



North Carolina Department of Revenue

Beverly Eaves Perdue
Governor

Kenneth R. Lay
Secretary

March 15, 2010

MEMORANDUM

TO: County Assessors and County Collectors

FROM: David B. Baker, Director
Property Tax Division

RE: HB 1779 -- Mototax

North Carolina counties currently collect property tax on motor vehicles registered in the state. Under the existing system, NCDMV sends monthly data to all counties identifying those motor vehicles that have been issued or have renewed registrations for the month; this process was initiated in May, 1993. The counties then send a bill to the motor vehicle owner for the property taxes due on the vehicle. If the motor vehicle owner fails to pay the property tax for the vehicle within a designated time period, the county notifies NCDMV to place a registration stop on the vehicle. The motor vehicle owner then cannot be provided registration services on the vehicle by the NCDMV until proof has been provided that the taxes have been paid. Under the current system, a high percentage of vehicle property tax is paid late or not at all. Currently, within a fiscal year, vehicle property taxes are collected by the counties for 85% to 91% of the registered vehicles. HB 1779 was ratified in August, 2005, to improve this collection rate within a fiscal year by requiring the payment of the vehicle property taxes with the issuance or renewal of a vehicle registration.

The NCDOT, NCDMV, representatives from counties and our office have been working tirelessly since October 2008 to develop the computer program necessary to implement HB 1779. The project has been moving forward but just recently NCDMV raised some concerns about the time line of the project and issues around the STARS computer system being able to handle the new property tax system. Starting in mid-February, there were several meetings held concerning these issues. A meeting was called by the NCDMV to bring these issues to the forefront. This meeting included NCDMV, NCDOR, NCACC, NCLM and a representative from the Governor's Office. It was decided at this meeting that the issues raised by NCDMV were valid and needed to be reviewed further by NCDOT. An additional meeting was held between NCDOT and NCDOR which included the Secretary of each Department. It was determined at this meeting that the issue of the time line and the issue of STARS would be reviewed by the appropriate people with the NCDOT and other State IT personnel to determine the best course of action. Below are the conclusions:

- NCDOT has become increasingly concerned about the success of HB1779 implementation, particularly from a technical standpoint.

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- The department recently concluded after much work that inserting the tax functions into the existing vehicle registration computer system was more precarious than expected, putting the entire system at risk.
- Failure of the new system to function would jeopardize the registration and property tax collection for 30,000 vehicles a day.
- Moreover, the vehicle registration system will be replaced in the next few years, making a substantial investment in the current system questionable since any changes made would be lost.
- NCDOT recently shared these concerns with stakeholders, who decided to change the approach to build a system that ensures the successful collection of motor vehicle property tax and registration fees.
- Current programming work has stopped.
- NCDOT will hire an independent consultant to evaluate and recommend the optimum architecture and design needed to carry out the legislative mandate.
- Most new functions will be built outside the existing vehicle registration program and be designed to feed information into that program; this new system will also feed into whatever computer program replaces the current vehicle registration system.
- A two-year delay in implementation is anticipated to assess the need and build the new computer system.
- Operationally, the tax collection at time of registration will still occur upon implementation.
- Planning discussions on implementation will continue between state agencies and local government representatives. All stakeholders (NCDOT, NCDOR, NCLM and NCACC) are committed to the completion of the system and the implementation of HB 1779 and believe this delay is necessary to ensure that the state, local governments and residents of North Carolina receive the best solution possible.

In summary the current programming work has been stopped so a better IT solution can be determined and this will cause a delay of up to two years in the implementation of HB 1779. I want to thank each county, NCDOT, NCDMV and NCDOR employee who has put so much time into this project. The hard work and dedication of the people who have worked on the project up to this point has been exceptional, and I cannot say enough about their commitment to making this project a success and their commitment to the citizens of North Carolina. The work that has been completed up to this point will not be wasted. As we continue to implement HB 1779, we will use the knowledge we have gained from the process to help us design and implement the best system possible.

As we move forward with the design of this system on a different type of platform, it will take the same massive effort on the part of all involved to develop the best system possible. I am asking each of you to continue to be active in this process and not to lose sight of our goal to develop the best motor vehicle property tax system possible. I will continue to update you as we move forward with the implementation of HB 1779.

If you have any questions, please contact me at 919-733-7711.