

# Property Tax Limitation Law Is Explained

By Albert Coates, Director, Institute of Government

On Tuesday, November 2, the people of North Carolina will vote for amendment increasing the amount of total State and county tax which may be levied on property, by changing the limitation on said tax from fifteen (15) cents on the one hundred dollars (\$100.00) valuation to twenty-five (25) cents on the one hundred dollars (\$100.00) valuation.

OR AGAINST amendment increasing the amount of total State and county tax which may be levied on property, by changing the limitation on said tax from fifteen (15) cents on the one hundred dollars (\$100.00) valuation to twenty-five (25) cents on the one hundred dollars (\$100.00) valuation.

PRESENT LIMITATION. Article V, Section 6 of the North Carolina Constitution provides: "The total of the State and County tax on property shall not exceed fifteen cents on the one hundred dollars value of property, except when the county property tax is levied for a special purpose and with the special approval of the General Assembly, which may be done by special or general act: Provided, this limitation shall not apply to

taxes levied for the maintenance of the public schools of the State for the term required by article nine, section three, of the Constitution: Provided, further, the State tax shall not exceed five cents on the one hundred dollars value of property."

THE PROPOSED AMENDMENT would lift this constitutional limitation from fifteen to twenty-five cents on the \$100 value of property. It would not lift the tax; it would simply authorize county authorities to lift it—if, as and when county needs require it for general operating purposes.

The Constitution authorizes the county authorities to exceed the fifteen cent property tax limitation for special purposes. And this explains the difference between the present fifteen cent limitation on taxes levied for general county purposes and present county tax rates ranging from fifty-five cents in one of the richer counties to two dollars and twenty cents in one of the poorer counties, representing general and special purposes combined. This fifteen cent limitation for general purposes appeared to give the counties plenty of operating leeway when it was imposed in 1920, coupled with the special purpose exceptions which had been in force since 1868.

If the fifteen cent limitation on property taxes for general operating purposes was fixed and static, the special purpose loophole with equal constitutional recognition was flexible and dynamic, and could be expanded to cover expanding county needs. "It was

inserted in the Constitution of 1868", said the Supreme Court of North Carolina. "for the purpose of providing for an emergency that could not be reasonably anticipated, and as a safeguard against increasing taxation hastily and without due consideration. When the sum raised by the ordinary rate is not enough to pay the current expenses, the only relief is to apply to the Legislature for authority to exceed the limit. . . . And this has been the course pursued ever since the Constitution of 1868 was adopted whenever the current receipts of a county have not been sufficient to pay its current expenses."

This flexibility began to fade as the legislative practice of permitting special taxes for special purposes yielded to the Court's authority to say what a special purpose is. "If the General Assembly can authorize the levy of a tax in excess of the Constitutional limitation for the ordinary expenses of a county", said the Court, "Article V, Section 1, which was intended to protect the people against excessive taxation, would be a 'dead letter' and of no effect". Accordingly the Court, on taxpayers' protests, has pronounced against the practice of absorbing "floating indebtedness", incurred in ordinary operating expenses of the county, as a special purpose for which taxes may be levied in excess of the fifteen cent limitation; against the practice of budgeting the maintenance of jails and the care of prisoners, county commissioners' pay, expense, and board, county courthouse and grounds, and county attorney's fees, etc. as special purposes instead of general operating expenses. The General Assembly imposed a five cent limitation on the levy of taxes for "county aid and poor relief" even though the Court had held this to be a special purpose and thus forced this expenditure back into the general purpose fund. A suit now in the courts questioning the power of Mecklenburg County Commissioners to set up \$200,000 for the rural police as a special purpose beyond the fifteen cent limitation can play havoc with the county budget.

This fading flexibility has left the counties under growing pressures from expanding needs, in a strait jacket between the fifteen cent limitation—fixed and static in the Constitution—and the ever tightening limitation of the special purpose doctrine crystallizing in the Court's decisions. Local bidders hatched out in first Monday sittings of county commissioners are being driven from the sheltering wing of "special purpose" to seek standing room in the "general county fund", and find no room for sanctuary there. The counties are seeking to raise the general fund property tax limitation in the Constitution from fifteen to twenty-five cents on the hundred dollars value of property as one way out of this dilemma.

In many counties commissioners with heads butting against revenue ceilings are forced to choose between cutting to the quick, and sometimes to the core, of local services they feel are worthwhile and which the people want, and beating the devil around the stump by levying general fund taxes under a special purpose guise, or by transferring funds from the special purpose ledger to the general fund, or by openly dispensing with the special purpose law in the effort to administer justice as they see it in their localities.

Reasons cited for and against the proposed amendment. Some officials seek to avoid the necessity of this increase: by insisting that "the State assume its full school obligations as it should and that counties be allowed the fines and forfeitures to be added to the general fund . . . by cutting expenses down, and out, if necessary. In view of the fact that the more services rendered by a governing body to its people the more services rendered by a governing body to its people the more services are demanded". Others write: "If this ceiling were raised to 25c. within ten years there would be a clamor that it be raised still higher". . . . "We have got to stop somewhere and let's stop where we are". . . . "If you raise the constitutional limit most of the counties will go the limit and assess the whole rate". . . . "I realize that in small counties this works a very great hardship and it is almost impossible for them to get along but the danger in this is that if you elect an extravagant board of commissioners they are liable to abuse this privilege and make it hard on the taxpayers". . . . "This amendment is not necessary if counties will reasonably follow the law with respect to revaluation. We are in a period of inflation with

real estate alone being exempted by the County Commissioners from inflation insofar as tax valuation is concerned". . . . "I find that all over the State, cities and towns are making improvements and using money to purchase materials at inflated prices upon the assumption that there will be no downward adjustment of prices ever. In the past generation, we experienced a somewhat different situation in an attempt to extricate our cities and towns from an apparent bankrupt financial status. It is easy with low interest rates and a seemingly permanent inflated income to make improvements which appear almost essential. Later, when there is an abundance of material and the labor cost is more reasonable, our governmental departments are fighting with every resource to maintain a solvent position and are unable to do any public improvement. Frankly, I think that the 15 cent limitation is a brake on inflationary tendency and should be continued."

Other officials favor lifting the rate: "The present cost of every expenditure is practically double what it was four or five years ago". . . . "Since the present limitation was written into the constitution, the Counties have been forced to take on and furnish services to the people of the Counties on a far broader scale than they were called upon to render back in those days". . . . "I know it to be a fact that the majority of the counties with lower property valuations can't possibly operate within the fifteen cent limitation. Various and sundry means are resorted to to get around this limitation, but I think it would be better to face the issue squarely and permit counties to levy a rate sufficient to take care of necessary expenses". . . . "Only the richer counties can operate on the 15c levy". . . . "It is practically impossible to operate the departments and functions which come under the general fund on a 15c tax rate unless counties have A. B. C. store profits or other sources of revenue". . . .

One official spells out the following case for lifting the limitation: "There have been many new offices created in many of the counties of our state in the past few years, Tax Collector, Veteran Service officers, along with other personnel added to the various offices of the counties as time has demanded it. Board of prisoners, lights

and fuel, repairs and replacements and general upkeep of jails have almost doubled since 1920. The expenses of Old Age Assistance, Aid to Dependent Children, Health Department, Aid to Blind have gone up. In some instances, the personnel has almost doubled since 1920 when an amendment to this section of the constitution was made. The salaries of all the personnel have been raised, either by legislation, or by the governing body, and such was demanded in order to keep competent employ-

Another writes: "Having experienced the difficulty of the county operating on the 15c Constitutional limitation, and knowing that it is impossible to run a county as desired on this rate, I naturally hate the subterfuges that are resorted to in order to give the people what they desire. It is a question of higher valuation which the taxpayers seem to despise and do not understand, or a raise in the county purpose rate which they can understand. Taxes go up faster than the county's valuation. I have seen the county tax rate rise from 90c to \$2.00 since the state took over the schools and there has been remarkably little complaint, but recently a raise of 10% in the real estate valuation brought on quite a furor. The failure to adopt this amendment in my opinion would throw many counties practically into bankruptcy, unless the various subterfuges are upheld whereby additional taxes are placed in the general fund. I think that this amendment is essential to the proper legal functioning of county government. I think the voters should honestly realize that conditions require a larger expenditure for county purposes and that these are the foundations of our democratic system."

Donald W Border

Donald William Border, 43, of Dayton, Ohio, died at the local hospital Sunday at 6:45 a. m. after a two weeks' illness. The body was taken by Ivie funeral home to Dayton where funeral services were to be held Wednesday, with interment in Woodlawn cemetery. Surviving are the widow, Mrs. Iva Berrong Border, formerly of Clay county; a daughter, Donella, and a son, Robert T. Border of Dayton.

## Wm. C. Hughes Is Serving On U. S. S. Portsmouth

William C. Hughes, ship's serviceman, second class, USN, son of Mr. and Mrs. H. A. Hughes of Route 2, Murphy, N. C., is serving aboard the light cruiser USS Portsmouth which has recently been engaged in Reserve training cruises to Caribbean ports.

The Portsmouth was commissioned at Norfolk, Va., in 1945 and was assigned duty with Cruiser Division Ten in the Mediterranean. Later she became flagship for the Commander of Naval Forces, Mediterranean.

## Ella Mae Stamey

Funeral services were held Monday at Tusquitee Baptist church for Ella Mae Stamey, four-and-a-half year old daughter of Mr. and Mrs. Ross Stamey, who died at the home at 4 a. m. Sunday.

The Rev. F. B. Garrett officiated, and burial was in the church cemetery with Ivie funeral home

in charge.

Pallbearers were: Garnett Stephens, Lyle McClure, John Smith and Stay Allison.

Surviving besides the parents are four brothers, Everett and Edgar of Atlanta, Ga., Weldon and Herbert of Hillsboro; three sisters, Myrtle and Meeley of Atlanta and Birdie of Tusquitee.

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Signed,  
County Commissioners,  
E. A. Wood, Chairman  
B. L. Padgett, Ex-Officio Clerk

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2. VETERAN OF WORLD WAR II.—Served as an enlisted man in the Navy for 18 months with 12 months' service overseas in South Pacific.
3. A FAMILY MAN—who is happily married and has two boys, ages 4 and 7. Is a member of the Baptist Church, Teacher of Young Men's Bible Class in the Sunday School, member Lions Club and Masonic Lodge. Has lived in Murphy for past 13 years.