



State of North Carolina
Department of State Treasurer

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*State and Local Government Finance Division
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Memorandum

To: Local Government Officials, County and Municipal Attorneys,
and Certified Public Accountants

From: Robert M. High, Director
Fiscal Management Section

Subject: Consolidating County and Municipal Property Tax Functions

Local governments are authorized by G.S. 160A-461 to enter into joint arrangements which include contracts for the billing and collection of property taxes. Indeed, it is consistent with good business practice to consolidate operations when appropriate, especially if the operations can be accomplished as effectively at less cost to the taxpayer. In an effort to determine the level to which counties and municipalities are consolidating their billing and collecting efforts, the Division's staff distributed a questionnaire to all county tax collectors earlier this year. Ninety-seven counties responded to the survey, and the results appear in the summary on the following pages.

As can be seen from the survey results, there are various methods of compensating counties which bill and/or collect property taxes for municipalities. The range of charges, or in some cases the fact that no charges are assessed, often depends on other cooperative arrangements between municipalities and counties. Thus, a detailed comparative analysis among methods and rates of compensation is not always practical.

The Division strongly recommends that all units not utilizing consolidated tax billing and collection consider this option. Consolidating the property tax functions should provide more economical use of equipment, office personnel, supplies, and postage. A single tax billing and collection office would simplify taxpayers' efforts to pay and inquire upon the status of their taxes. Also, especially for smaller units, a consolidated office should be able to enforce tax collections (attachment, garnishment, and foreclosure) at a lower cost. In most instances, it would appear that all parties involved would benefit from consolidated tax billing and collection.

If you have any questions about this topic, including the details of particular responses, please contact Cheryl Jordan at (919)733-3064.

SUMMARY OF MUNICIPAL TAX COLLECTION FUNCTIONS
BY NORTH CAROLINA COUNTIES

57 Counties Bill and/or Collect (listed at the end of the memorandum)

25 Charge a percentage of collections or billings. The average percentage charged is 2.13%, and the range of charges is from 1% to 5%. Some of these counties have a minimum fee. One county also charges a base fee plus a percentage.

14 Charge a fee per bill. The average fee per bill is \$1.15, and the range of fees is from \$.25 to \$2.50. Some of these counties also charge for the cost of the forms, a percentage of collections, and/or a minimum fee.

Note: Not all counties charge each municipality in the county the same fee.

7 Share costs with municipalities. Carteret County charges only for supplies and postage. Durham County charges a percentage of total direct and indirect costs. Franklin and Vance Counties share departmental costs with their municipalities. The City of High Point contributes forty-five percent of the cost of operating a Guilford County tax office in downtown High Point. Mecklenburg County bills data processing charges directly to the municipalities. Tyrrell County does not charge Columbia for municipal tax services; in return, Columbia does not charge Tyrrell County for preparing county building permits.

3 Charge a set contracted fee.

6 Do not charge for the service. (Ashe, Gaston, Haywood, Moore, Stanly, Washington)

2 Charges could not be determined from responses.

40 Counties Do Not Bill and/or Collect.

- 16 Indicated they would be willing to discuss the possibility of billing and collecting for all municipalities in the county.
- 21 Indicated they would not be willing to discuss the possibility of billing or collecting with the municipalities in the county.

- 3 Either indicated discussion was not applicable to their situation because there are no municipalities in the county, or they did not respond to the question.

3 Counties Did Not Respond to the Survey.

100 Total Counties

The 57 Counties Which Currently Provide a Municipal Tax Service:

Alamance, Anson, Ashe, Beaufort, Bertie, Brunswick, Buncombe, Cabarrus, Caldwell, Carteret, Catawba, Chowan, Cleveland, Columbus, Craven, Cumberland, Dare, Davidson, Davie, Durham, Forsyth, Franklin, Gaston, Granville, Guilford, Haywood, Hertford, Iredell, Johnston, Jones, Lee, Lenoir, Lincoln, Martin, Mecklenburg, Moore, New Hanover, Northampton, Onslow, Orange, Pamlico, Pender, Pitt, Randolph, Rowan, Rutherford, Sampson, Stanly, Surry, Transylvania, Tyrrell, Union, Vance, Wake, Washington, Watauga, Wilson.

The 16 Counties Willing to Discuss Providing a Municipal Tax Service:

Bladen, Burke, Chatham, Clay, Hoke, Jackson, Madison, Pasquotank, Perquimans, Person, Polk, Robeson, Rockingham, Stokes, Warren, Yadkin.

Note: A review of the collection percentages of the municipalities within these 16 counties indicates that most often these counties have a higher tax collection rate than their municipalities. In these cases in particular, the benefits to be realized are twofold: lower overall costs of billing and collecting and the potential for improved tax collection rates for the municipalities.