Analysis of North Carolina’s Proposed “Property Tax Cap”

Understanding the potential impact of a levy limit on North Carolina

NC Housing Coalition

Table of Contents

Introduction 3
Methodology 4
Summary Analysis 6
County-Level Impacts 9
Municipal-Level Impacts 14
Comparing Average Savings to Taxpayers 16
Conclusions & Recommendations 20

Introduction

In November, North Carolina voters will choose whether to amend the North Carolina Constitution "to require the state legislature to pass laws limiting the amount that property taxes may increase." If adopted, this amendment would require the state legislature to pass a levy limit, which caps increases in overall property tax revenue for local governments. The constitutional amendment that voters will see on their ballots is vague, making it difficult to understand how it will affect their households and communities. **This report is intended to help voters understand the potential impact of a levy limit on homeowners and local governments across North Carolina.**

The constitutional amendment to require a property tax levy limit was developed by the House Select Committee on Property Tax Relief & Reform. The Tax Foundation presented a hypothetical NC levy limit to lawmakers that would include annual adjustments based on growth and a place-holder of 2% for inflation.

This analysis explores the question: **What would have been the impact if such a levy limit had been in place during the last property tax revaluations across NC? How much local funding would have been lost? How much would an average homeowner have saved?**

This analysis provides evidence that:

1. The average North Carolina homeowner stands to gain very little under a levy limit.
2. Larger corporate landowners, on the other hand, would save millions – local revenue that could otherwise fund schools, public safety, and other local services.
3. A levy limit could negatively impact communities across North Carolina, including those with small tax bases, in disaster-impacted areas, and with already-low property tax burdens.

Lawmakers should focus property tax relief efforts on taxpayers most burdened by unaffordable housing costs, rather than a one-size-fits-all approach that disproportionately harms seniors and people with fixed incomes.

Methodology

To estimate the impacts of a possible levy limit, we compared the property tax revenues of all 100 counties and 75 municipalities in their most recent revaluation years to their hypothetical property tax revenue if the levy limit example from the Tax Foundation had been in place: a levy limit that caps overall property tax levy increases to growth + 2%.

Utilization of Revenue Neutral Rates + 2% vs Adopted Rates

Counties and municipalities are required to publish the "revenue-neutral" tax rates in revaluation years. The revenue-neutral rates are based on projected property tax levies that include adjustments for growth. This analysis uses property tax revenues at a revenue neutral rate and adds 2% on top of that to establish the maximum property tax revenue that would have been allowed in revaluation years under a 2% levy limit. This analysis compares the revenues under this levy limit to the property tax revenues that resulted from the adopted tax rates in those same years.

Primary Analysis Using a 2% Levy Limit in Addition to Growth

The constitutional amendment does not include specifics of a levy limit, which makes impact analysis difficult. For this research, we use a 2% levy limit because it was presented by the Tax Foundation as one of their highlighted state levy limit policies and included in their hypothetical example to the House Select Committee on Property Tax Relief & Reform. 2% if also the Federal Reserve's goal inflation rate. *There are several states with levy limits that allow local governments to increase more than 2% in their levy limits, but these states were not highlighted by the Tax Foundation or mentioned in the House Select Committee hearings.*

Focus on Revaluation Years

This analysis focuses on revaluation years, which include the most drastic shifts in property tax revenue and often set a baseline tax rate for the intervening years. Revaluation years have also been a primary focus of discussion in the legislature. There are limitations to this, discussed on the following page.

Sources: NCDOR Total Valuation Numbers (Forms LG-01 & LG-54) and Posted Revenue Neutral Rates

For consistency, we calculated differences in property tax levies based on the total taxable value by county and municipality in revaluation years reported to the NC Department of Revenue (NCDOR) instead of local budgeted numbers, since budgeted values are based in part on projections for appeals and collection rates that are often limited and calculated inconsistently. We also compared these results to calculations using budgeted numbers by several counties and found that the overall trends and percentages are the same despite slight variations in numbers. The revenue neutral rates were not publicly available for two of the 100 counties, but we were able to estimate the revenue neutral rate for those counties based on NCDOR data available following guidance provided by NC School of Government's bulletin.

Methodology: Limitations

Focus on Revaluation Years

This analysis focuses on revaluation years, which include the most drastic shifts in property tax revenue, often set a baseline tax rate for the intervening years, and have been the primary focus of discussion in the legislature. That said, most levy limits in other states provide an annual limit no matter whether a revaluation has occurred. Our analysis has several limits drawn from this difference:

1) While counties and municipalities are most likely to experience larger shifts in property tax revenue in revaluation years, this is not always the case. In our analysis, if a county chose a revenue neutral rate in the last revaluation year, their county would not show a loss or reduction in property tax revenue from a levy limit. However, if the county increased the tax rate in the years following the revaluation by a higher percentage than growth and inflation, as was the case in a dozen or so counties, they would have lost revenue if a levy limit had been in place. The opposite is also true. If a county shows a slight revenue loss (less than 3%) in the revaluation year but maintained the same tax rate over the following years, these counties may not have experienced annual loss of the full degree of their revaluation year.

2) Revaluations occur every 4-8 years in NC. In impacted counties, a levy limit in revaluation years would set a new baseline for non-revaluation years. Therefore, reductions in overall property tax revenues in a revaluation year would impact the budgets in each future year after the revaluation. The extent of this impact would depend on the specifics of a levy limit and whether counties could bank increases in a levy in years that they are below the levy limit threshold.

Retroactive Analysis Using an Example Limit

This is a hypothetical, retroactive analysis based on the example that led to this proposed amendment. This analysis could under- or over-estimate impact:

Underestimated Impact: Local governments are seeing an increase in expenses due to increased cost-sharing requirements from state and federal funding cuts and policy changes. As a result, a retroactive analysis may tend to be too conservative. In fact, even in this retroactive analysis, most counties that show no or limited impact of a levy limit are counties that have not done a revaluation in the last three years, the period in which cost-sharing expectations from state and federal governments have increased most.

Overestimated Impact: If a levy limit were set with a more lenient cap or multiple exceptions, like several other states have in place, the property tax revenue impact would be smaller by the degree of allowable increases and exceptions.

Methodology: Limitations (Continued)

Other Considerations:

Average homeowner impact limitations: The best data available for all 100 NC counties was median residential tax bill data from a Tax Foundation study in 2024. We used these numbers as the basis for calculating savings across the counties and to aggregate those numbers for state-wide impacts. About half of county revaluations occurred on each side of this, so the aggregate and average impact should be relatively accurate. We do not share individual county impacts in this report since those will tend to be less accurate than aggregated numbers.

Corporate Savings Calculations: Calculating the property tax savings of the state's largest corporate owners is especially difficult due to the lack of a comprehensive and consistent data set of county-specific tax values and exemptions. For purposes of this analysis, we focused primarily on large property owners within specific counties, where access to the exact property tax bills were accessible and calculations could be based on the county and municipal specific impacts of a levy limit. Any estimates included for state-wide corporations and out-of-state apartment owners are conservative due to the way many of these larger owners hold properties in separate LLC's or shell companies. NC DOR assesses the value of public utilities across the state, which makes calculating the savings of state-wide utility companies like Duke Energy more accurate.

Municipalities included: This study includes 75 municipalities, including the 50 largest municipalities by property value and municipalities that make up more than 10% of their county's property value. There are hundreds of smaller municipalities that could be impacted, so this study is by no means comprehensive of the municipal-level impact.

Special Note About How to Interpret Individual County & Municipal Impact:

The numbers included in this analysis show the impacts that a 2% levy limit would have had on local governments in the *year of their last revaluations prior to 2026*.These are not meant to be interpreted as the exact revenue impacts that specific counties and municipalities *will* experience with a future levy limit, but instead to show the *kind of impacts and patterns* a levy limit could have if counties and municipalities face similar budgetary challenges in future revaluation years.

For example, in this analysis, Yancey County would have lost over 30% of its property tax revenue in the budget year following their last revaluation (2024-2025). That year, Yancey County released a statement explaining the reasons for going above revenue neutral, including increased demands to its emergency services, health department, and trash services, rising school costs, and increased construction and deferred maintenance. Were a levy limit to pass next year, Yancey County would not lose existing revenue or somehow be slated to lose that same amount in the future. But if Yancey or another NC county were to face that same extent of funding gap in an upcoming year under a levy limit, they would be forced to forego that property tax revenue and likely lose those critical services.

In other words, this analysis is most useful in showing trends and cumulative impacts. Specific counties and cities are unlikely to experience the exact impacts that this analysis shows, but these kinds of impacts are likely for range of municipalities and counties across the state under a future levy limit.

Summary Analysis:
Impact of a Levy Limit

Key Takeaways

A Levy Limit Could Result in Significant Loss of Funding for Critical Services

Our analysis shows **~$1 Billion** in revenue loss to local governments for education, public safety, infrastructure, and other critical services.

Revenue Losses are Spread Across the State

73% of Counties and 90% of Municipalities would lose property tax revenue had a levy limit been in place. For dozens of local governments, this loss represents **more than 10%** of their overall property tax revenue.

The Most Severe Revenue Losses Would Fall on Tier-1 and Disaster-Impacted Counties

Tier-1 Distressed counties would experience the largest reductions in property tax revenue, on average. Eight out of ten counties with the highest revenue losses would be in Helene-impacted Western NC. Counties with a lower-than-average property tax burden would also see large reductions.

Municipalities Would Lose a Higher Percent of Property Tax Revenue Over Counties

On average, municipalities that we analyzed would see **nearly double** revenue lost compared to counties.

Large Corporations Receive Far More Benefit Than Average Homeowner

The average homeowner would save $84 per year – or just $7 per month – while NC's largest corporate landowners and data center owners will save millions each year.

A Levy Limit Could Result in Significant Loss of Funding for Critical Services

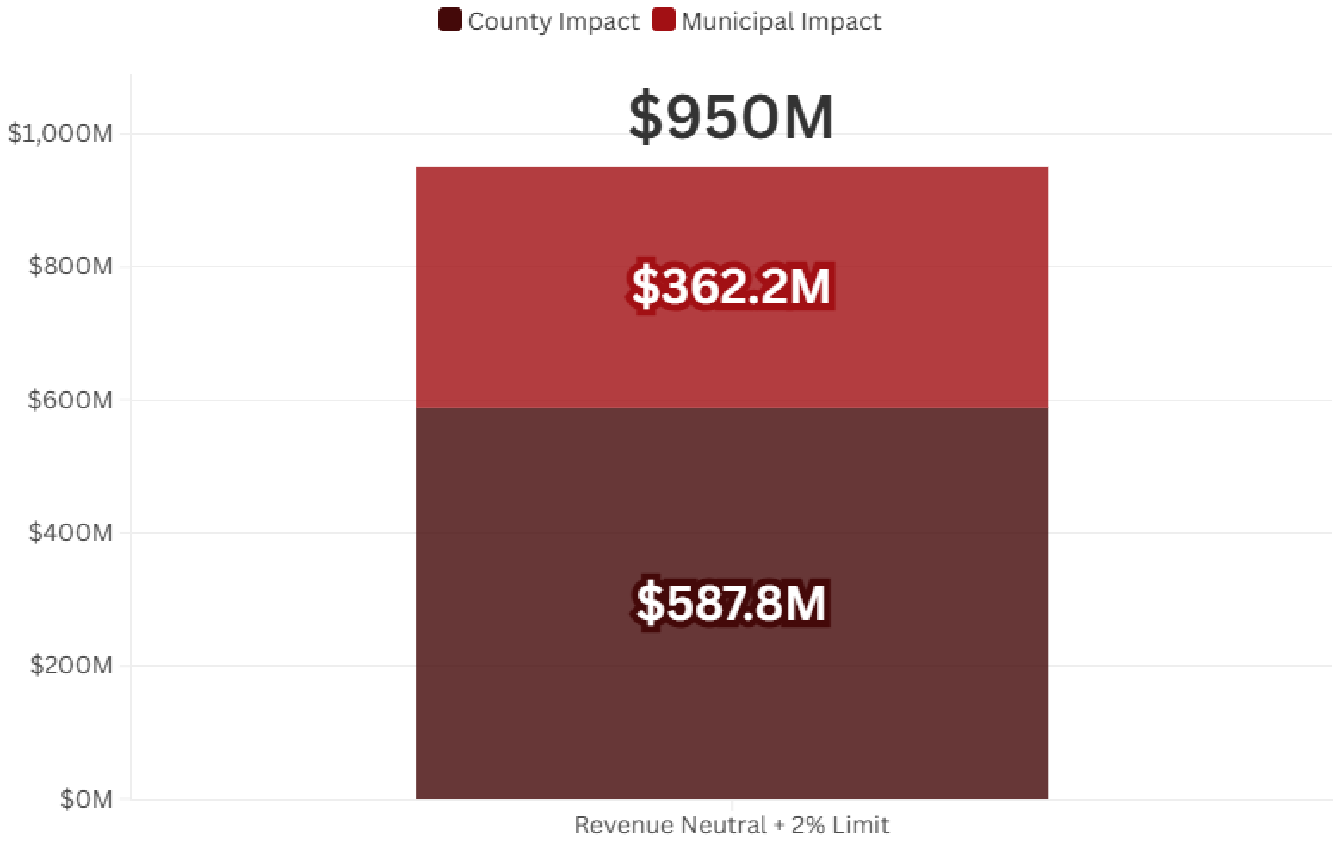
TOTAL IMPACT

~$1 BILLION

For North Carolina's 100 counties and 75 larger municipalities, a levy limit would have reduced local revenues for critical services by $950 million.

Total Local Revenue Impact of a 2% Levy Limit

100 Counties and 75 Larger Municipalities in NC Combined

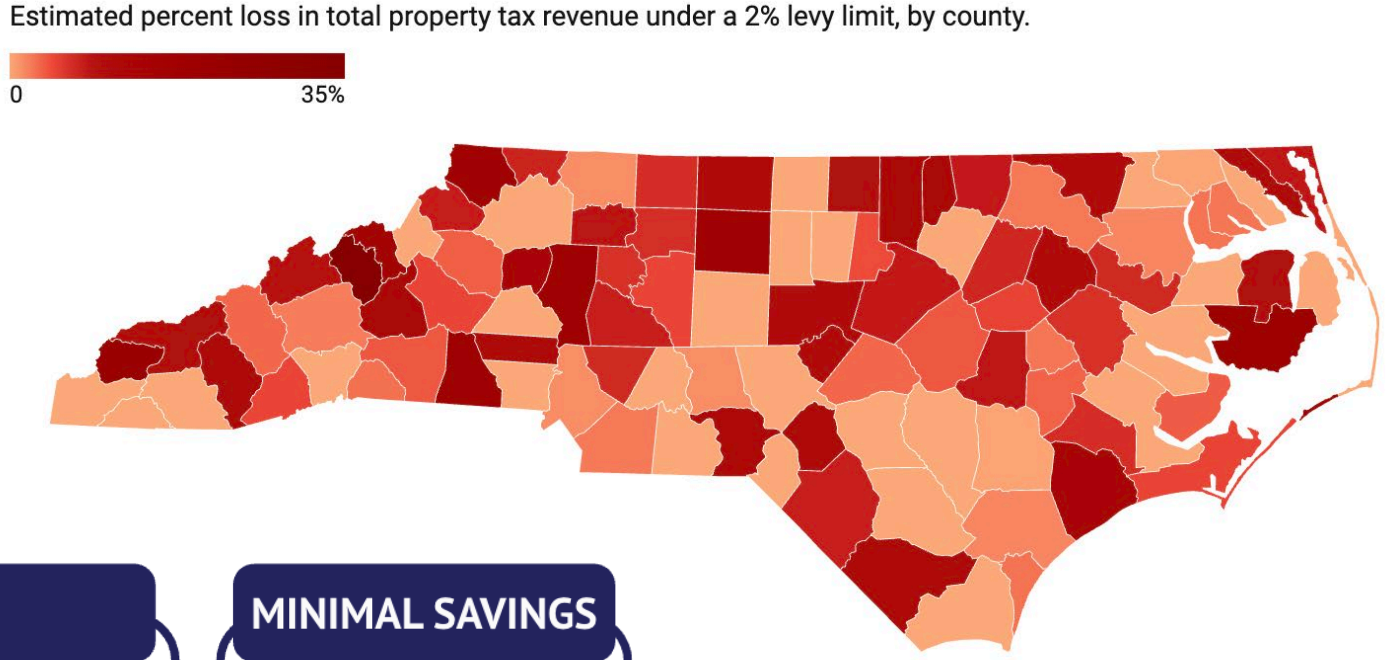


Note: Dollar amounts may not add exactly due to rounding. Figures represent estimated revenue impact. *Analysis of impact had a 2% levy limit above growth been in place at each county's last revaluation.*

Most NC Counties Stand to Lose Significant Funding Under a Levy Limit

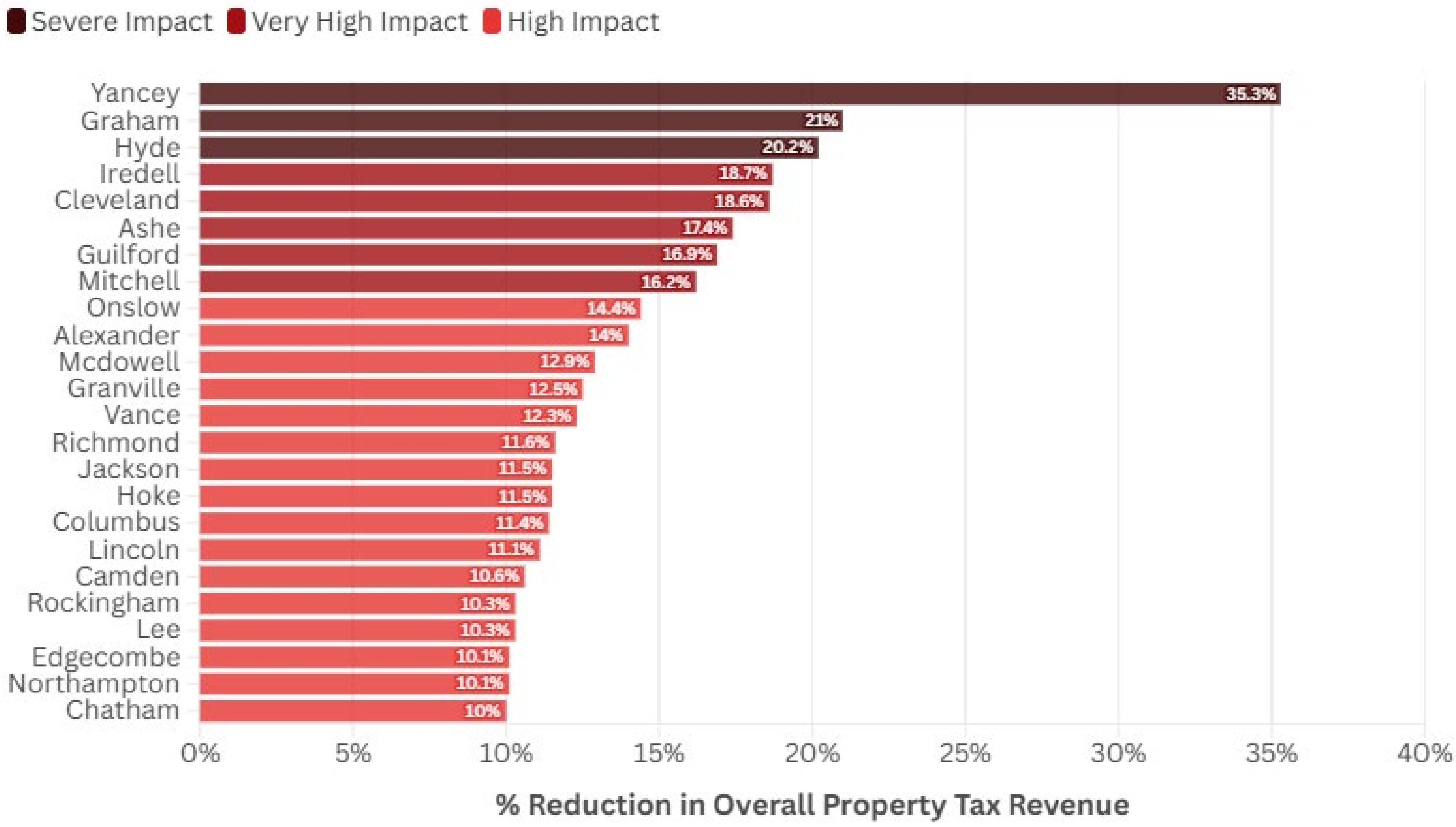
Click the map to link to interactive statistics on all 100 counties.

If a 2% levy limit would have been in place during a county's last revaluation year, counties across the state would have experienced revenue losses.



Estimated revenue losses assume counties could only increase property tax revenue by up to 2% above revenue-neutral level and are based on each county's property tax revenue and rates from their latest revaluation year.

24 Counties Could See Double-Digit Property Tax Revenue Reductions

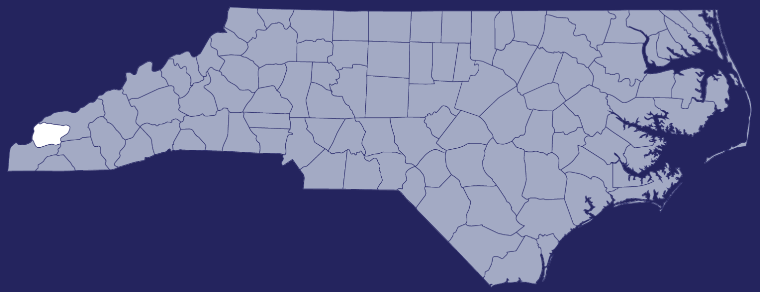


Trends among counties with the largest loss of local funding

- 24 NC Counties would have foregone more than 10% of their overall property tax revenue at the 2% levy limit.
- Notably, 14 of these 24 most impacted counties have lower than average property tax bills. Only five of these 24 counties are in the top 25% in NC for property tax bills.
- 8 of the 10 counties with the most significant reductions are Hurricane Helene-impacted counties.
- Several of the counties experiencing the most severe loss specifically mention raising funding for EMS services and equipment, increased costs of capital projects, health department costs, and school funding gaps.

TAKEAWAY

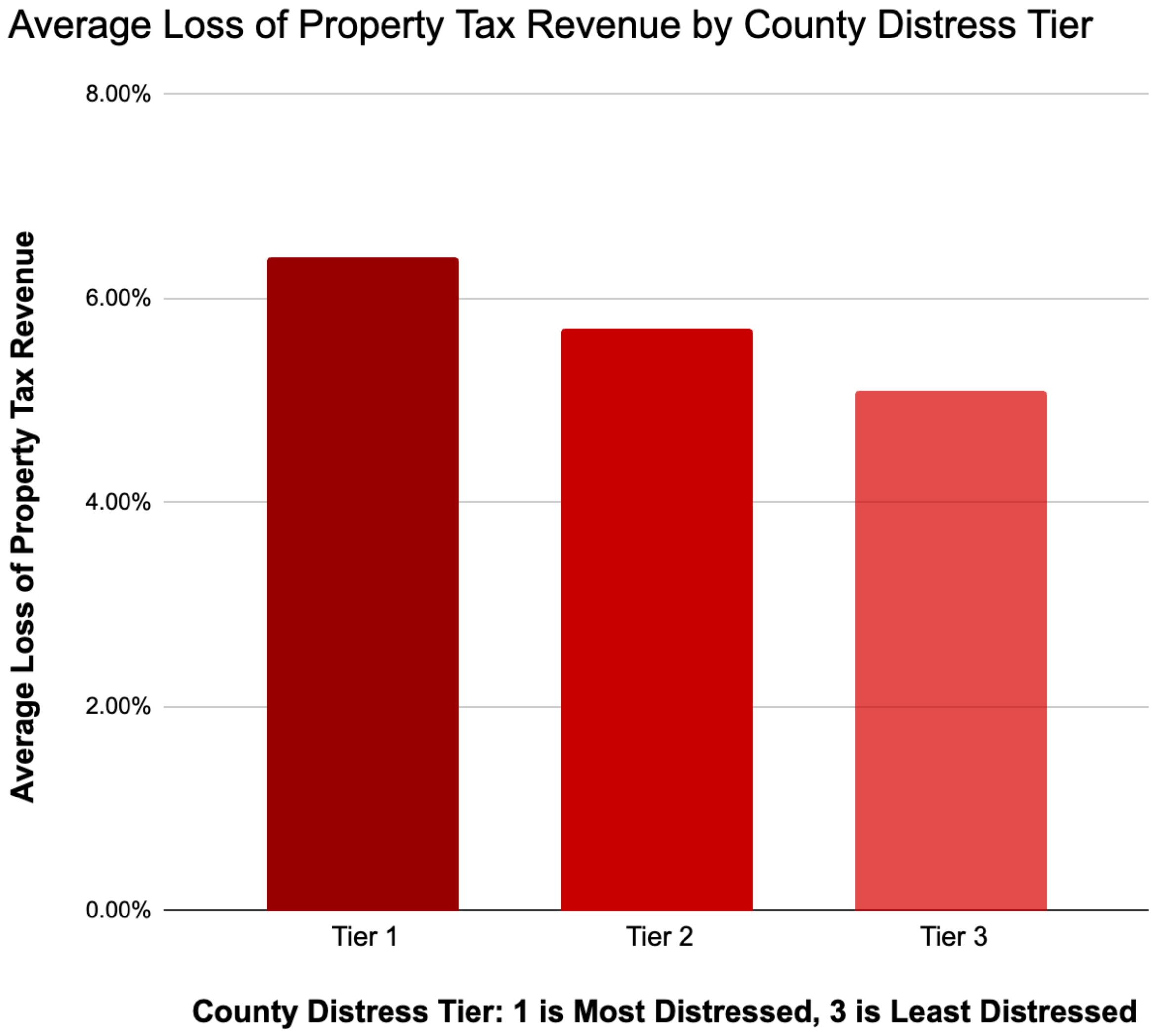
The counties that would see the biggest revenue reductions are not primarily the counties with the highest property tax bills.



Spotlight: Graham County

Graham County would have ***lost over 20% of its property tax revenue and nearly 10% of its overall budget*** under the levy limit scenario presented to lawmakers by the Tax Foundation. But the median property tax bill in Graham County (with no levy limit) was less than $1,000 a year, far less than the North Carolina average. In other words, counties with low property tax burdens could see the most significant losses for local funding.

The Most Economically Distressed Counties Stand to Lose the Most



Each year, NC Department of Commerce releases "County Distress Rankings" with a Tier designation for each of NC's 100 counties based on "economic well-being." Tier 1 Counties are the 40 counties considered "most distressed" and "least prosperous."

Tier 1 Counties – those deemed most economically distressed by the state – **would have had their overall property tax revenue reduced the most,** followed by Tier 2 counties and finally, Tier 3.

TAKEAWAY

Takeaway: Counties that are already struggling economically would likely experience higher revenue losses from a levy limit than the higher-wealth counties, despite lower average property taxes.

Even Counties that Show No Loss Could be Negatively Impacted

If a levy limit had been in place during the last revaluation year, 27 counties would not experience revenue loss that budget year because they passed a revenue neutral tax rate or a rate slight above revenue neutral. Yet, many of these counties could still experience revenue loss:

- Several of these counties have raised their tax rates significantly since their last revaluation. If the county increased the tax rate in the years following the revaluation by a higher percentage than growth + 2%, these counties would have also lost revenue if a levy limit had been in place.
- Only 9 of these 27 counties have revalued in the last three years when federal and state cuts have risen, so this estimate is likely conservative.
- Municipalities *within* several of these counties raised their rates above revenue neutral and would experience revenue losses.

Examples

While Brunswick and Cumberland Counties show no revenue loss, Leland in Brunswick County would have lost more than 20% of its property tax revenue and Fayetteville in Cumberland County would have lost at least 12% of its property tax revenue, or over $13 Million in local service funding.

Local governments are expected to fill federal and state funding gaps, resulting in higher taxes for residents

According to the Wake County Manager, $600 million (35%) of Wake County's 2027 budget are costs that have shifted from the state to local government. If the state of North Carolina continued to provide previous funding levels to Wake County, the county could drop their property tax rate by 19 cents. Adequate state and Federal funding could lead to similar property tax decreases across the state. However, property taxes are currently one of the few tools that counties have to fill these funding shortfalls.

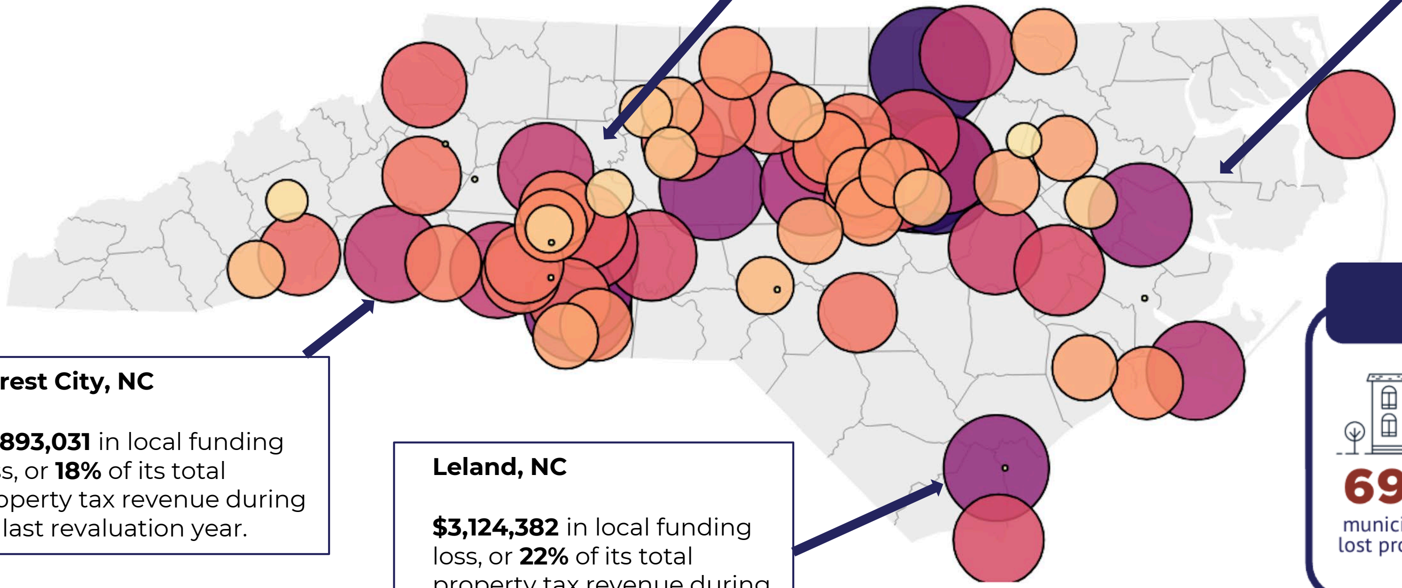
This reflects a growing trend across the state as counties struggle to fill funding gaps left by the elimination of state and federal funds. In fact, counties like Alamance, Caswell, and Sampson have had significant tax rate increases since their last revaluations due to these shifts in federal and state funding. If a levy limit had been in place, these counties may not have been able to cover the costs of federal and state funding gaps.

NC Municipalities Stand to Lose Substantial Local Funding

Under a 2% Property Tax Levy Limit (Beyond Growth)

% of Property Tax Revenue Loss

0 30



Statesville, NC

$4,495,755 in local funding loss, or **18%** of its total property tax revenue during its last revaluation year.

Washington, NC

$1,590,070 in local funding loss, or **21%** of its total property tax revenue during its last revaluation year.

Forest City, NC

$1,893,031 in local funding loss, or **18%** of its total property tax revenue during its last revaluation year.

Leland, NC

$3,124,382 in local funding loss, or **22%** of its total property tax revenue during its last revaluation year.

MUNICIPAL IMPACTS OF LEVY LIMIT

69 of 75 municipalities analyzed lost property tax revenue

12% average property tax revenue loss

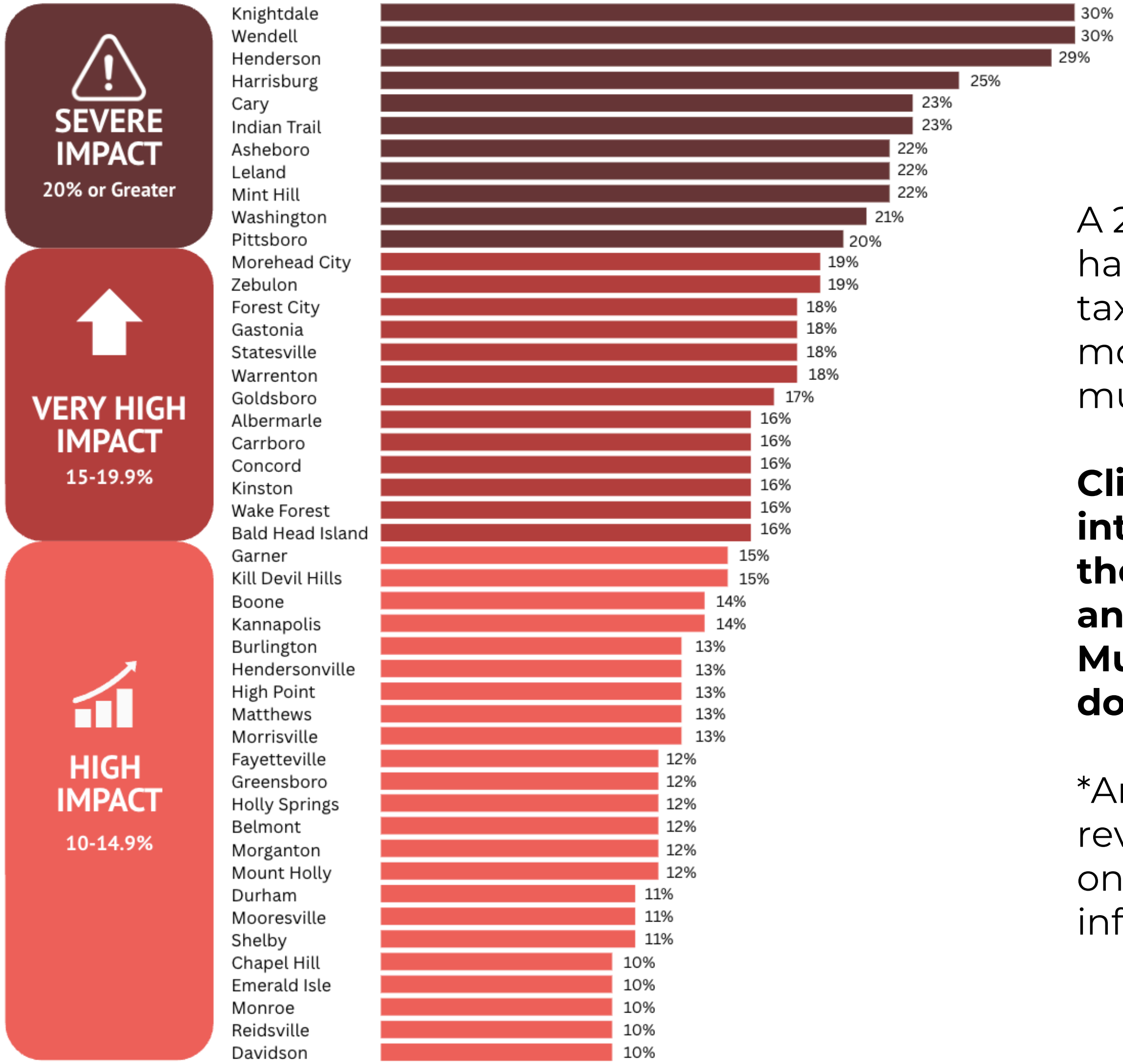
$362.2 MILLION less for schools, emergency services, waste management, and more

Click the map to link to interactive statistics (examples above) on the 75 municipalities analyzed.

This includes the 50 largest NC municipalities and municipalities that make up a significant portion of a county's assessed value. There are hundreds of additional smaller municipalities that would also be impacted.

Estimated revenue losses assume counties could only increase property tax revenue by up to 2% above the revenue-neutral level and are based on each county's property tax revenue from their latest revaluation.

Most Municipalities Would Face Double-Digit Property Tax Revenue Reductions with a Levy Limit



A 2% levy limit would have reduced property tax revenues by 10% or more in 47 of 75 municipalities analyzed.

Click the chart to link to interactive statistics on the the 75 Municipalities analyzed, including 47 Municipalities with double-digit loss.

*Any reduction in local revenue creates pressure on local services and infrastructure.

MUNICIPALITY IMPACTS

47
municipalities would experience
a double-digit reduction in property tax revenue

26
municipalities would see reductions of 15% or greater

11
municipalities would see reductions of 15% or greater

MUNICIPAL LOSS

Distribution of Tax Savings:

Do Cost-Burdened Families Get Relief?

Homeowner Savings are Limited While Corporations Receive a Windfall

While Counties and Municipalities would have lost nearly $1 Billion in support for local services, our analysis shows that the **average homeowner in North Carolina would have only saved $84 per year,** or $7 per month. In Tier 1 Counties, despite a higher degree of revenue loss, the average savings are even lower – just $77 per year on average.

The real beneficiaries of a levy limit:

- The largest corporate owners in most NC Counties would save between $50,000 and $1.7 Million in property taxes.
- In specific counties analyzed, the largest corporate owners would save, on average, more than the combined savings of 3,500 households in their respective counties. The savings for the Apple Data Center in Maiden would have been more than for all homeowners in Maiden combined.
- Corporations with property spread across the state – like Duke Energy Progress – and out of state apartment owners – like Greystar and Bell Properties – stand to save millions each year in property taxes that would otherwise support local communities.

Examples

Lenoir County: The average homeowner save only $34 (~$3 per month) after last year's revaluation while the county would have lost over $1.5 Million in funding.

Richmond County: The average homeowner would have saved slightly more - $11 per month – but the County would have lost over $4 million in local funding (12% of its total property tax revenue). Over $630,000 of that loss of local funding would benefit just one owner: Duke Energy Progress.

WHO BENEFITS THE MOST?

CALDWELL COUNTY

average homeowner

$42 in property tax savings

vs.

Google Data Center

$146,000 in property tax savings

JOHNSTON COUNTY

average homeowner

$74 in property tax savings

vs.

novo nordisk® Pharmaceuticals

$368,000 in property tax savings

RUTHERFORD COUNTY

average homeowner

$54 in property tax savings

vs.

Meta Data Center

$1,216,000 in property tax savings

NORTH CAROLINA HOMEOWNERS SAVE **$84** vs. DUKE ENERGY® Statewide SAVES **$10 MILLION**

**Homeowner savings based on average residential property tax savings under a 2% levy limit.*

CORPORATIONS ARE THE PRIMARY BENEFECIARIES OF A LEVY LIMIT

Google Data Center **$146,000**
Lenoir
CALDWELL COUNTY

amazon **$701,746**
Garner
WAKE COUNTY

novo nordisk® **$368,000**
Clayton
JOHNSTON COUNTY

Forest City
RUTHERFORD COUNTY
Meta Data Center **$1,216,000**

Maiden
CATAWBA COUNTY
Data Center **$1,772,000**

WAYNE COUNTY
DUKE ENERGY® **$340,000**

$84
AVERAGE NC HOMEOWNER

TAX SAVINGS

Conclusions & Recommendations

The Levy Limit is a Bad Deal for North Carolinians

This retroactive analysis demonstrates that **a levy limit is unlikely to bring significant relief for individual homeowners**. Instead, a levy limit will provide millions in savings to NC's largest corporate property owners, while local governments could lose $1 billion in critical funding. A levy limit would put at risk essential services like school, public safety, infrastructure, and health and human services that residents depend on.

There is a Better Solution

Rather than a levy limit, lawmakers should invest in real property tax relief for cost-burdened homeowners, especially those with low or fixed incomes.

The Homestead Exemption and NC Circuit Breaker already exist to **provide relief to homeowners most in need**, and simple eligibility updates and program improvements can expand these programs to reach tens of thousands of cost-burdened households without undermining local revenues. Lawmakers can also support tax assessors at the local level with state-funded technical assistance that would make property taxes more fair for everyone.

For more information, check out our guide to [Bringing Fair and Meaningful Property Tax Relief to North Carolinians](#).

PROFILE

For a grandmother on fixed income, a levy limit would not even provide enough savings for an extra meal each month. But it could reduce local funding enough to mean fewer teachers at her grandkids' schools, less programming at her local senior center, slower EMS response time, and fewer services at her local health department.

"Lawmakers should focus property tax relief efforts on taxpayers most burdened by unaffordable housing costs, rather than a one-size-fits-all approach that disproportionately harms seniors and people with fixed incomes."

Credits: Analysis by Hudson Vaughan, Editing by Jacquie Ayala and Haley Solomon