

Transylvania County Revenue Guide

This document provides a quick reference guide on the major sources of revenue for Transylvania County. The guide provides information on the types of revenue, legal authorization, collection methods and uses. The collection of revenue in all North Carolina counties is covered by state and federal statutes and regulations.

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Ad Valorem Real & Personal Property Tax

Legal Authorization: G.S. 153A-149, G.S. 160A-209, G.S. 105-271 to 105-395

Fund Code: 101000

Discussion: Ad valorem property tax is the largest source of revenue for NC counties, as intended by the state’s legal structure. Ad valorem property taxes are based on the value of real property, land and structures. The county’s Tax Office ensures that property values are assessed uniformly and equitably among all property owners throughout the County; this is done through the process of revaluation. Assessors in the Tax Office are trained and certified by the state to conduct the revaluation, and values are set on objective criteria determined under state regulation. After a revaluation, state law provides a formula and requires publishing a revenue neutral tax rate for transparency. A revenue neutral tax rate is the rate that would keep the county-wide tax bill the same in the following year as it is in the current year, despite changes in valuation. For transparency, any increase in tax rate must be based on this revenue neutral tax rate. When estimating property tax revenues, counties must consider the likelihood of failing to collect 100% of total taxes billed in a given year.

The current collection rate within Transylvania County is estimated at 98.5%. The county also collects overdue taxes, along with associated interest and penalties. Property tax revenue accounts for about 58 percent of the county's total General Fund revenue. Property tax is one of the few types of county revenue that is not restricted to a specific use, allowing it to fund many vital county operations as well as larger capital projects.

Motor Vehicle Property Taxes

Legal Authorization: G.S. 153A-149, G.S. 105-330

Fund Code: 101010

Discussion: Motor vehicle property taxes are assessed based on the taxable market value of a vehicle as prescribed by G.S. 105-330.2. Motor vehicle taxes are due with vehicle registration and become delinquent after 30 days. The taxes are paid directly to the North Carolina Department of Revenue which then distributes those funds to Transylvania County once a month. The county's motor vehicle tax collections are partially reduced because the Department of Revenue charges credit card fees back to the county, usually totaling about \$100,000 per year. The county's motor vehicle tax revenue will also decrease if the property tax rate is adjusted downward after a revaluation, because vehicles do not tend to appreciate like real estate. Motor vehicle taxes make up about 2 percent of the county's operational budget. This is estimated at 96% collection.

Local Option Sales Taxes

Legal Authorization: G.S. 105

Fund Code: 1010120

Discussion: The sales tax in North Carolina is a combination of state and local tax. The NC state sales tax is 4.75 percent, and the Transylvania County sales tax is 2 percent. State sales tax is divided into sections called articles. The state mandates that a certain portion of two tax articles be set aside for school capital needs: 30 percent of Article 40 and 60 percent of Article 42 are earmarked for school construction and improvements. In Transylvania County, the school portion of sales tax is automatically calculated by the County's financial software and set aside in a special collection fund. Once school sales tax has been received and reconciled for a fiscal year, it is transferred to the Education Capital Fund, where it is either assigned to projects immediately or held in fund balance for future school capital projects. The non-school portion of sales tax goes into the county's General Fund, where it makes up about 14 percent of the county's operational budget.

Quarter Cent Sales Tax: In 2007, the NC General Assembly granted county boards of commissioners the authority to levy, subject to voter approval, an additional quarter cent sales tax. As of 2025, almost half of NC counties had voted to approve the tax. Whereas property taxes are based on property ownership, sales taxes are consumption-based taxes, generated by both residents and visitors or tourists. The quarter cent sales tax can be helpful in relieving the pressure on property taxes as the country's main revenue source. A quarter cent sales tax referendum was included on the ballot for Transylvania County in the November 2024 election, but the tax increase did not pass.

Article 44 Hold Harmless Provision

Legal Authorization: G.S. 105, Article 44

Fund Code: 1010120

Discussion: In FY2008, the NC General Assembly enacted the Medicaid Relief/Sales Tax Swap (House Bill 1473). Due to this legislation, counties lost the ability to levy a half-cent sales and use tax (Article 44 tax) in exchange for the state taking over most Medicaid expenses that were previously paid by counties. In exchange, counties ceded Article 44 sales tax (on business inventories) to the State beginning October 1, 2009. At that time, the state guaranteed that each county would benefit by at least \$500,000 from the Medicaid swap. If a county's gain from no longer paying Medicaid expenses did not exceed its loss from the half-cent sales tax by at least \$500,000, the state would make a supplemental ("hold harmless") payment to the county to make up the difference.

In 2014, however, the state legislature modified the supplemental payment formula to reduce the state payments over time. Starting in FY2018, the state will only make a supplemental payment if the loss in revenue to a county from the repealed local sales tax would have exceeded the gain to the county from the reduction in Medicaid expenses that year. Counties are also required to make hold harmless payments to their local municipalities. In Transylvania County, the two municipalities receiving hold harmless payments are the City of Brevard and the Town of Rosman. While the state reduced their payments to counties due to the impact of the federal formula built into county calculations, counties are still required to pay hold harmless to municipalities at the same formula as before. In FY2023, counties received \$269 million in hold harmless payments, but payments dropped to \$177 million for FY2024. This \$91 million reduction was the result of slowing sales tax growth and sharply rising Medicaid costs. Budgeting for this highly volatile revenue remains a challenge.

Occupancy Tax Collections

Legal Authorization: G.S. 153A-155

Fund Code: 101030

Discussion: The NC General Assembly has granted special authorization to levy occupancy taxes to roughly 200 counties and municipalities, including Transylvania County. Occupancy taxes are taxes on hotels and other rental accommodations and can range from three to six percent. By the authorization of the General Assembly, all proceeds from Transylvania County's occupancy tax are remitted to the Transylvania County Tourism Development Authority (TCTDA). The TCTDA must use two-thirds of the funds to promote travel and tourism in Transylvania County and can use the remainder of the funds for other tourism-related expenditures. The Transylvania occupancy tax rate is 5 percent and accounts for about 3 percent of all revenues coming into the county's General Fund, where it is collected before being remitted to the TCTDA. Occupancy tax cannot be used for any other purpose.

Other General Government Revenues

Fund Code: 101090

Payment in Lieu of Taxes (PILT) Funds: Payments in Lieu of Taxes (PILT) are Federal payments designed to help local governments offset losses in property taxes due to the existence of nontaxable federal lands within their boundaries. PILT payments help local governments carry out vital services like firefighting and police protection, construction of public schools and roads, and search-and-rescue operations on public lands. Because almost half of Transylvania County is nontaxable Federal and State Parks/Forests, PILT funding is essential revenue; however, the State of North Carolina currently does not provide state-level PILT funding to counties, and federal PILT funds do not fully cover the cost of services in those areas. The County receives between \$250,000 and \$300,000 per year in PILT funding.

Federal Timber Receipts: Counties also receive funds from U.S. Forest Service timber sales on federal lands within the county. These funds are federally designated to support public schools and roads. Since Transylvania County does not have the authority to build or maintain roads (in North Carolina, this is the purview of NCDOT), these funds are remitted to Transylvania County Schools. Like many counties, Transylvania saw a sharp decline in these revenues for 2024, and the future of this federal funding is subject to both legislative and economic uncertainty.

Interest on Investments: Transylvania County receives General Fund revenue from interest on its investment accounts. The county maintains its funds in accounts with First Citizens Bank, JP Morgan and Chase, NC Capital Management Trust, and the NC Investment Pool. Although governmental accounts are relatively stable, this revenue remains dependent on the behavior of interest rates within the larger economic market.

Taxes on Alcoholic Beverages: The State of North Carolina levies a 30 percent excise tax on spiritous liquor sold in ABC stores, in addition to the state and local sales tax. The county receives a portion of the revenue generated by this excise tax, under the authority of Transylvania County ABC Board. The chairman and members of this board are appointed by the Mayor of the City of Brevard and the Brevard City Council. Transylvania County receives a relatively small amount of revenue (about \$200,000 on average per year) from excise taxes on alcoholic beverages.

Intergovernmental Revenues

Intergovernmental revenues include allocations, grants, and matches from federal agencies, the State of North Carolina, and other local government agencies.

Grants: While Transylvania County does receive some grants from local nonprofit organizations and foundations, grant funds are also awarded to the county from state or federal agencies to fund specific projects. Large multi-year grants, along with their associated expenses, are budgeted in a separate fund, not in the General Fund. Examples of grants housed in the General Fund include: \$5,000 from Pardee Health to fund healthy living programs for county employees; \$10,000 from St. Philip's Episcopal Church Women to help cover transit fares for the Silver Squirrels Senior & Disability Service; and a \$25,000 post-Helene Natural Disaster Preparedness Local Grant for Emergency Management disaster communications equipment. Nearly all grants are awarded to the county for a specific purpose, and funds cannot be redirected without permission from the grantor.

Federal and State Funding: The county receives state and federal revenue for specific programs. These funds are designated for these programs and cannot be used for any other purpose. Funds often function as a match, meaning the county must provide "matching" funds in a certain amount to receive the state or federal funding. Departments that receive state and federal funding include Emergency Management, the Sheriff's Office, 9-1-1 Communications, Public Health, Social Services, Transportation, and more. Examples of these types of funding include:

- **Sheriff's Office example:** The Transylvania County Detention Center receives funds from the NC Statewide Misdemeanant Confinement program for expenses related

to housing state misdemeanor inmates, and funds from the U.S. Marshals Service for expenses related to housing federal inmates. Total law enforcement funding accounts for about 3 percent of budgeted revenue in the General Fund. Most law enforcement programs associated with these revenues are regulated at the state and federal levels.

- **Public Health example:** The Public Health Department receives federal and state funding for programs including Medicaid, Child Health, Pregnancy Case Management, WIC Operations, Immunizations, and more. Total Public Health funding accounts for about 2 percent of budgeted revenue in the General Fund. The programs associated with these revenues are mandated and/or regulated at the state and federal levels.
- **Social Services example:** The Department of Social Services (DSS) receives federal and state funding for programs including Adult Day Care, Foster Care, Adoption Assistance, Child Welfare, Vulnerable Adult Services, and more. Total DSS funding accounts for about 6 percent of budgeted revenue in the General Fund. The programs associated with these revenues are mandated and/or regulated at the state and federal levels.

Permits, Fines, and Fees

Discussion: Transylvania County generates limited revenue in specific departments through permits, fines, and fees. While county commissioners have limited authority to approve fees, most fees are prescribed by state, federal or industry regulations. All fees are approved by Commissioners and published in the county's annual Fee Schedule.

Departments that generate revenue from fees include the following:

- **Register of Deeds:** The Register of Deeds Office charges fees in accordance with G.S. 161-10. Fees are collected prior to filing, registration, recording, certification, or other services rendered by the Register of Deeds. Four and a half (4.5) percent of the fees collected are to be remitted monthly by each County to the State to fund the Register of Deeds Supplemental Pension Fund. Passport fees are collected as dictated by the U.S. Department of State. Revenue generated from the Register of Deeds and Passport services helps to offset the staffing and operations of the department.
- **Building Inspections and Enforcement:** The Building Department charges fees for inspections and permitting in accordance with state law (G.S. 153A-352 and 160A-412) and according to the North Carolina Building Codes and the National Electrical Code. NC state statute allows the department to charge fees related to the cost of

administering permits and inspections, and all fees collected within the department must remain dedicated to department expenses.

- **Fire Marshal:** The Fire Marshal's Office in Transylvania County charges fees and fines for services such as inspections, pyrotechnics and explosives permits, fumigation permits, and illegal burns. Fees are determined based on comparable data from other NC counties. The fees collected pay for a small portion of the Fire Marshall's departmental expenses.
- **Emergency Medical Services (EMS):** The EMS Department charges standard ambulance rates. Ambulance rates are established following the recommendations from the county's billing contractor, EMS Management & Consultants (EMS|MC), according to their standard Medicare/Medicaid and insurance rate analysis. Revenue from EMS ambulance rates covers only a fraction of the cost of EMS staffing, operations, and equipment.
- **Public Health:** The Public Health Department operates under the Transylvania County Board of Health, which approves Clinic Fees and Environmental Health Fees on an annual basis. The fees collected pay for a portion of the department's expenses and do not fully offset the cost of services.
- **Department of Social Services:** In compliance with 10 NCAC 70H.0113, the Transylvania County Department of Social Services (DSS) charges for certain adoption services as outlined in G.S. 48-3-304(a) and G.S. 48-2-504(a). The New Adventure Learning Center (operating under DSS) sets private pay rates based on a periodic analysis of market rates.
- Other departments such as **Parks & Recreation, Animal Services, Transportation, and the Library** charge fees for services and events. These fees provide a small amount of revenue for the department but do not fully offset the costs of offering those services.

For more information about county revenue, please contact Transylvania County Administration, located at 101 S. Broad St., Brevard (by phone at 828-884-3100).