Facing property revaluation? Here's what you need to know.

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Twenty-six counties will conduct revaluations of all real estate in January 2019 and property owners — including businesses, nonprofit organizations and individuals — should pay close attention.

The appraisals themselves are sometimes incorrect, which can result in higher taxes for years to come. And other provisions in North Carolina's property tax law mean revaluation is a good time to consider other risks and opportunities associated with property taxes.

N.C. property tax revaluation appeals

The new appraised values are effective on January 1, 2019 in the 26 counties scheduled to revalue property this year. (Carteret County commissioners voted to delay revaluation for one year while they deal with hurricane damage.)

Once property owners receive their new appraisals, they should review it to ensure it's fair and accurate, and that the new appraisals reflect the market value. Frequently, land that's undergone improvements, such as adding utility infrastructure, can see a big jump in value. But there may be other factors that the county appraisers have failed to account for that could mitigate those increases.

If the appraisal is problematic, the first step is an informal appeal initiated by contacting the county staff upon receipt of the revaluation notice. This informal appeal is often sufficient to correct simple errors.

However, property owners with significant holdings may want to engage an attorney who understands property tax law to determine the best path to follow — even before the informal appeal.

If the informal appeal doesn't resolve the situation, the next step is a formal appeal to the county Board of Equalization and Review. After that, appeals go to the State Property Tax Commission, which is the court of record for all property tax appeals. There are statutory deadlines filing the formal appeal to the county Board of Equalization and Review and the State Property Tax Commission.

The further the appeals go, the more expensive and time-consuming the process becomes. Good advice early on from an attorney with specific knowledge of property tax laws and procedures may speed up the resolution and help you understand what's worth appealing.

Risks and rewards of present-use values

Generally, property is appraised based on its "highest and best use." But that doesn't mean your property is being used that way, which can result in a mismatch between what your county thinks your land is worth and its present use.

If the land is being used for some kind of agricultural, horticultural or forestry purpose, then it might be eligible for a lower valuation. There are other tests that must be met to qualify. And even if your land does qualify, opting for present-use value requires careful consideration.

The property taxes avoided under the present-use law are deferred. That means if you applied for present-use valuation, but then sold your land a year later to someone who wanted to develop it, you or the buyer (depending on the terms of your sales contract) would be liable for the amount of tax deferred.

Liability for the deferred taxes includes the current year plus three previous years, and includes interest based on the differences in value. So, if you're planning a sale or ownership transfer in the foreseeable future, consider the tax implications.

Likewise, if you have land that might be eligible for a present-use discount, specific requirements must be met before your county will recognize the lower value.

Any time you anticipate land being transferred — even if it's just between family members or as part of an estate plan — present-use valuation could impact tax liability and therefore the transaction.

Property tax exemptions for nonprofits

Finally, North Carolina exempts nonprofit, charitable organizations — including churches, hospitals, private schools and certain retirement facilities — from paying property taxes. The property owned by these organizations still must be appraised by counties, however.

Because local governments rely so heavily on property tax revenues, they're incentivized to find non-exempt uses. In some cases, even though a nonprofit is the owner of the property, taxes may still be owed because some or all of the property is being used for a purpose that's not exempt.

Counties are also required to audit all nonprofit organizations every eight years — meaning each year they'll cover about one-eighth of all the nonprofits in their jurisdiction. If they find something local tax authorities think isn't exempt, the law allows them to try to discover back taxes for up to five years, in some cases.

Smart organizations will avoid these surprise tax bills by regularly reviewing their own property holdings and uses and ensure they're being handled properly.

Like present use valuations, nonprofit exemptions require an application.

Counties scheduled for reappraisal in 2019

- Ashe
- Brunswick
- Burke
- Catawba
- Durham
- Gaston
- Graham
- Henderson
- Hertford
- Iredell
- Johnston
- Lee
- Lincoln
- Macon
- McDowell
- Mecklenburg
- Moore
- Pender
- Randolph
- Rockingham
- Rowan
- Rutherford
- Sampson
- Scotland
- Wayne
- Wilkes

Janet Shires has more than 25 years of legal experience focused on the areas of Tax and Corporate Law. Her career began with small firms and as a sole practitioner, and she served as General Counsel for the NC Property Tax Commission from 1994-2017.