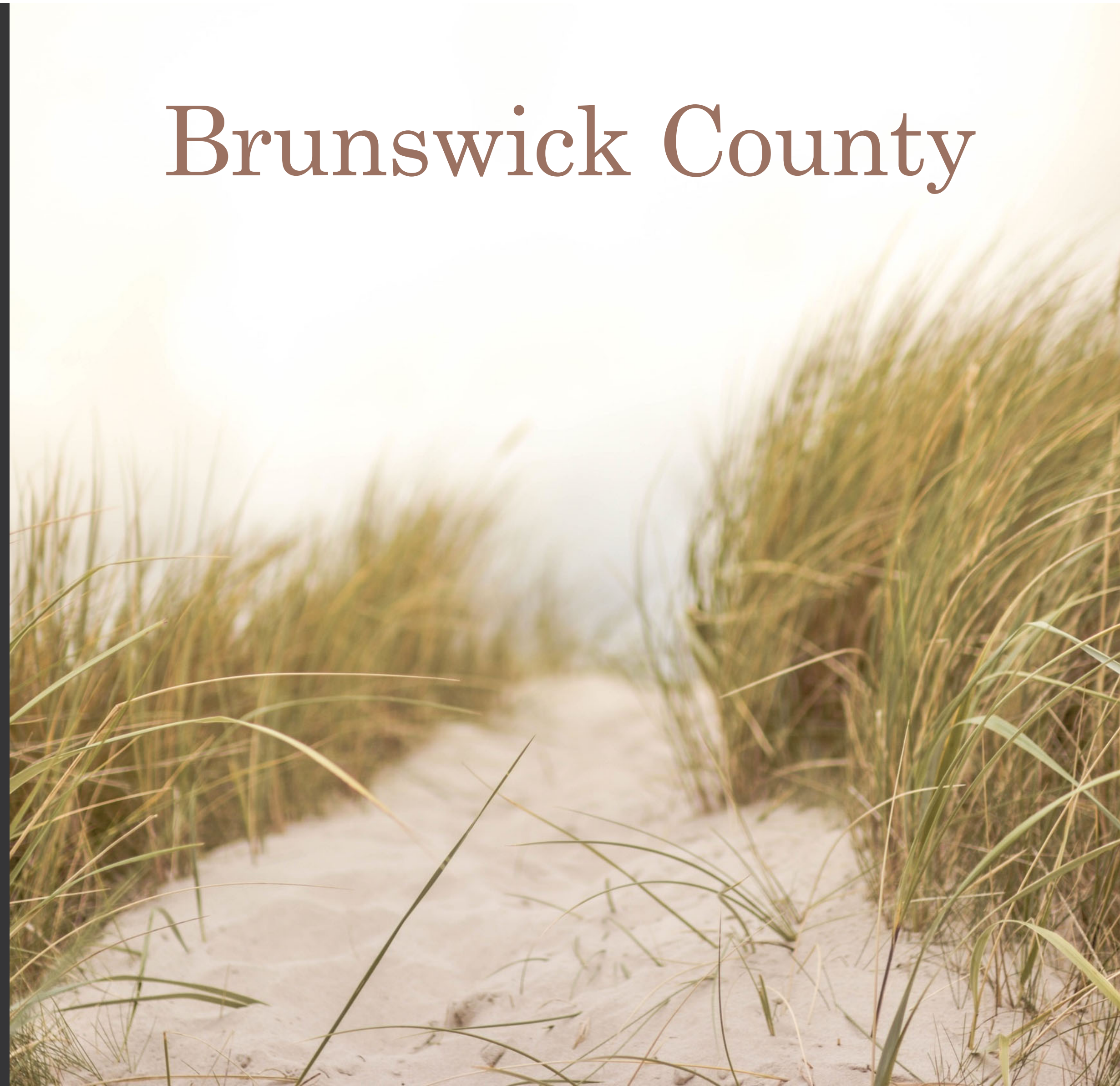
Brunswick County

Revenue Neutral

Fiscal Year 2024

Information and Analysis



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

Fiscal Year	Valuation	Increase/ (Decrease)	% Change
2023-24	$49,038,902,191		
2022-23	$32,745,772,216	$1,216,018,942	**3.86%**
2021-22	$31,529,753,274	$1,185,575,498	**3.91%**
2020-21	$30,344,177,776	$1,256,150,767	**4.32%**
2019-20 (Last Revaluation)	$29,088,027,009		
Average Growth			**4.03%**
Last Year Prior to Revaluation	$32,745,772,216	0.4850	**$158,816,995**
First Year of Revaluation	$49,038,902,191	Rate $0.3239 to produce same levy	**$158,816,995**
Increase for Average Growth	$49,038,902,191	Revenue Neutral Rate $0.3369 to produce 4.03% growth	**$165,213,230**

Countywide Value & Levy Analysis

		FY 23 Tax Levy at $0.4850	FY24 Tax Levy Revenue Neutral at $0.3370
FY 23 Value	$32,745,772,216	$158,816,995	
Values 1/1/23 (FY 24)	$49,038,902,191		**$165,212,061**
$ Increase in Value	$16,293,129,975		
% Increase in Value	49.76%		
FY 24 $ Increase in Tax Levy			**$6,395,066**
FY 24 % Increase in Tax Levy			**4.03%**

The FY 24 decrease in the revenue-neutral tax rate is $0.1480 or 30.5% to produce the same levy as FY 23 plus the average growth over the last 3 fiscal years. The average growth for the last 3 fiscal years was 4.03%.

Example Value & Levy Analysis at County Average

		FY 23 Tax Levy at $0.4850	FY24 Tax Levy Revenue Neutral at $0.3370
FY 23 Value	$275,000	$1,334	
Values 1/1/23 (FY 24)	$411,840		**$1,388**
$ Increase in Value	$136,840		
% Increase in Value	49.76%		
FY 24 $ Increase in Tax Levy			**$54**
FY 24 % Increase in Tax Levy			**4.06%**

The 30.5% decrease in the revenue neutral rate is needed to produce the same tax as the previous value, after a 49.76% increase in value, plus the average growth of the most recent 3 years.

Percentage Increase/Decrease Comparison

Questions: Why does the revenue-neutral rate go down 30.5% when values go up 49.76%?

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

Percentage Increase/Decrease Comparison – Example

		Tax at $0.4850	Revenue Neutral Tax Rate Needed in EXAMPLE is $0.2425
Assumed 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 must 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.

Average Annual Tax Base Growth

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

Answer: Even in non-revaluation 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