Accessibility

ur

Coates' Canons

NORTH CAROLINA LOCAL GOVERNMENT LAW BLOG

June 9, 2026

SB 889 and FY 2026-27 Budget Adoption Amid Property Valuation Uncertainty

Kara Millonzi

Counties and municipalities across North Carolina are currently finalizing their FY 2026-27 budgets. For some local governments, that process has been complicated by **Senate Bill 889 (SB 889)**, which would temporarily delay implementation of certain property reappraisals that became effective on January 1, 2026. Because the bill remains under consideration at the General Assembly, affected local governments face an unusual challenge. They must continue planning for their new annual budget ordinance while uncertainty remains about the property tax base that may ultimately be available for FY 2026-27.

That uncertainty has generated a number of practical questions for local officials. Can a governing board adopt a contingent budget? Can it use prior property valuations now in anticipation of possible legislative action? Should budget adoption be delayed? What happens if a local government adopts its budget and tax levy before the General Assembly acts? And if the bill is enacted after budget adoption, what options might be available to respond to the resulting revenue impacts? This post, formatted as a Q&A, addresses those questions based on current law, while recognizing that additional legislative action could change the analysis.

1. What is SB 889?

SB 889, titled the "Property Tax Reappraisal Moratorium," would apply to counties with populations of 15,000 or greater that conducted a property reappraisal during 2025 that became effective January 1, 2026.

For the taxable year beginning July 1, 2026, the bill would require affected counties to use the schedule of values from the county's most recent prior reappraisal rather than the schedule of values adopted as part of the January 1, 2026 reappraisal. The January 1, 2026 reappraisal values would then become effective for the taxable year beginning July 1, 2027 and remain in effect until the next general reappraisal.

Because municipalities rely on county property valuations for municipal tax levies, the bill would also affect municipalities located within affected counties.

For an analysis of the financial impact of SB 889, see the Fiscal Research Division's **Legislative Fiscal Note**.

2. Is SB 889 current law?

No. SB 889 has passed the Senate but has not been enacted. Based on the **current bill history,** the House has referred it to and withdrawn it from various committees. On June 8, 2026, it was re-referred to the Committee on State and Local Government. On June 9, **that committee voted a favorable report** and referred the bill to the Rules, Calendar, and Operation of the House Committee. (There was some indication at the meeting that a separate bill is being worked on that may incorporate some or all of the provisions of SB 889.)

3. Will SB 889 become law?

I don't know, but as indicated above there has been activity in the House on the bill in recent days. More broadly, property tax policy has been the subject of significant discussion in the General Assembly over the past year. The **House Select Committee on Property Tax Reduction and Reform** held multiple meetings examining property tax reappraisals, tax burden shifts, revenue-neutral and other tax rates, and other property tax issues. Those discussions ultimately led to a **recommendation for a constitutional amendment addressing property tax limitations**, which the General Assembly enacted as **Session Law 2026-5**. The proposed amendment will be submitted to voters in November 2026.

The Senate has also devoted attention to property tax policy, including the formation of a Senate working group to examine potential reforms. Against that backdrop, SB 889 was introduced and subsequently passed by the Senate. The bill is now awaiting action in the House. The House could pass the bill as written, amend it, incorporate its provisions into another bill, or decline to advance it.

For affected local governments, the practical reality is that there is currently no enacted legislation changing the 2026 reappraisal schedules. Unless and until the General Assembly acts, local governments should continue preparing for the upcoming fiscal year under existing law while closely monitoring legislative developments.

4. Is SB 889 a local act?

No. Although the bill applies only to certain counties, it is a public bill rather than a local act. It applies based on specified criteria rather than naming particular local governments.

5. While waiting to see what the House will do with SB 889, may a local governing board adopt a contingent budget ordinance or make a contingent tax levy?

No. The Local Government Budget and Fiscal Control Act does not authorize a governing board to adopt a contingent budget ordinance or make a contingent tax levy. In other words, the governing board may not adopt two versions of the budget ordinance and/or two versions of the tax rate or levy, with the final ordinance, rate/levy dependent on future action or inaction by the General Assembly.

6. May a local governing board adopt the annual budget ordinance but wait to adopt the tax levy, pending action by the General Assembly?

No. State law requires that the tax levy be set by the governing board with the adoption of the budget ordinance. *See* **G.S. 159-13(c)** ("The budget ordinance of a local government shall levy taxes on property at rates that will produce the revenue necessary to balance appropriations and revenues, after taking into account the estimated percentage of the levy that will not be collected during the fiscal year. The budget ordinance of a public authority shall be balanced so that appropriations do not exceed revenues.")

7. What can a governing board do while SB 889 remains pending?

The most practical approach is to prepare for both possibilities and delay adopting the budget ordinance (and thereby setting the property tax rate(s)) as long as possible.

Governing boards of affected units should consider at least two budget scenarios: one based on the currently effective property valuations (the 2026 revaluation) and one based on the possibility that the General Assembly ultimately requires use of the prior schedule of values. Preparing multiple scenarios allows boards to evaluate the financial implications of either outcome and move more quickly once there is greater certainty.

Although the budget ordinance should be adopted by July 1, boards may be able to schedule adoption near the end of June to allow additional time for legislative developments. State law also authorizes **interim appropriations** if a budget ordinance has not been adopted by July 1, which may provide additional flexibility if circumstances warrant.

Given SB 889's potential impact on local government budgets and the timing of the budget process, it is reasonable for affected local governments to proceed on the assumption that, if the House intends to enact SB 889 or similar legislation this session, it is more likely than not to do so before June 30. Delaying budget adoption until late June may therefore provide greater certainty and reduce the likelihood that a governing board will need to revisit budget decisions shortly after adoption. At the same time, the General Assembly retains the authority to act after June 30, and local governments should recognize that possibility when evaluating budget risks and preparing contingency plans.

8. Can a governing board simply use the prior property valuations now because SB 889 might pass?

No. Unless and until the General Assembly changes the law, local governments must use the property valuations that go into effect on July 1, 2026 (from the 2025 revaluation). A governing board cannot disregard these valuations based on the possibility that pending legislation may later require a different approach. Budget ordinances and tax levies must be based on current law, not anticipated legislative action.

9. If a board adopts a budget ordinance based on current valuations and the General Assembly later enacts SB 889, may the local government simply change the tax rate so that the total levy remains unchanged?

No. Assume a local government adopts a tax rate of $0.3245 per $100 valuation based on a tax base of $10,000,000. That rate produces a total levy of $32,450. (After accounting for a 98% collection percentage, the unit expects to collect approximately $31,801.) Now assume the General Assembly later enacts SB 889 and the tax base is reduced to $8,000,000. To generate the same $32,450 levy on the lower tax base, the governing board would need to increase the tax rate to approximately $0.4056 per $100 valuation.

The board may not automatically make that change to the tax rate. G.S. 159-15 provides that after a budget ordinance is adopted, a governing board **may not amend the ordinance to change the property tax levy or to change a taxpayer's liability**. Although increasing the tax rate from $0.3245 to $0.4056 would produce the same overall levy in this example, it would necessarily change the amount of tax owed by individual taxpayers. The original levy was based on one set of valuations and one tax rate. The revised levy would be based on a different set of valuations and a different tax rate. As a result, at least some taxpayers would owe a different amount than they owed under the levy originally adopted by the governing board.

That is precisely the type of post-adoption change that G.S. 159-15 generally prohibits. Once a governing board has adopted a property tax levy, it generally cannot later revise the levy in a manner that changes taxpayer liability, even if the revised rate is intended only to preserve the same overall amount of revenue for the local government.

10. Is there an exception in G.S. 159-15 that applies in this situation?

Maybe. As stated above, G.S. 159-15 generally prohibits post-adoption amendments that change the property tax levy or alter a taxpayer's liability. But it includes a few exceptions, including allowing a governing board to change the tax levy if after July 1 it receives revenues that are substantially more or less than the amounts anticipated when it adopted the budget ordinance. The levy change must occur before January 1. A board facing a significant reduction in taxable values has a reasonable basis to invoke this exception. The reduction was not within the board's control, and it directly causes revenues to fall short of what the board anticipated when it set the levy. This is the type of situation the exception appears designed to address.

That said, a few complications are worth noting. First, the General Assembly added this exception in response to unexpected reductions in State aid, not changes to the property tax base, so the legislative history does not map cleanly onto this situation.

Second, the statutory language itself leaves room for debate. G.S. 159-15 authorizes a levy adjustment when revenues are not "received" as anticipated. Chapter 159 sometimes appears to distinguish between revenues that are collected by the local government and revenues that are received from outside sources. For example, the daily deposit statute, G.S. 159-32, applies to "all taxes and other moneys collected or received." A court could conclude that the General Assembly's use of both terms reflects a distinction between revenues generated and collected directly by the local government, such as property taxes, and revenues received from outside sources, such as State aid, grants, or shared revenues. Under that reading, a reduction in the property tax base would not necessarily involve revenues that were not "received" as anticipated because property taxes are generally collected rather than received.

On the other hand, Chapter 159 does not use the terminology consistently. For example, G.S. 159-8 requires the budget ordinance to include "all moneys received and expended by a local government…." In that context, the term "received" appears broad enough to encompass all revenue sources, including property taxes. A court also could reasonably conclude that property tax revenues are "received" when taxpayers remit payment to the local government, regardless of whether the revenues are locally generated or externally sourced. As a result, the statutory context does not clearly resolve the issue.

Third, timing may matter. If the General Assembly enacts SB 889 after July 1 and after a local government has adopted its budget ordinance, the argument for applying the exception is relatively straightforward: the local government adopted its budget based on one set of taxable values and subsequently lost anticipated revenues because of a legislative change. If, however, the General Assembly enacts SB 889 before July 1 but after the governing board adopts its budget ordinance, a court could conclude that the taxable value changed before the fiscal year began and before any property tax revenues were due. Under that view, the local government may have "received" fewer revenues before July 1, making it more difficult to apply the exception.

A related complication arises if "received" is interpreted to mean revenues that have actually come into the local government's possession. G.S. 159-15 requires any levy adjustment under this exception to occur before January 1. Yet property taxes are not delinquent until after January 5, and local governments typically continue collecting a substantial portion of their annual levy through the end of the calendar year. If the exception can be invoked only after the local government determines that it actually possesses less revenue than anticipated, a governing board may not have sufficient information to make that determination before the January 1 deadline expires. In the context of property taxes, this timing issue suggests that the General Assembly may have intended the exception to apply when a governing board reasonably determines that revenues will be less than anticipated, rather than requiring proof that the revenues already have been received in a lesser amount. At the same time, the January 1 deadline could also be viewed as evidence that the exception was primarily intended for revenue sources where shortfalls become apparent relatively quickly, such as State aid or other intergovernmental revenues.

Despite these complications, there remains a reasonable argument that the exception applies when a legislative change occurring after budget adoption substantially reduces anticipated property tax revenues through no fault of the local government. The statute does not provide a clear answer, however, and the outcome could depend on the timing of any legislative action and how a court interprets the relevant language. Local governments facing this situation should consult their own attorneys before assuming that G.S. 159-15 authorizes a levy adjustment.