

Prudent and Equitable Taxes

CHARLOTTE

TAX PAYMENTS IN CHARLOTTE and Mecklenburg County provide a good rate of return on investment. Excellent fiscal management by local government assures a high level of public services at a reasonable tax rate. The best municipal bond credit ratings obtainable are consistently maintained, and cash flow accumulations are managed for optimum interest earnings, thereby avoiding additional taxes. These measures save Charlotte-Mecklenburg taxpayers millions of dollars annually.

In addition, Charlotte and Mecklenburg County offer a comparatively uncomplicated system of taxation. Because

EXCELLENT FISCAL MANAGEMENT BY LOCAL GOVERNMENT KEEPS THE TAXES LOW AND THE QUALITY OF PUBLIC SERVICE HIGH.



the city and county jointly operate one tax department, taxpayers are only subject to a single payment. Charlotte has the 12th lowest residential property tax rates compared to the largest city in each state.

Equal treatment is a valuable benefit to business taxpayers. Because the corporate tax burden in North Carolina is low overall, all firms are taxed equally, which creates an even tax rate for everyone. Generally, under North Carolina law, special exemptions are not allowed. Even when comparing Charlotte-Mecklenburg with areas that have exemptions, the tax situation remains favorable.

Reasonable rates, as well as equitable assessment, occur at a statewide level. Figures from the U.S. Census Bureau show the state and local per capita tax burden in North Carolina to be \$3,591 for fiscal year 2008. This is the 18th lowest in the nation. This compares with highs of \$14,041 in Alaska and a U.S. average of \$4,371.

A 2010 report prepared for the Council on State Taxation by tax experts at Ernst & Young, found that combined local and state taxes paid by North Carolina businesses amount to 3.5 percent of the gross state product. That rate tied North Carolina with Delaware and Oregon — as having the lowest U.S. business tax burden.

Equitable Taxes Property Tax (Real)

Real property is assessed at 100 percent of the 2010 fair market value. Real property is assessed every four to eight years. Rental property is taxed at its full assessment. The tax rate per \$100 for past years is as follows. Both business and individuals are taxed at the same rate.

Rate per \$100 Valuation

Year	Charlotte	Unincorporated Area
2011	\$1.2536	\$.8166
2010	1.2973	1.0433
2009	1.2973	1.0175
2008	1.2973	1.0175
2007	1.2973	1.0149
2006	1.2775	0.9836

Property located within the corporate limits of the City of Charlotte is taxed by both city and county. A police service district tax of \$.2046 is applied to the unincorporated area of the county. There is no State of North Carolina tangible property tax. An additional tax ranging from .0174 to .0668 cents per \$100 is levied on property within the five Municipal Service Districts. These districts are created to promote economic development through services, programs and advocacy. The revenues generated by the Municipal Service District assessment will be spent on enhancement programs within the district itself. Three of the five districts are in the center city area; the other two are located in the SouthEnd corridor and University City area.

Approved pollution abatement and recycling equipment are exempt from taxation under the property tax laws.

Property Tax (Personal)

Personal property is taxed at the same rate as real property. The only personal property taxed for individuals



are motor vehicles, boats, airplanes and trailers. Business personal property includes all tangible properties which include vehicles and equipment, but exclude inventories. These are listed by the owner and assessed annually.

Furniture, fixtures, machinery, equipment, computers and off-the-shelf computer software are initially listed in detail at full cost installed. Custom software is not taxed. After the initial listing, the taxpayer lists as of January 1 each year only the additions to or deletions from this property. Depreciation is applied from county schedules. Minimum value of useful property is 20 percent of the original cost.

CHARLOTTE HAS THE 13TH LOWEST RESIDENTIAL PROPERTY TAX COMPARED TO THE LARGEST CITY IN EACH STATE.

Motor vehicles, trailers and airplanes are listed as of January 1 each year. Appraisals are made from National Used Car & Truck Valuation guides and local market data. Airplane appraisals are made from publications on used aircraft.

A special tax is also levied on personal property located in the five Municipal Service Districts.

Income Tax (Corporate)

North Carolina corporations and other companies doing business in the state are subject to state income tax. The income tax rate is 6.9 percent of taxable net income. North Carolina's definition of income basically follows federal statutes.

Income Tax (Personal)

All residents of the State of North Carolina and some non-residents are subject to personal income taxes. North Carolina's individual income tax is based on the taxpayer's taxable

Residential Property Tax Rates In Selected Cities, 2008

Rank	City	Effective Tax Rate Per \$100
1	Washington, DC	\$0.85
2	Virginia Beach, VA	0.89
3	Charlotte, NC	1.30
4	Jacksonville, FL	1.60
5	Houston, TX	2.52
6	Newark, NJ	2.60
7	Indianapolis, IN	2.93
8	Bridgeport, CT	3.87
9	Atlanta, GA	4.10
10	Albuquerque, NM	4.52
11	Columbus, OH	5.94
	Average	5.63

Effective tax rate adjust for assessment year and rate.

Source: Statistical Abstract of United States, 2011

income as determined under the Internal Revenue Code. The tax rates on taxable income follows:

A. Married filing a joint return and surviving spouses: six percent up to \$21,250; seven percent from \$21,251 to \$100,000; 7.75 percent above \$100,000. Two percent surcharge on state income taxes \$100,000-\$249,999; three percent surcharge above \$250,000.

B. Head of household: six percent up to \$17,000; seven percent from \$17,001 to \$80,000; 7.75 percent above \$80,000. Two percent surcharge on state income taxes \$80,000-\$199,999; three percent surcharge above \$200,000.

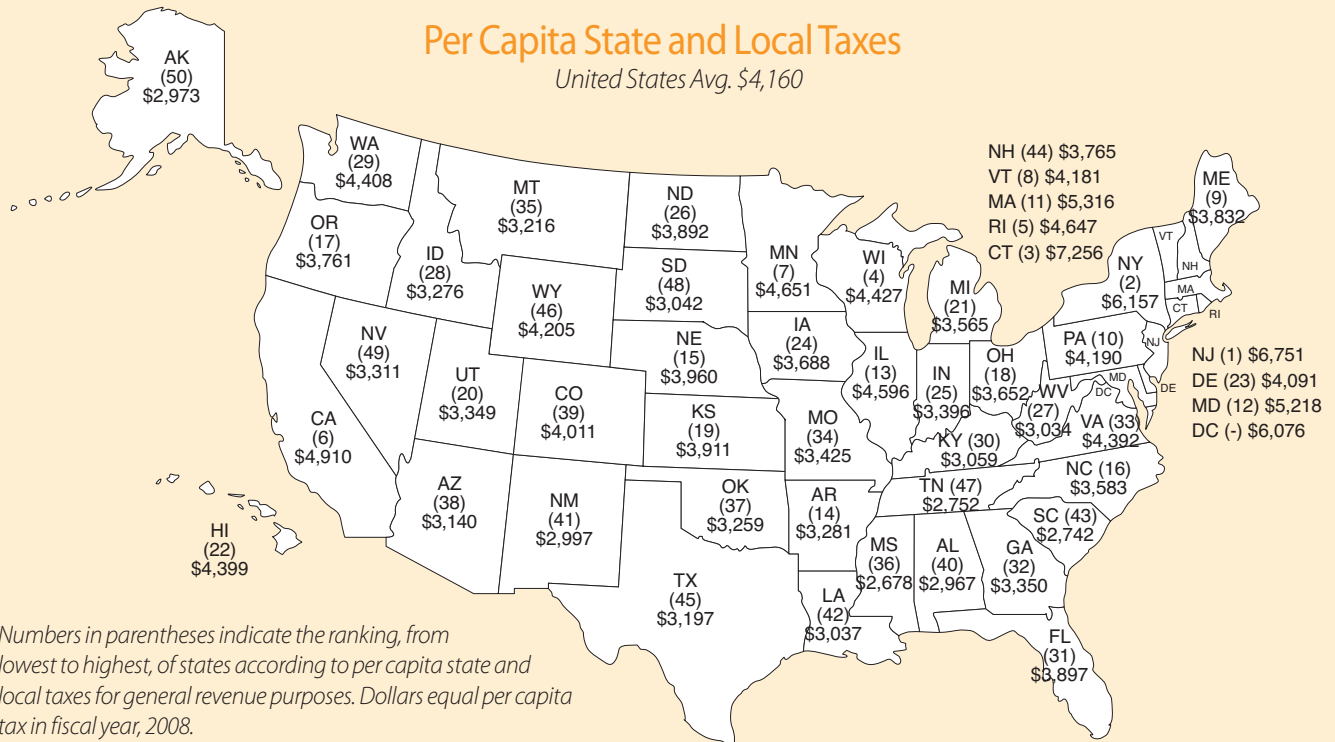
Estimated State and Local Tax Paid by a Family of Three in Selected Cities 2008

City	\$25,000 Income	\$50,000 Income	\$75,000 Income	\$100,000 Income	\$150,000 Income
Philadelphia, PA	\$4,103	\$6,864	\$9,293	\$11,839	\$16,175
Indianapolis, IN	3,184	5,044	7,189	9,611	13,563
Milwaukee, WI	2,316	5,058	7,224	9,898	14,141
New York City, NY	2,890	4,542	7,337	10,689	17,520
Charlotte, NC	3,170	4,245	6,799	9,604	13,994
Atlanta, GA	3,241	4,423	6,929	9,666	14,139
Los Angeles, CA	2,665	4,993	6,417	8,508	13,317
Washington, DC	2,564	3,311	5,620	7,938	12,430
Denver, CO	2,828	3,277	5,055	7,324	10,337
Average U.S.	2,720	4,084	6,024	8,179	11,749

Comprises state and local sales, income, auto and real estate taxes. **Source:** Statistical Abstract of United States, 2011

Per Capita State and Local Taxes

United States Avg. \$4,160



Numbers in parentheses indicate the ranking, from lowest to highest, of states according to per capita state and local taxes for general revenue purposes. Dollars equal per capita tax in fiscal year, 2008.

Source: Dept. of Commerce, Bureau of the Census, 2010.

- C. Unmarried individual: six percent up to \$12,750; seven percent from \$12,751 to \$60,000; 7.75 percent above \$60,000. Two percent surcharge on state income taxes \$60,000-\$149,999; three percent surcharge above \$150,000.
- D. Married individual not filing joint return: six percent up to \$10,625; seven percent from \$10,626 to \$50,000; 7.75 percent above \$50,000. Two percent surcharge on state income taxes \$50,000-\$124,999; three percent surcharge above \$125,000.

North Carolina taxable income is first determined from taxable income for federal income tax purposes. Additions to this taxable income include:

- A. Interest from obligations of states other than North Carolina.
- B. State, local and foreign income tax deducted on the federal return.
- C. The standard deduction and personal exemption inflation adjustment.
- D. Any amount allowed as a deduction from federal gross income that is taxed by a separate tax.
- E. Lump-sum distributions from a pension or profit-sharing plan.
- F. Income from domestic production activities.

States with Lowest Business Tax Burden, 2009

	Percent of Gross State Product	% change 2005-09
Delaware	3.5	13.1
North Carolina	3.5	6.6
Oregon	3.5	8.1
Virginia	3.6	10.3
Connecticut	3.7	2.4
Utah	3.7	19.5
Colorado	3.9	14.8
Massachusetts	4.0	10.2
Missouri	4.0	11.8
U.S. Average	4.7	15.5

Source: Ernst & Young LLC, Council on State Taxation, 2011



Deductions from taxable income include:

- A. Interest from obligations of the U.S., N.C., or non-profit educational institutions located in N.C.
- B. Interest gains on obligations to the extent exempt from N.C. law.
- C. Social Security benefits.
- D. Up to \$4,000 in benefits from Government Retirement Plans.
- E. Up to \$2,000 in retirement benefits from private retirement plans.

Franchise Tax (Business Corporation Tax)

All corporations operating in the state are levied a franchise tax at the rate of \$1.50 per \$1,000 of the largest of three alternative bases:

- A. The amount of the capital stock, surplus and undivided profits apportionable to the state; or
- B. Fifty-five percent of appraised value of property in the state subject to local taxation; or
- C. The book value of real and tangible personal property in the state less any debt outstanding which was created to acquire or improve real property in the state. Book value may be computed by use of the same depreciation methods as are permitted for federal income tax purposes.

The minimum franchise tax is \$35. Franchise tax and income tax are reported on the same return.

Business License Tax

Occupational license taxes are levied by the county and city government on a variety of businesses. These fees vary with the type of business and volume of sales. All are quite reasonable. A schedule of fees may be obtained from the City-County Collector of Revenue.

Unemployment Insurance

Though not a tax, most states require an insurance fee be paid on a portion of taxable wages. This fee varies with each business based on its history of unemployment claims. North Carolina requires a fee of 1.2 percent of the first \$19,700 in wages paid per employee for new firms operating within the state. Existing firms are charged a rate from zero percent to 6.84 percent of the first \$19,700 in taxable wages; the average rate is 1.2 percent.

Sales and Use Tax

A 4.25 percent state tax plus a 3.0 percent local tax makes up the 7.25 percent Mecklenburg County sales tax. An additional tax of one percent on prepared food purchases and eight percent on hotel rooms occupancy rates are collected locally. Qualifying foods are taxed at a rate of two percent. The sales tax on boats, planes and railway cars is three percent with a \$1,500 maximum tax on each item.



Motor vehicle sales are covered under the highway use tax. North Carolina levies a tax on the privilege of using the highway at the rate of three percent of the retail value of a motor vehicle. The tax is at least \$40, but cannot exceed \$1,000 for commercial vehicles.

A 7.25 percent use tax is charged on purchases made out of state; however, mill machinery, parts and accessories used in the manufacturing process are charged only one percent. The maximum tax on a single article of manufacturing machinery or equipment is \$80. Raw materials, containers, labels, packaging and shipping materials are exempt from taxation.

Sales of machinery and equipment to be located and used in a major data center are exempt from sales and use tax, but are subject to privilege tax. Sales of electricity purchased by manufacturing industry to operate the facility are exempt from sales and use tax. Fuel purchased by manufacturers are exempt from privilege license tax.

Motor Vehicle Registration

The state's annual registration license fee is \$28 per private passenger vehicle and \$28 per private truck less than 4,000 lbs.

For more information:

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