

**FY 2012-13 Property Tax Rates and Selected User Fees  
for Major North Carolina Cities**

In order to effectively compare the cost of services provided, the City of Greensboro annually compares its tax rate and major service fees to those charged in other cities in North Carolina. It is important to include user fees in addition to the property tax rate due to the increasing practice of charging fees to provide major services. Examples of these fees include water and sewer rates, solid waste and recycling fees, stormwater fees, and motor vehicle license fees. For the purpose of this comparison, data has been collected from Charlotte, Durham, Greensboro, Raleigh, and Winston-Salem.

In comparing property tax rates across jurisdictions, it can be helpful to compare both actual tax rates and effective tax rates. The effective property tax rate is calculated by multiplying the sales assessment ratio by the current property tax rate. An assessment-to-sales ratio is provided annually for each county by the N.C. Association of County Commissioners. This ratio is based on a sample of selected real estate transactions within a county and equals the assessed valuation divided by the actual sales price. This adjustment makes tax rates between units more comparable, given that units are at different points in their revaluation cycles.

The following table lists the actual tax rate and the effective tax rate for FY 2012-13 in the comparison cities. It also lists the amount of taxes that are actually due for a property valued at \$150,000.

**Finding:** *Of the five cities, Greensboro has the highest tax rate, followed by Durham, Winston-Salem, Charlotte, and Raleigh (No tax rate change in FY 12-13 for Charlotte and Greensboro; Greensboro underwent a revaluation in January 2012).*

	Tax Rate	Sales Assessment Ratio	Effective Tax Rate	Taxes Due - Actual Tax Rate	Taxes Due - Effective Tax Rate
Charlotte	\$ 0.4370	100.20%	\$ 0.4379	\$ 656	\$ 657
Durham	\$ 0.5675	106.30%	\$ 0.6033	\$ 851	\$ 905
Greensboro	\$ 0.6325	99.60%	\$ 0.6300	\$ 949	\$ 945
Raleigh	\$ 0.3826	110.10%	\$ 0.4212	\$ 574	\$ 632
Winston-Salem	\$ 0.4910	107.20%	\$ 0.5264	\$ 737	\$ 790

*Note: All calculations are based on \$150,000 house*

Based on the current tax rates in these cities, taxes due on a \$150,000 property range from a low of \$574 per year in Raleigh to a high of \$949 in Greensboro; a difference of \$375. Using the effective tax rate, the gap from highest (Greensboro) to lowest (Raleigh) shrinks to about \$313.

Cities often choose to charge user fees as a way to fund a portion of its core services, making the depiction of total costs to the homeowner less accurate if tax rates are the only comparison. In order to gain a more comprehensive view of expenses paid by the taxpayer, the table below includes FY 2012-13 estimates for water and sewer bills, solid waste services bills, stormwater fees, and motor vehicle license fees.

**Finding:** When including user fees along with property taxes, Greensboro’s position changes from most expensive to second most expensive.

	Charlotte	Durham	Greensboro	Raleigh	Winston-Salem
City Property Tax	\$ 656	\$ 851	\$ 949	\$ 574	\$ 737
Average Annual Water/Sewer Bill*	\$ 481	\$ 520	\$ 376	\$ 486	\$ 325
Annual Solid Waste Services Bill**	\$ 47	\$ 60	\$ -	\$ 136	\$ 60
Annual Stormwater Fee***	\$ 80	\$ 69	\$ 32	\$ 48	\$ 51
Annual Motor Vehicle License Fees****	\$ 60	\$ 30	\$ 20	\$ 60	\$ 30
<b>TOTAL CITY TAXES AND FEES</b>	<b>\$ 1,324</b>	<b>\$ 1,530</b>	<b>\$ 1,377</b>	<b>\$ 1,304</b>	<b>\$ 1,203</b>

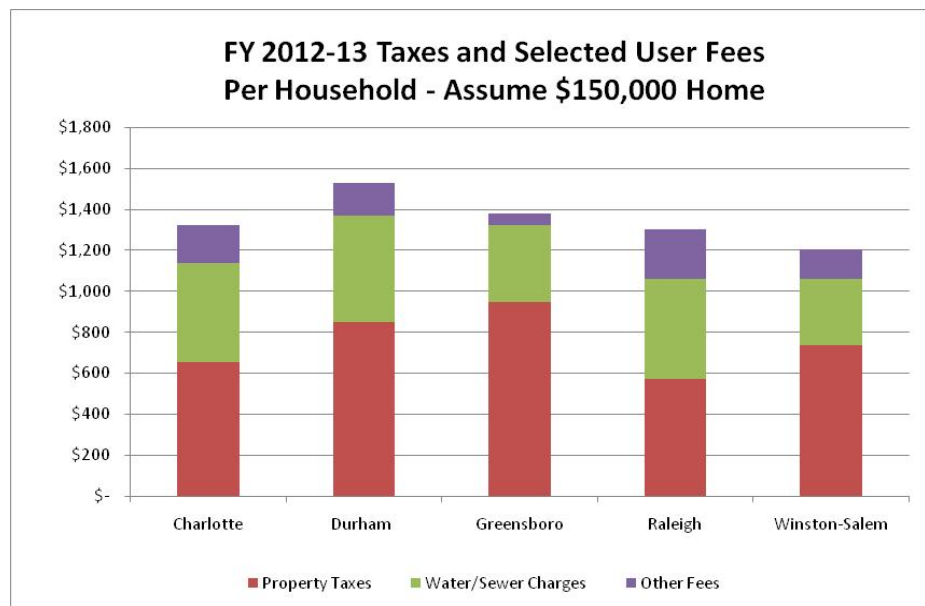
\*Based-NCLM/UNC Environmental Finance Center Water and Wastewater Rates and Rate Structures in NC, May 2012; Avg monthly bill for 4,000 gallons

\*\* Both Durham and Winston-Salem provide yard waste pick up at a fee of \$60 per year.

\*\*\*Fee based 2,000 + sq. ft. of impervious surface area.

\*\*\*\*Estimate is based on assumption of two vehicles.

Of the comparison cities, Durham records the highest per household cost when city taxes and major user fees are combined. For FY 12-13, Durham has an estimated per household cost of \$1,530, \$153 more than Greensboro’s estimated cost of \$1,377. In this sample group of cities, expenses range from a high of \$1,530 in Durham to a low of \$1,203 in Winston-Salem; a difference of \$327.



Among the compared cities, Greensboro is the only city that operates and funds a public library system. With net operating and debt service expenditures of approximately \$7.3 million, Greensboro Libraries represent approximately 3 cents on the tax rate. If library costs are excluded from the comparison, the existing tax rate in Greensboro would be 60.25 cents per \$100 of valuation. While this does not change Greensboro’s relative position in terms of either actual or effective tax rates, it does reduce the gap between Greensboro and the other cities. Greensboro’s overall cost for services would be reduced to \$1,332, still the second highest in expenses among its peers, but the gap between Greensboro and Charlotte would shrink to about \$8.

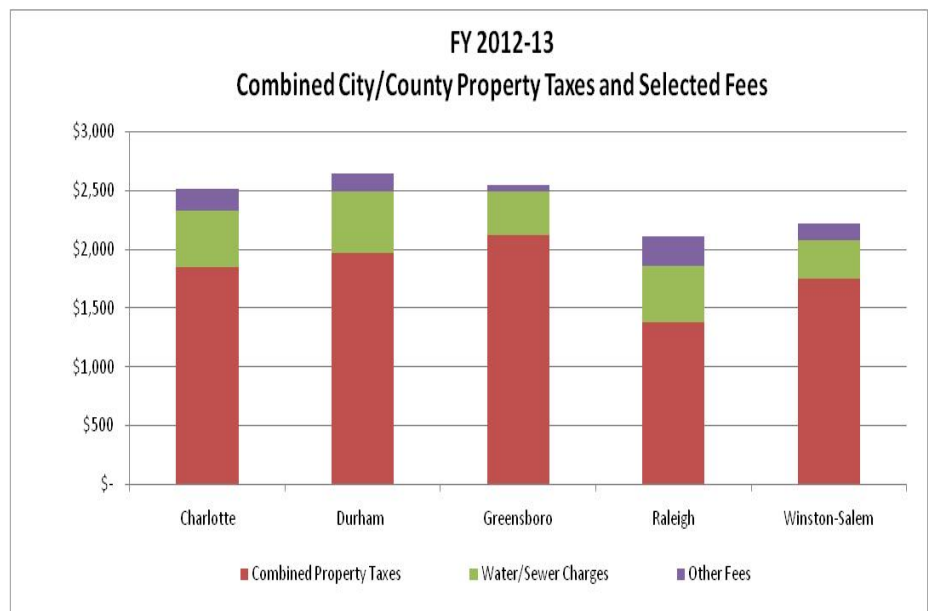
As the discussion regarding the provision of library services indicates, different communities make different choices about which jurisdiction/governmental agency should provide certain services. Thus, one may find it useful to look at the combined tax rate of the city and the county to get an idea of what those services cost. The accompanying table (below) shows the combined FY 2012-13 tax rates for the comparison cities and their respective counties.

	City Tax Rate	County Tax Rate	Total Tax Rate	Taxes Due (\$150,000 House)
Charlotte/Mecklenburg	\$ 0.4370	\$ 0.7922	\$ 1.2292	\$ 1,844
Durham/Durham	\$ 0.5675	\$ 0.7444	\$ 1.3119	\$ 1,968
Greensboro/Guilford	\$ 0.6325	\$ 0.7804	\$ 1.4129	\$ 2,119
Raleigh/Wake	\$ 0.3826	\$ 0.5340	\$ 0.9166	\$ 1,375
Winston-Salem/Forsyth	\$ 0.4910	\$ 0.6740	\$ 1.1650	\$ 1,748

When the combined City and County tax rate is applied to a \$150,000 home, Greensboro/Guilford County has the highest total combined city/county tax bill (\$2,119), followed by Durham/Durham County, \$1,968; Charlotte/Mecklenburg County, \$1,844; Winston-Salem/Forsyth, \$1,748; and Raleigh/Wake County, \$1,375.

**Finding:** *By combining city taxes, county taxes and user fees, Durham has the highest total cost, with Greensboro second.*

For FY 12-13, Durham (Durham Co) records the highest cost per household, \$2,647, when city taxes, county taxes and major user fees are all combined. Greensboro ranks second highest at \$2,547, \$100 less. Charlotte is third, just \$35 less than Greensboro.



Raleigh/Wake and Winston - Salem/Forsyth continue to be the least expensive. In fact, the gap between third and fourth/fifth grows due to the

relatively lower county tax rates imposed on Winston-Salem (Forsyth) and Raleigh (Wake). The chart to the right illustrates the total tax and user fee impacts to a homeowner for government services. The table below shows the data on which the chart is based.

	Charlotte	Durham	Greensboro	Raleigh	Winston-Salem
Combined Property Taxes	\$ 1,844	\$ 1,968	\$ 2,119	\$ 1,375	\$ 1,748
Water/Sewer Charges	\$ 481	\$ 520	\$ 376	\$ 486	\$ 325
Other Fees	\$ 187	\$ 159	\$ 52	\$ 244	\$ 141
<b>TOTAL TAXES AND FEES</b>	<b>\$ 2,512</b>	<b>\$ 2,647</b>	<b>\$ 2,547</b>	<b>\$ 2,105</b>	<b>\$ 2,214</b>

**Finding: Communities sometimes shift the burden of funding municipal services away from the tax rate and toward other significant user fees; a good example is a privilege (business) license fee.**

Privilege or business license fees are collected from businesses or those that engage in business activities within a municipality's city limits. Fees vary by municipality but most determine the amount for privilege license fees on two bases: (1) flat rate (2) gross annual receipts. To determine the relative tax rate budget that that privilege license fee revenue alleviates, the revenue is converted into a tax rate value.

	One Cent Value	Privilege License Revenue	Tax Burden Relief for Privilege License Revenue
Charlotte	\$ 8,741,600	\$ 16,796,909	\$1.92
Durham	\$ 2,357,812	\$ 2,426,058	\$1.03
Greensboro	\$ 2,421,448	\$ 3,370,966	\$1.39
Raleigh	\$ 4,954,880	\$ 7,663,071	\$1.55
Winston-Salem	\$ 2,097,036	\$ 3,091,179	\$1.47

**SUMMARY:**

When comparing the household costs to support government services across jurisdictions, it is important to consider the various and different ways in which local governments fund their operations. Comparisons and rankings among compared jurisdictions can change depending upon the funding approaches that are compared. In this analysis, Greensboro ranks as the highest cost per household when looking only at city property taxes. Greensboro's ranking drops to second (and only \$35 higher than third place Charlotte) when appropriate county taxes and common user fees are included in the analysis.