



State of North Carolina

Department of State Treasurer

RICHARD H. MOORE
TREASURER

*State and Local Government Finance Division
and the Local Government Commission*

ROBERT M. HIGH
DEPUTY TREASURER

Memorandum #929

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TO: County and Municipal Officials and
Certified Public Accountants

FROM: T. Vance Holloman
Director, Fiscal Management Section

SUBJECT: Results of Municipals and Counties Survey on
Consolidating and Billing of Tax Functions

In 1989, the Local Government Commission (LGC) conducted a survey of the 100 counties to determine the level to which counties and municipalities were consolidating the tax billing and collection efforts. The results of that survey were published in Memorandum No. 692, Consolidating County and Municipal Property Tax Functions, dated June 12, 1989. In that memorandum, the staff encouraged all counties and municipalities to utilize consolidated tax and billing functions for property taxes in order to collect taxes more efficiently and at a lower cost.

Since the 1989 survey, Article 22A of the North Carolina General Statutes, Chapter 105 altered the procedures for the assessment and collection of property taxes on motor vehicles. The county tax collector was authorized to assess, bill, collect, and distribute payments to municipalities in the county.

A follow-up survey of both counties and municipalities was conducted to determine how many units had consolidated tax collection functions, to identify reasons why some units had not consolidated these functions, and to identify any problem areas or concerns by units that had consolidated functions. This summer a survey was sent to all 100 county and 539 municipality tax collectors. The survey covered billing and collection of motor vehicle taxes and billing and collection of other property taxes. All of the 100 counties that were surveyed responded. Of the 539 municipalities surveyed, 510 or 95% responded.

Collection of Property Taxes Other than Motor Vehicle Taxes

The survey revealed 70 counties now offer billing and collection services to municipalities for property taxes other than those on motor vehicles. This represents an increase of 13 counties from the 1989 survey. Following is a summary of methods used by those counties to charge municipalities for property tax billing and collection services:

Percentage of revenue collected	52
Charge per bill	10
Set fee for service	6
No charge for the service	3
Shared fee to cover operating cost	2

Some counties use more than one method to charge for their services; therefore their response is included in each applicable category.

The survey found that 30 counties do not offer billing and collection services. Of those, 17 indicated that they would consider offering those services in the future. Following are the reasons that those 30 counties gave for why they do not offer these services:

Lack of municipal interest	21
Lack of staff	14
Lack of data processing capacity	6
No incorporated municipalities in the county	2
Unable to agree on fair cost with municipalities	2

Note that counties were allowed to indicate more than one reason.

A list of the counties that offer these services and of the counties that would consider offering these services in the future is attached.

The results of the municipalities surveyed indicate that 290 or 57% of the municipalities responding utilize billing and/or collection services for taxes other than motor vehicles. Following is a summary of the services that the municipalities indicated that they use:

Billing and collecting	255
Billing only	32
Collection only	3

Following is a summary of the reasons given for using these services:

Limited personnel	238
Saves expenses	198
Saves time	176
Higher collections	107
Quicker collections	73

Note that municipalities were allowed to indicate more than one reason.

The municipalities were asked to describe the impact of using the county services upon their tax collection percentage. Following is a summary of the results:

Uncertain, service has been used for many years	105
Higher percentage	92
No change	37
Lower percentage	15
Did not respond or not determinable	261

Note that municipalities were allowed to indicate more than one reason.

One hundred and sixty four of the municipalities are billed a percentage of the amount collected for these services. That percentage ranged from .1% to 10%, with 1.81% being the average. Seventeen municipalities pay a flat fee. The fee ranged from \$249, for a municipality with a population of 319, to \$275,000, for a municipality with a population of 205,516. Thirty-two municipalities were charged per bill while 18 were not charged for the service. Fourteen municipalities indicated costs were shared. Two hundred and sixty nine municipalities either did not respond or their response was not determinable. Note that some counties use more than one method to charge for services.

One hundred and thirty four municipalities, 26% of municipalities responding, indicated that their county did not offer billing and collection services. Of those municipalities, 17 indicated they would use the service if offered 53 indicated they would consider using the service if offered, and 56 indicated they would not use the service if offered. Eight municipalities either did not respond or their response was not determinable. When asked to rank the most important factor(s) to be considered in deciding whether or not to use the service if it were offered, units provided the following responses:

Saves cost	90
Convenience	89
Collection percentage	87
Information about collections	84
Past problems	78
Delays in returns	76

Seventy-two municipalities, 14% of the units responding, indicated that they were not using the services even though their county offered it. Of those municipalities, 48 indicated that they were reluctant to give up local control of the billing and collection function to counties. Twenty-one municipalities surveyed feared that they might experience cash flow problems if the counties did not remit the taxes collected in a timely manner. Nineteen decided that it was too expensive, 14 had past problems, and 9 determined that it was inconvenient. Note that municipalities were allowed to indicate more than one reason.

Fourteen municipalities did not respond when asked if they used consolidated tax billing and collection services.

These municipalities were asked what factors would cause them to use the services offered by the county. Following is a summary of their responses:

Higher collection percentage by the county	33
Time and cost savings	30
Change in Board policy	21
Loss of the current tax collector	9

Note that municipalities were allowed to indicate more than one reason.

Motor Vehicles Tax

All counties must collect motor vehicle property taxes for municipalities and all municipalities must use the county to collect those property taxes. In order to ascertain how the motor vehicle property tax billing and collection process is functioning, the survey asked both counties and municipalities several questions about charges for collections, remitting collections to the municipalities, and remitting information to municipalities.

Among the 98 counties with incorporated municipalities, 78 remit payments to municipalities monthly, 7 remit payments weekly, 2 remit payments quarterly, and 11 have chosen to remit payments on different schedules.

Eighty three counties indicated that they remitted information about tax billings and collections monthly, 4 provide it weekly, 2 provide it quarterly, and 9 have chosen other schedules. The information was distributed in the following formats:

Lump sum	62
Detailed	35
Other	16

Some counties use more than one method of providing information; therefore their response is included in each applicable category.

The counties indicated that they use the following methods to charge for their billing and collection services:

Percentage of revenue collected	83
Charge per bill	1
Set fee for service	2
No charge for the service	5
Did not respond or not determinable	15

Some counties use more than one method for charging; therefore their response is included in each applicable category. The percentage charges ranged from .2% to 2% with 1.38% being the average.

Among the municipalities responding, 380 receive payments monthly, 31 receive payments weekly, 26 receive payments quarterly, and 41 receive payments on different schedules. Thirty-two municipalities either did not respond or their response was not determinable. Three hundred and eighty five municipalities indicated that they receive information about tax billings and collections monthly, 14 receive it weekly, 28 receive it quarterly, and 40 receive it on other schedules. Fifty-two units either did not respond or their response was not determinable. Note that some units indicated more than one response.

Three hundred and fifty six of the municipalities responding indicated that they were charged a percentage of the revenue collected for billing and collection services. Most units indicated that they are billed 1.5% of collections or less. However, 38 municipalities indicated that they were billed 2% or more of collections. Eleven indicated that they were not charged. One hundred and forty six municipalities either did not respond or their response was not determinable. Some units indicated more than one response.

Counties and municipalities should note that G.S. 105-330.5(b) requires counties to remit collections to municipalities at least once a month, as well as reasonable information that enables the municipality to account for the tax payments. That Statute also limits the fee counties may charge to no more than 1 1/2 % of taxes collected. Any counties that are not currently complying with these requirements should do so immediately. Any municipalities that feel their counties are not complying with this Statute should contact the county tax collector to discuss their concerns.

Summary

The number of counties providing billing and collection services for taxes other than motor vehicles increased significantly. Further, of the 30 counties not providing the service, 17 are willing to discuss the possibility of providing the service with municipalities and 2 counties have no incorporated municipalities. Only 11 counties are not willing to consider providing the service to municipalities in their county at this time. The main reasons given by those counties for not providing the service were lack of staff and lack of data processing capacity. We encourage those 11 counties to consider providing the service if approached by a municipality. Those counties must have tax systems and adequate staff in place to bill and collect motor vehicle taxes for municipalities. These units should consider the additional cost of providing this service for other property taxes and set a fee for billing and collection services that is fair and beneficial to the county and municipalities

Two hundred and ninety municipalities reported using the consolidated service for taxes other than motor vehicles, and another 70 indicated they would use or would consider using consolidated services if available. This represents over 70% of the units responding. We feel that utilizing consolidated services results in units collecting taxes more efficiently and at a lower cost. For units with smaller staffs, using consolidated services will improve internal controls over tax collections. Smaller units with limited staff often have difficulty appointing a separate finance officer and tax collector. G.S. 105-349(e) does not permit the same individual to be appointed to both positions without approval from the Secretary of the Local Government Commission. Municipalities that contract with the county for collection services can appoint the county tax collector as their tax collector and be in compliance with that Statute.

Municipalities that are not currently using or willing to consider using these services listed loss of control over the billing and collection function, fear of cash flow problems if the counties did not remit the taxes collected in a timely manner and expense as the main reasons for not using these services. A municipal employee will not perform billing and collection services if the county collects property taxes. While this does result in loss of direct control over the process, use of this service permits improved internal control and allows units with limited staff to comply with G.S. 105-349(e). For the great majority of the counties in our State, the tax collector is hired by the county commissioners and accountable to the county commissioners. Those commissioners are elected by all the citizens of the county, including the citizens that live within municipalities. Those tax collectors that are not appointed by the county commissioners are elected by all the citizens of the county. Accountability to the citizens of the municipality is still in place if consolidated services are used.

The results of this survey also indicate that units using consolidated services have not experienced problems with taxes being remitted in a timely manner or with the cost of collections. When asked for any comments or concerns about the current tax collection process, only 4 of the 290 municipalities currently using consolidated services indicated that the timing of the county remitting payments was a problem. One hundred ninety eight of those municipalities listed cost savings as a reason for using the service. One hundred and sixty four of those municipalities reported charges for services were based upon a percentage of collections, and the average charge to those units was 1.81% of collections.

We commend the units that have consolidated billing and collection. We again encourage units that have not done so to consolidate property tax billing and collection. Consolidation of the tax billing and collection functions would be beneficial to both counties and municipalities because a single tax billing and collection office would simplify taxpayers' efforts to pay and to inquire about the status of their taxes. Also, when attachment, garnishment, and foreclosures are involved, the consolidated efforts would save time and related expenses.

We hope the results presented will enable you to further assess and consider consolidating all tax billings and collections. If you have any question about the survey, including suggestions, please contact Samantha Cox at 919-807-2394 or samantha.cox@treasurer.state.nc.us.

**Counties Offering Billing and Collection Services (70)
by Billing Method**

Percentage Amount

Alamance	Jackson
Anson	Johnston
Beaufort	Jones
Brunswick	Lenior
Buncombe	Lincoln
Cabarrus	Martin
Caldwell	Moore
Carteret	New Hanover
Caswell	Onslow
Chatham	Pamlico l
Cherokee	Pasquotank
Clay	Pender l
Cleveland	Perquimans
Craven	Person
Cumberland	Pitt
Dare	Polk
Durham	Randolph
Edgecombe	Robeson
Forsyth	Sampson
Franklin	Stanly
Granville	Stokes
Guilford s	Transylvania
Halifax	Wake
Harnett	Watauga
Hertford	Wayne
Iredell	Wilson

Set Amount, Charge per Bill, or Shared

Burke	Mecklenburg
Catawba	Northampton
Columbus	Rockingham
Davidson	Rowan
Davie	Rutherford
Gates	Surry
Lee	Vance

No Charge or Unspecified

Chowan	Orange
Gaston	Tyrell

Counties That Would Consider Offering the Services (17)

Alexander	Richmond
Alleghany	Scotland
Avery	Swain
Bladen	Union
Graham	Warren
Haywood	Washington
Henderson	Wilkes
Macon	Yadkin
Nash	

Counties That Do Not Have Incorporated Municipalities (2)

Currituck	Hyde
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- s The unit charges based on a percentage of collections, a set fee, and a shared fee.
- l The unit charges based on a percentage of collections and a set fee.