

# Property Taxation in North Carolina:

## Guiding you from A to Z



### Hello!


---

Jim Turner, CPA, CVA, CMEA  
Turner Business Appraisers, Inc.  
[jim.turner@turnerbusiness.com](mailto:jim.turner@turnerbusiness.com)


Chelsie Cornelius, AAS, PPS  
Wake County Tax Administration  
[chelsie.cornelius@wake.gov](mailto:chelsie.cornelius@wake.gov)

2023 EDITION

**MACHINERY ACT  
OF  
NORTH CAROLINA  
ANNOTATED**



*Issued by*  
The North Carolina Department of Revenue



# The Machinery Act

- NCGS Chapter 105, Subchapter II
- Governs property tax listing, appraisal, and assessment processes
- Ensures uniform property tax practices across the state
- Applies to both county and municipal tax assessments

3

## What is taxable?



G.S. 105-274

4

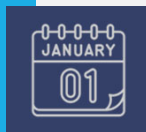
## What is off limits?

- Exempted or excluded property
- Non-business personal property
- Intangible personal property (with exceptions)
- Property used for air and water pollution control
- Inventories owned by retail and wholesale merchants
- Application may be required

G.S. 105-275

5

## General Rule



- Assessment date is January 1
- Determines:
  - Value
  - Ownership
  - Situs
  - Taxability

G.S. 105-285

6

## Annual Listing

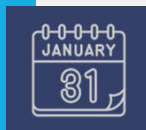


- Taxable property must be listed annually by January 31
- Requests to extend deadline must be filed by January 31
- Jurisdictions may extend *up to*:
  - April 15 (mail)
  - June 1 (online)

G.S. 105-307

7

## Exemptions and Exclusions



- Application requirements vary by statute
- Generally, applications due by January 31
- Approved listing extension extends application period
- Property owner still required to list

G.S. 105-282.1

8

## What do you list?

- Machinery and equipment
- Furniture and fixtures
- Computers and taxable software
- Construction in progress
- Leasehold improvements
- Unlicensed motor vehicles
- Multi-year tagged vehicles
- Equipment mounted on vehicles
- Tools, dies, molds and jigs
- Expensed assets
- Supplies, fuel, inventory not held for resale
- ALL income producing property

9

## Classifying Property

### REAL PROPERTY

- Refer to county's schedule of values
- Land and permanent structures
- Supports building or inhabitants

### PERSONAL PROPERTY

- All property that is not real
- Supports business process

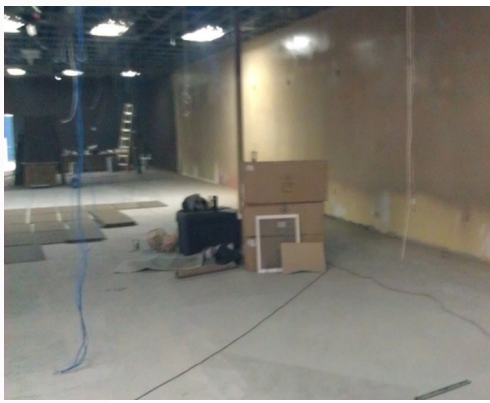
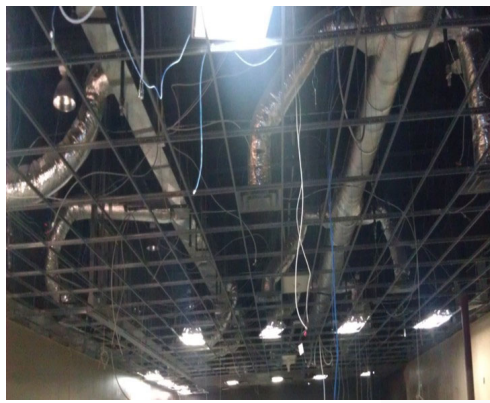
10

# Real or Personal?

---



# Real or Personal?



## Real or Personal?



## What if you don't list?

- Penalties!
- 10% annual penalty for a substantial understatement or failure to list
- Subject to discovery for current year and five prior years

## Listing Tips



- Segregate property by the correct class
- Provide sufficient detail for leasehold and building improvements
- Get proof of timely mailing from USPS
- Call the tax office for help!

15

## Valuation Principles

- Uniform Appraisal Standards
- All property appraised at *true value in money* (market value)
- Approaches to value:
  - Cost
  - Income
  - Sales Comparison

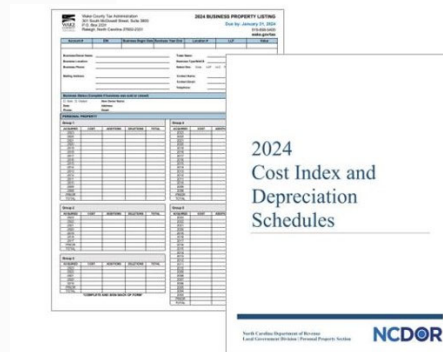
G.S. 105-283

16



## The Cost Approach

- Relied upon the most for appraising business personal property
- NCDOR publishes annual depreciation schedules for all NC counties
- Uses Producer Price Index for trend factors and combines with depreciation rates
- Accounts for all normal depreciation and market changes



17

## Personal Property Appraisal Elements

- Appraisers must consider the following:
  - Replacement cost
  - Sale price of similar property
  - Property age
  - Physical condition
  - Productivity
  - Remaining life
  - Effect of obsolescence
  - Economic utility
  - Any other factor affecting value

G.S. 105-317.1

18

## Additional Appraisal Elements

- Accounting records considered in business appraisals
  - Income tax returns filed with NCDOR and IRS
  - Must also consider:
    - Accuracy of records
    - Accounting methods
    - Business' level of trade
- Farm equipment
  - Requires application of Cost Index schedule when using cost approach
  - Appraiser may grant additional obsolescence if warranted

G.S. 105-317.1

19

## In re Appeal of Amp, Inc.



- No authority to equate book value to market value
- Lack of market does not deprive property of value
- Assessments presumed correct
- Appellant must prove:
  - Valuation method is arbitrary or illegal and
  - Assessment substantially exceeds market value

NC Supreme Court (1975)

20

## In re Appeal of Westmoreland



- Taxpayer lists historical installed cost to maintain equity
- Discovery is proper for listing failures
- Company's business dealings do not impact value
- When applied correctly, NCDOR Cost Index is accepted by courts for producing competent assessed values

NC Court of Appeals (2005)

21

## Business Personal Property Audits

- Assessor charged with listing and appraising all property in their jurisdiction
- BPP tax is one of the few self-reported property taxes
- Audit process is an educational tool
- Ensures uniformity and equity

G.S. 105-296(a)

22



# Audit Stories

PROCESS PIPING, ELECTRICAL,  
TANKS, AND CONCRETE



# Audit Stories

COAL CONSUMED DURING THE  
MANUFACTURING PROCESS



# Audit Stories

GOLF COURSE GRANULAR INVENTORY

Product	Bags	Pounds	Price Per Bag	Extended
0-0-30	51	2550	\$25.37	1,293.87
Hymag	15	750	\$35.00	525.00
Pro-Mag	9	450	\$59.50	535.50
18-3-16	12	600	\$56.00	672.00
13-0-46	10	500	\$55.00	550.00
Ammonium Sulfate	40	2000	\$15.00	600.00
Verde Cal	6	300	\$22.00	132.00
Calrite	20	1000	\$22.00	440.00
Humates	35	1750	\$24.52	858.20
Gypsum	40	2000	\$10.50	420.00
Charcoal	55	2750	\$45.50	2,502.50
Snapshot	60	3000	\$102.00	6,120.00
Ronstar G	1.5	75	\$88.00	132.00
21-7-4 w/Ronstar	2	100	\$20.00	40.00
Dylox	60	3000	\$29.70	1,782.00
18-4-26	85	3750	\$20.30	1,725.50
Woodace 18-5-10	75	3750	\$25.00	1,875.00
10-20-20	60	3000	\$36.85	2,211.00
Dylox	1.5	75	\$29.70	44.55
18-4-26	2	100	\$26.50	53.00
Rye Grass Seed	9	450	\$57.50	517.50
Bluegrass Seed	6	300	\$162.50	975.00
Fine Fescue Seed	10	500	\$98.00	980.00
Sand (bagged)	60		\$4.95	297.00
	<b>Tons</b>		<b>Price per Ton</b>	
Sand (loose)	72		\$29.00	2,088.00
				<b>27,369.62</b>



## What if you don't agree?

- Appeal value, situs, or taxability of property
- Must be filed within 30 days of notice of value
  - Listed property: Date of tax bill
  - Discovered property: Date of discovery notice
- Assessor decides initial appeal
- Taxpayer may appeal assessor decision to Board of Equalization and Review
- Taxpayer may appeal board decision to Property Tax Commission then courts

## Can penalties be waived?

- Taxpayer may request Board of Equalization and Review to compromise tax
- Request must be submitted in writing
- Compromise may be in any amount and is not isolated to penalties
- No deadline, but tax cannot be paid
- Decision of board is final

G.S. 105-312

27

## Can I get a refund?

- Governing body may approve a release or refund in very limited circumstances
  - Clerical error
  - Illegal tax
  - Tax for illegal purpose
- Request must be made in writing
- Deadline for refund is later of five years from the due date or six months from payment date
- Deadline for release is any time prior to payment

G.S. 105-381

28

## Other Local Taxes on Gross Receipts

- Jurisdiction must resolve to collect
- Includes:
  - Room occupancy
  - Rental vehicles
  - Heavy equipment rentals
  - Prepared food and beverages
- Reported monthly or quarterly and based on percentage of total sales
- Paid by consumer with business acting as trustee

29



**Ask us a  
question!**

