

The Revenue Neutral Tax Rate is the rate that would provide the same revenue in a revaluation year as if the county had not revalued. The calculation of this rate is governed by NCGS 159-11(e) which instructs the budget officer to include the revenue neutral tax rate in their budget for the purpose of comparison with the adopted tax rate. This gives transparency to citizens about whether the overall tax burden is changing.

As required by statute, revenue neutral would not provide the same revenue as last year. The statute requires the budget officer to “increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.” So, a revenue neutral rate would provide the same revenue as last year plus one year of average growth.

To calculate revenue neutral:

- 1) **Find the total tax base for the preceding year.** This should include all property types that the tax rate is applied to: real property, personal property, motor vehicles, and corporate assessment (sometimes called public service companies or public utilities).
- 2) **Estimate the total tax base for the coming year.** This may involve different techniques for estimating the tax base.
 - a. **Real property** at the time the revaluation notices are sent out, must be reduced for an estimated appeal loss. This involves tracking appeals received, monitoring typical amounts of value loss, and applying these rates to the appeals not yet heard.
 - b. **Personal property, motor vehicles and corporate assessment** are trended from the preceding year based on the last several years of performance. This is due to the fact that personal property information may be submitted as late as April 15 with an extension, and with the time it takes to process may not be available until June or July; motor vehicle data arrives monthly and won't be complete until year end; and corporate assessment data isn't remitted to the county until September. The county must estimate based on trends.
- 3) **Determine a rate that would produce revenues equal to the preceding year.** First multiply the preceding year tax base by the preceding year tax rate to find the preceding year revenue. Then divide this revenue by the coming year tax base and multiply by 100.
- 4) **Calculate the average annual percentage increase** in the tax base since the last general reappraisal. This is a simple matter of dividing the new tax base by the old tax base each year and noting the percentage above 100%. Use the most recent revaluation year as your base year and average all of the percentages by summing and dividing by the number of inputs.
- 5) **Convert the average annual percentage increase into a growth rate increase.** Multiply the tax rate found in step three by the percentage found in step four to find the growth rate increase.
- 6) **Add the average annual growth rate increase to the rate found in Step 3.** The result is the Revenue Neutral Tax Rate.

Please note that “Revenue Neutral” does not imply that any given property will be neutral, or that real property in general will be neutral, but that all taxable property (real, personal, motor vehicle and corporate assessment) in general will be neutral. Real property will typically see increases while other property types will typically see decreases, but there are exceptions to both.

**Example Revenue Neutral Calculation
Alamance County 2023 Revaluation**

	(Step 1)	(Step 2)
	2022-2023 Tax Base	Estimated 2023-2024
Real Property	11,975,369,554	20,950,466,637
Pers Property	1,904,931,553	2,016,751,035
Motor Vehicle	1,849,078,275	1,947,449,239
Corp Assess	356,097,988	437,003,218
TOTAL	16,085,477,370	25,351,670,129
Tax Rate/\$100	0.6500	0.4124 (Step 3)
Revenue	\$104,555,603	\$104,555,603

Tax Year	Tax Base	Percentage Change
2017-2018	13,693,579,744	
2018-2019	14,217,304,196	3.82%
2019-2020	14,709,765,950	3.46%
2020-2021	15,040,630,463	2.25%
2021-2022	15,609,319,806	3.78%
2022-2023	16,085,477,370	3.05%
	Average	3.27% (Step 4)

Step 3 Tax Rate	0.4124
Step 4 Percent	3.27% (multiply)
Growth Rate Increase	0.0135 (Step 5)

Step 3 Tax Rate	0.4124
Growth Rate Increase	0.0135 (add)
Revenue Neutral Tax Rate	0.4259 (Step 6)