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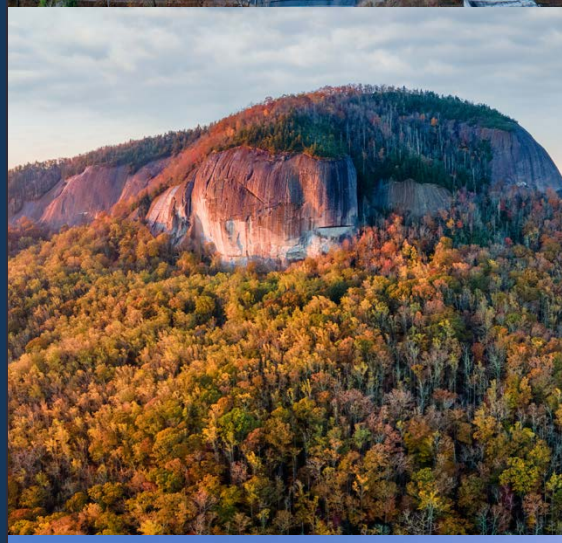
# North Carolina Does Not Need Higher Local Taxes

**Abir Mandal** Senior Policy Analyst



# North Carolina Does Not Need Higher Local Taxes

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## Key Findings

- North Carolina has made significant strides in improving its tax environment over the past decade, but local spending growth and the desire to increase taxes in some jurisdictions threaten to derail competitive gains.
- As a result of state-level reforms, the expansion of the sales tax base, and rising property valuations, North Carolina's local governments have seen remarkable revenue growth in recent years.
- Inflation-adjusted local own-source revenues—primarily property and local-option sales taxes—have grown far faster than population and inflation combined since fiscal year 2013.
- This robust local tax revenue growth suggests that North Carolina localities' existing tax authority is more than adequate, negating the need for policymakers to provide additional authority to local jurisdictions.

# Introduction

North Carolina levies all major taxes, yet its tax code remains highly competitive compared to most of its competitors. The state imposes a flat individual income tax rate of 3.99 percent (subject to further revenue-triggered reductions), a low 2 percent corporate rate (slated for eventual repeal by 2030), and competitive property and sales tax structures. Much of this success began in 2013 when the state prioritized sound tax reform to better align with the principles of sound tax policy: simplicity, transparency, neutrality, and stability.

Replacing the previous progressive individual income tax structure, cutting the corporate rate, adopting single sales factor apportionment, and broadening the sales tax base have helped drive robust economic expansion and attract new residents. Local governments, too, have seen significant real (inflation-adjusted) revenue growth due to increased sales, property, and other tax collections. North Carolina's story highlights the economic benefits that can accrue to all levels of government if sound tax reform is prioritized and enacted.

Since the 2013 tax reforms, the state's population has increased steadily from around 9.9 million in 2013 to almost 11 million in 2023, due in part to the state's business-friendly environment and the resulting job opportunities in tech, health care, and financial services. Part of its attractiveness stems from decade-long reforms to its tax regime. North Carolina now ranks 13th overall on the Tax Foundation's *State Tax Competitiveness Index*,[1] a significant improvement from its relatively poor performance in 2013. More granularly, North Carolina ranks 21st on the property tax component and 15th on the sales and excise tax subcomponent. Property and local sales taxes are the primary drivers of local tax revenue, and three-fourths of county revenues come from these two sources.[2]

However, local governments in North Carolina are increasingly attempting to expand their taxing authority, threatening the state's competitive gains. The push for new or expanded revenue tools aims to diversify funding sources and reduce dependence on property taxes. This comes amid state-level discussions exploring homeowner relief measures like caps or expanded exemptions that could constrain local revenues, with local governments potentially seeking to get ahead of any restrictions that might be implemented.

Before making such decisions, policymakers should understand the current financial state of local governments. Between FY 2013 and FY 2023, total county revenues (including municipal shares) grew by more than 35 percent in real terms, driven by sales and use taxes, which grew by 79.5 percent over the 10-year period. Property tax revenues increased by approximately 15 percent in real terms over the same time. Other sources of revenue also more than doubled, though from a much smaller base.

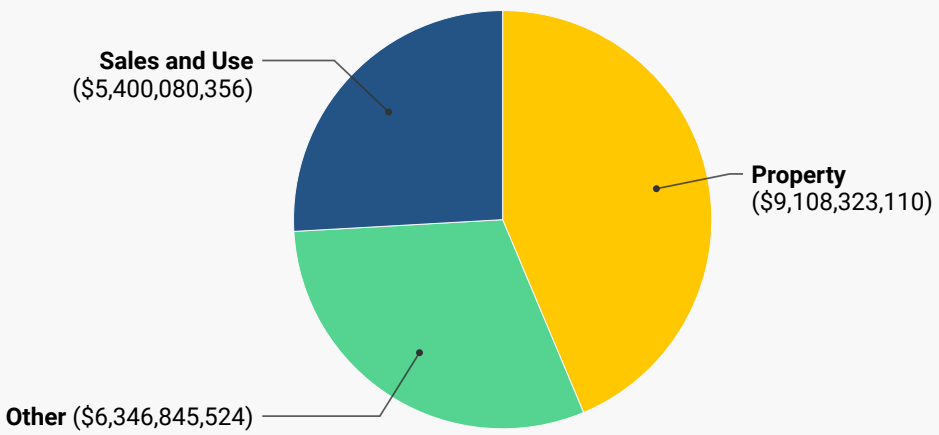
Clearly, local government tax collections have risen steadily under existing local taxing authority, undermining the argument that local governments need more taxing authority.

1 Janelle Fritts, Jared Walczak, Abir Mandal, and Katherine Loughead, *2026 State Tax Competitiveness Index*, Tax Foundation, Oct. 30, 2025, https://taxfoundation.org/research/all/state/2026-state-tax-competitiveness-index/.
2 North Carolina Department of Revenue, *Statistical Abstract of North Carolina Taxes*, https://www.ncdor.gov/news/reports-and-statistics/statistical-abstract-north-carolina-taxes.

Figure 1.

## Sales and Property Taxes Comprise Three-Fourths of North Carolina's County Revenues

*Share of County Revenues, North Carolina FY 2023*




Source: NC Department of Revenue, Statistical Abstract of North Carolina Taxes; Tax Foundation calculations.

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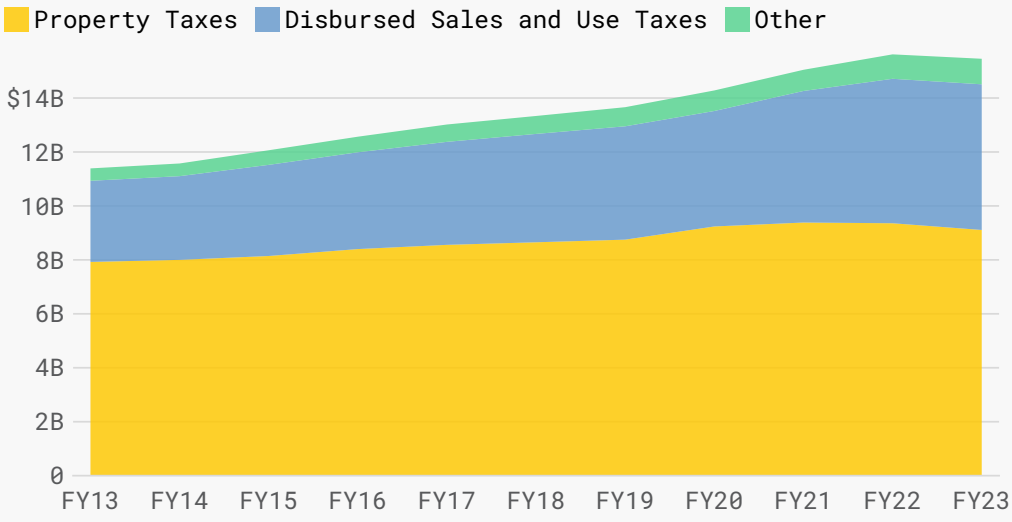
Figure 2.

## County Tax Revenues in North Carolina Have Grown Substantially Over Time in Real Terms

*Real County Taxes, FY 2013-FY 2023*




Source: NC Department of Revenue, Statistical Abstract of North Carolina Taxes; Tax Foundation calculations.

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## Property Taxes Don't Need to Rise with Assessments

Like localities in most states, local governments in North Carolina rely heavily on local property taxes to fund schools, infrastructure, and services. Property taxes are administered entirely at the county and municipal levels, and there is no statewide levy. Statutorily, property taxes are subject to periodic revaluations to reflect market conditions. Because of this, revenues can increase with higher valuations, unless the municipality is subject to a levy (or collections) limitation.

Across the state, county and municipal rates vary widely. During fiscal year (FY) 2025, rates ranged from approximately $0.30 to $1.00 per $100 of assessed value, with an effective rate on owner-occupied housing of 0.62 percent (18th lowest nationally) and well below the national average of 0.91 percent.[3] While statewide per capita property tax collections were among the lowest in the country at $1,116, significant variations exist between counties. Communities that are most burdened or those that have seen very rapid growth in their tax levies would benefit the most from relief.

The property tax base includes real property (land and buildings) and tangible personal property (business equipment and vehicles). Property is assessed at 100 percent of market value. While reappraisal schedules can vary, most counties assess every four to eight years, with horizontal adjustments possible in the interim years. (A horizontal adjustment is an across-the-board adjustment to all properties during years in which a property is not reassessed.)

Homestead exemptions are a common tool used to provide property tax relief by reducing the taxable value of residential properties. These exemptions are typically limited to owner-occupied properties and aim to shield homeowners from rising property tax burdens, often driven by appreciating home values without corresponding tax rate reductions.

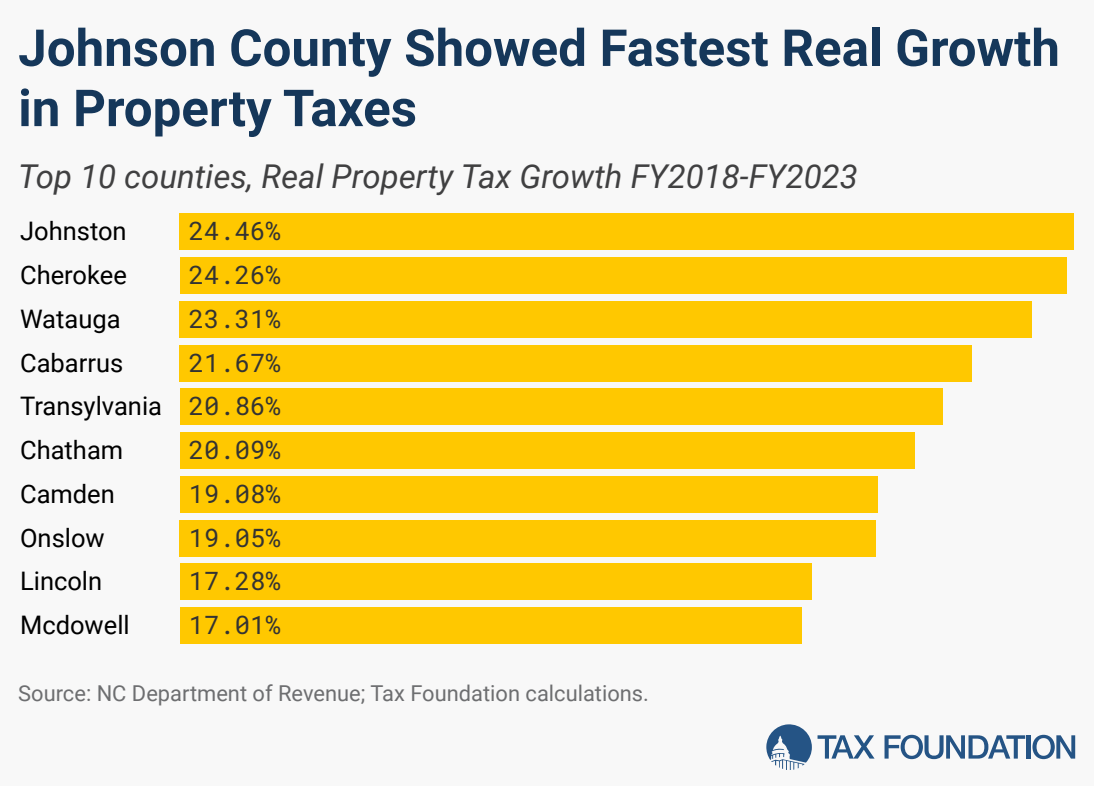
Unfortunately, homestead exemptions represent unsound tax policy and merely shift the burden rather than provide meaningful relief. By favoring residential properties, they could subject rental, commercial, and industrial properties to higher effective tax rates to make up for lost revenue, leading to overinvestment in homesteads and underinvestment elsewhere. This is a clear example of tax-induced deadweight loss. This burden-shifting disadvantages renters, who tend to be lower-income, and can erode the local revenue base, potentially underfunding local services. Further, these exemptions weaken opposition to tax increases; when homeowners enjoy preferential tax treatment, they are less incentivized to oppose rate hikes on other classes of property that would provide them with more services.

Ultimately, while homestead exemptions lower property taxes for some, they merely shift the burden to other classes of property.  Moreover, they do not constrain revenue growth and fail to link taxes more closely to the benefits enjoyed by homeowners.

3 Tax Foundation, *Facts & Figures 2025: How Does Your State Compare?*, Mar. 25, 2025, https://taxfoundation.org/data/all/state/2025-state-tax-data/.

In FY 2023, the counties with the highest property tax burdens per capita were Hyde ($1,867) and Dare ($1,814). Wake and Johnston taxpayers saw the highest growth in their real property levies between FY 2013 and FY 2023 at 48.2 percent and 43.2 percent, respectively. However, several counties saw real decreases in their property taxes over the 10-year period, led by Yadkin (-13.3 percent) and Wilkes (-12 percent). Wilkes County's population shrank by approximately 5 percent over that time, while Yadkin County's population remained flat. Mitchell County residents saw property tax collections increase by 41.8 percent per capita, while Transylvania residents saw a 38.4 percent increase.

**Figure 3.**

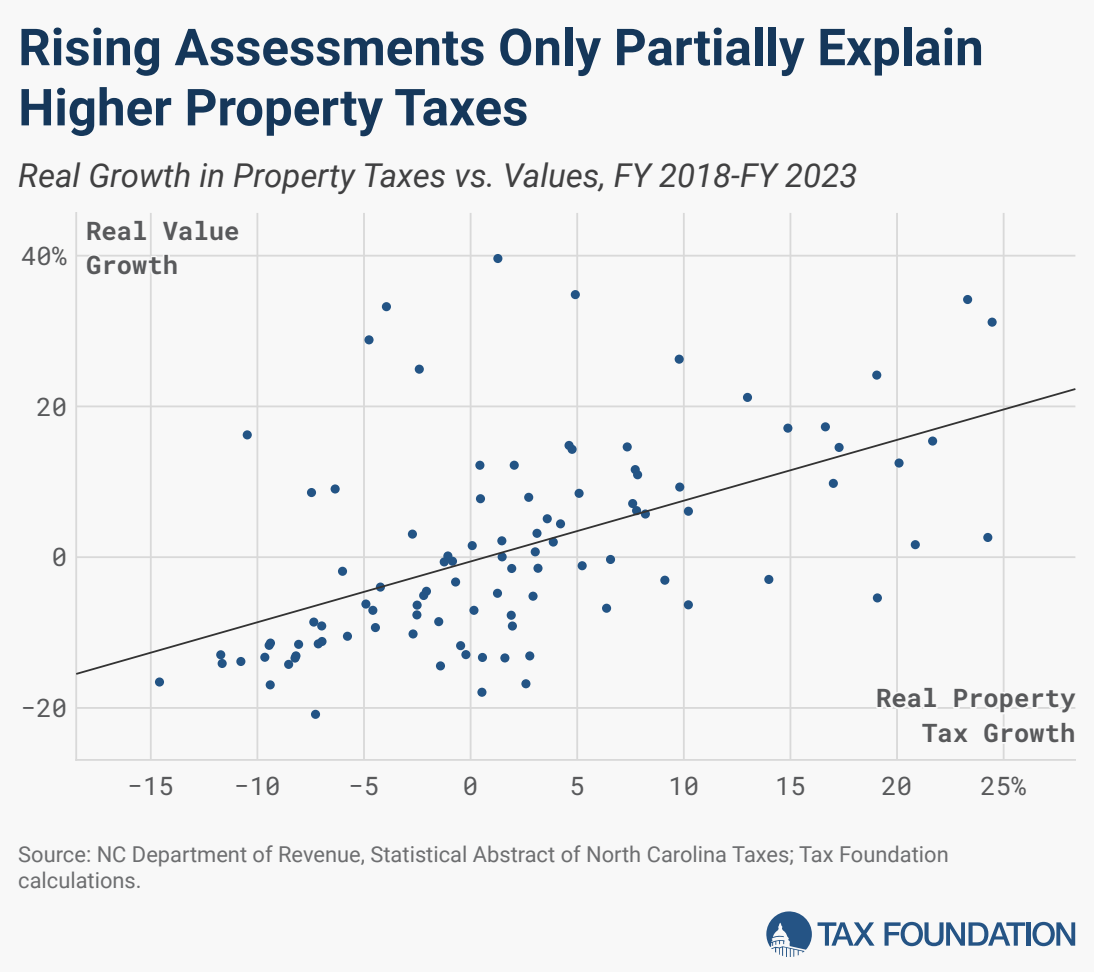



Rising valuations have yielded substantial increases in property tax bills in recent years, as rates have not declined sufficiently to offset the higher assessed values. However, data from FY 2018 (the first fiscal year for which we have comparable valuation data) through FY 2023 show that property values on average rose 12.26 percent while property tax revenues increased by 5.27 percent, after adjusting for inflation. This demonstrates that local governments offset more than half of the increase with lower rates.[4] Dramatically high property tax bills seen in some jurisdictions appear to be a local government choice rather than an inevitability—a decision to accept an unlegislated tax increase that some jurisdictions embraced and others rejected.

In 64 of the state's 100 counties, the growth in property tax revenues exceeded the growth in real estate values. However, of the top five counties with the highest property value growth, only three showed an increase in inflation-adjusted tax revenues over the period. In fact, the fastest growing county—Mecklenburg, which encompasses the Charlotte metropolitan area—showed an inflation-adjusted decrease in total property taxes.

4 The coefficient of correlation between increases in property values and increases in property tax collections among counties was only 0.53, which is meaningful, but also means that rising property values only explain a portion of the growth in revenues.

Figure 4.




## Sales Taxes Represent a Larger Share of Revenue Mix After Reforms

In addition to property taxes, North Carolina permits counties to levy sales taxes, with the North Carolina Department of Revenue overseeing collection and compliance through centralized administration. Taxes apply to the retail sale, lease, or rental of tangible personal property, as well as non-exempt services. The state sales tax is 4.75 percent on most taxable transactions, and counties may levy up to 2.75 percent in combined local rates. Total combined rates range from 6.75 percent to 7.5 percent, depending on the county.

One unique feature of the North Carolina sales tax regime relates to how a portion of local sales tax funds are distributed to counties and municipalities. While most states allocate tax revenues based on either the point of sale (origin-based) or the destination of the purchase, North Carolina adopts a hybrid approach that is partially destination-based and partially population-based.

In 2017, the state implemented a policy (a revision of prior practice)[5] that pools revenues from specific local sales tax components at the state level and redistributes them to counties using fixed allocation percentages derived from a projected 50/50 split between point-of-sale sales volume and population.[6] Ostensibly, this policy is meant to address the problem of "tax leakage," where people living in rural counties shop in urban areas due to better retail infrastructure while still consuming the services provided by their home county. Thus, while a county may collect taxes based on the number and size of transactions within its borders, the final amount disbursed from the state—adjusted through the statewide pool—could be dramatically different, with rural counties typically gaining and urban counties modestly losing revenue. A county is required to redistribute some of its allocated revenues to its municipalities using either an ad valorem method, based on relative property tax collections, or a per capita method, based on shares of population. Each county is expected to make a selection at the beginning of the year.

Overall, North Carolina local sales tax revenues increased by 79 percent in real terms between FY 2013 and FY 2023. This represents an increase of 63 percent per capita given the state's growing population. Sales tax revenues increased most dramatically in Jones and Madison counties over this period, with per capita real increases of 152 percent and 138 percent, respectively. In FY 2023, Dare County had a per capita burden of $1,207 in sales and use taxes, while Durham County followed with $738.

Sales and use tax revenues have been steadily increasing in the state, driven by rounds of base broadening as well as robust economic growth due to the state's business-friendly environment. Among other things, the 2013 North Carolina Tax Simplification and Reduction Act (House Bill 998) broadened the sales tax base while reducing individual and corporate income tax rates.[7] Key changes included extending the sales tax to service contracts (e.g., warranty, maintenance, and repair agreements for tangible property), admission charges for entertainment activities (e.g., live performances, movies, and museums), and repealing exemptions for items like nutritional supplements sold by chiropractors, student meals in private educational dining rooms, and certain newspaper sales. The rate on manufactured and modular homes was also increased to the general state rate of 4.75 percent, and preferential rates on electricity and piped natural gas were eliminated, subjecting them to the full combined rate.

In North Carolina, as in most states, local sales taxes are levied on the state sales tax base, and thus the base broadening applied automatically to the counties and municipalities. At the state level, the increased revenues accruing due to the base broadening were used to partially offset the individual and corporate income tax reductions and reforms that were also part of the bill. At the local government level, however, in the absence of any such offsets, the base broadening created a windfall in sales tax revenues for local governments. Data show that immediately following the base broadening, total sales tax revenues in the state increased from $5.98 billion in FY 2013 to $7.2 billion in FY 2015.[8]

5 2015-2016 Budget Appropriations Act (Session Law 2015-241), North Carolina General Assembly, Sep. 18, 2015, https://www.ncleg.gov/EnactedLegislation/SessionLaws/PDF/2015-2016/SL2015-241.pdf.
6 Whitney Afonso, Alex Combs, and Christian Buerger, "Plugging the Tax Leak: An Analysis of North Carolina's Local Sales Tax Redistribution Policy," *State and Local Government Review* 56:1 (2024): 76–90, https://doi.org/10.1177/0160323X231215057.
7 "Bill Summary: H 998, Tax Simplification and Reduction Act (SL 2013-316)," Chapel Hill: University of North Carolina School of Government, Jul. 24, 2013, https://lrs.sog.unc.edu/lrs-subscr-view/bills_summaries/2304/H%20998.
8 North Carolina Department of Revenue, *North Carolina Department of Revenue State Sales and Use Tax Reports by Fiscal Year*, https://www.ncdor.gov/state-sales-and-use-tax-reports-fiscal-year.

## How the *Wayfair* Decision Affected Tax Revenues

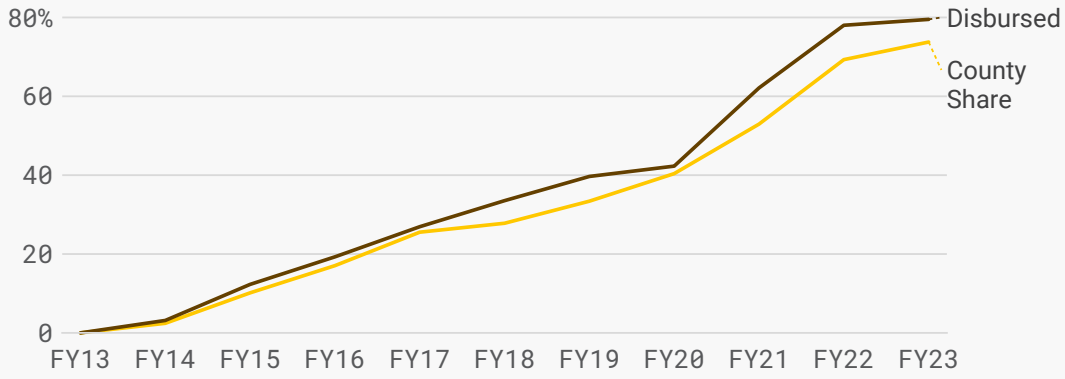
The 2018 Supreme Court decision in *South Dakota v. Wayfair, Inc.* reshaped the state tax landscape by overturning the physical presence requirement for sales tax nexus affirmed in prior cases.[9] By allowing states to impose sales taxes based on economic activity, *Wayfair* broadened the revenue base substantially for states. North Carolina has kept its state sales tax stable at 4.75 percent since 2013, paired with its own base-broadening efforts that have enhanced neutrality and prevented overreliance on narrow categories that could distort consumer behavior—and which, crucially, helped fund income tax rate reductions and other reforms.

To examine the effect of the *Wayfair* decision on sales tax revenues, we can compare the real compound annual growth rate (CAGR) of sales and use taxes and total revenues before and after the decision was implemented. The CAGR for net disbursed sales and use taxes before *Wayfair* (FY 2013 through FY 2019) was 5.27 percent, while the three years post-*Wayfair* (FY 2020 through FY 2023) exhibited a growth rate of 8.05 percent, clearly demonstrating a divergence. We see a similar shift in the trajectory of county shares of the sales and use taxes. The ability to tax a wider share of online and other remote transactions has led to a permanent increase in local sales tax collections. This acts as a new revenue stream that reduces the need for additional taxing authority.

**Figure 5.**

### Local Sales Tax Growth Accelerated Post-Wayfair Decision

*Cumulative Growth of County Sales and Use Taxes, FY 2013-FY 2023*




Source: NC Department of Revenue, Statistical Abstract of North Carolina Taxes; Tax Foundation calculations.

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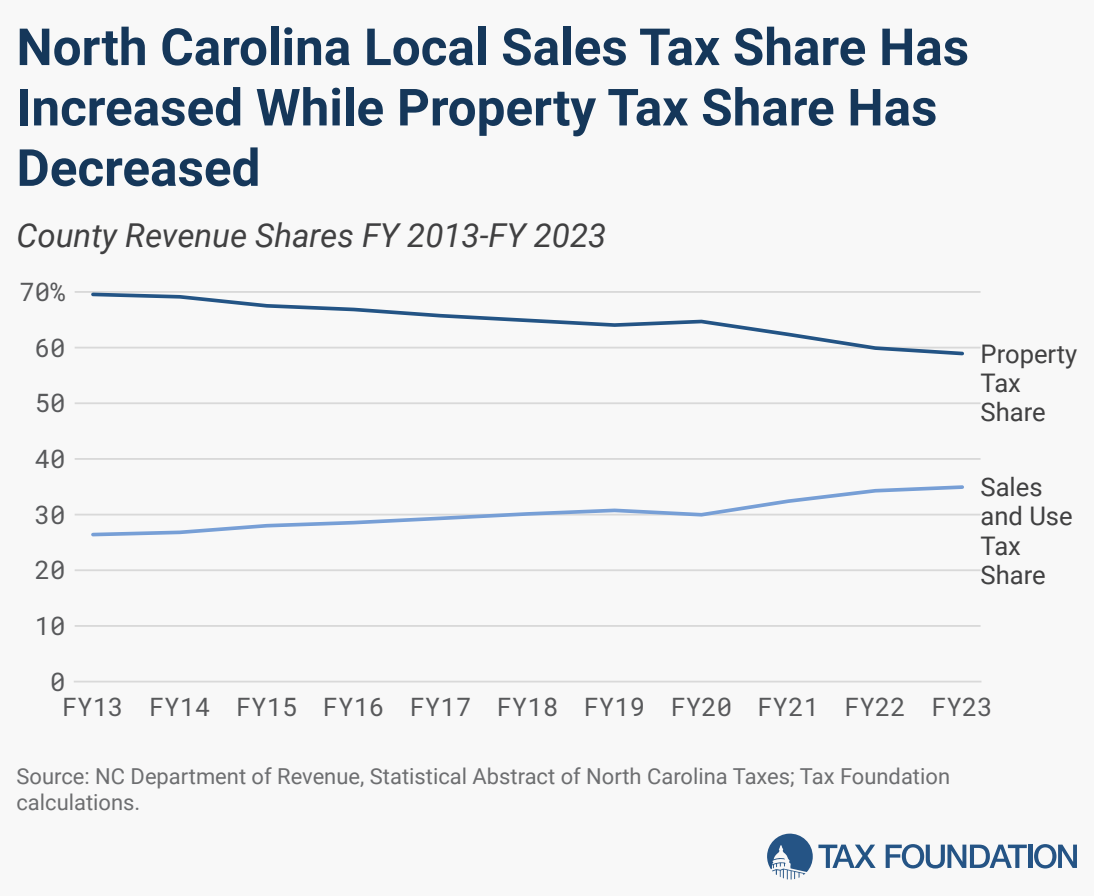
This had an impact on the total county revenue mix. Between FY 2013 and FY 2023, the share of property taxes in the total county revenue mix declined from roughly 70 percent to below 60 percent. At the same time, the share of sales and use taxes increased from approximately 27 percent to 34 percent. The trend accelerated post-*Wayfair* due to the addition of remote sales tax collections. As we have seen, property tax collections have still risen steadily, but sales tax collections have risen faster.

9 South Dakota v. Wayfair, Inc., 585 U.S. 162 (2018).

Figure 6.




To see if the data patterns observed for counties filter into municipalities, we also looked at the revenues accruing to the five largest municipalities in the state: Charlotte, Raleigh, Greensboro, Durham, and Winston-Salem. Overall, between FY 2013 and FY 2023, these cities saw their total revenues increase by 25 percent in real terms. Durham's revenues grew the fastest, at 39.5 percent, while Charlotte's real growth, at 18 percent, was the lowest among the five. Again, sales tax revenues (79 percent) grew much faster in municipalities in real terms compared to property taxes (19 percent).[10]

## Table 1. Municipal Revenues, FY 2013 and FY 2023

| | FY 2013 | | | FY 2023 | | |
|---|---|---|---|---|---|---|
| City | Property Taxes | Sales Taxes | Total | Property Taxes | Sales Taxes | Total |
| Charlotte | $389,706,896 | $82,759,708 | $573,637,620 | $540,784,463 | $198,811,987 | $859,895,423 |
| Raleigh | $194,699,348 | $70,452,111 | $319,574,701 | $311,898,298 | $149,704,824 | $517,485,830 |
| Greensboro | $156,696,506 | $37,503,596 | $230,198,271 | $234,471,345 | $83,921,105 | $365,249,776 |
| Durham | $133,602,925 | $44,280,246 | $201,087,909 | $224,447,488 | $101,701,349 | $356,885,976 |
| Winston Salem | $106,613,138 | $29,146,273 | $165,339,410 | $171,927,381 | $68,244,104 | $268,269,441 |

Source: NC Department of Revenue, Statistical Abstract of North Carolina Taxes; Annual Municipal Financial Reports; Tax Foundation calculations.

10 See Table 3 in Appendix.

# Conclusion

North Carolina's local governments have seen remarkable revenue growth in recent years, even after adjusting for inflation. This surge stems from a combination of deliberate state-level policy changes (particularly the expansion of local sales tax authority on services and the base-broadening measures), the Supreme Court's 2018 *Wayfair* decision that enabled the collection of sales taxes on remote sales, and a favorable economic environment marked by population growth, rising wages, and strong consumer spending (driven by solid tax reforms on other fronts). Together, these factors have dramatically widened the effective local sales tax base and increased revenues from existing property tax levies by means of rising real estate assessments.

As a result, inflation-adjusted local own-source revenues—primarily property and local-option sales taxes—have grown far faster than population and inflation combined since FY 2013. This pattern holds true across counties and municipalities. The conclusion: the current taxing authority of North Carolina's cities and counties is not only sufficient but also, in many cases, vastly greater than in prior decades.

Local governments have been the clear beneficiaries of an expanded tax base and the economic growth that state tax reform helped facilitate, giving them considerable fiscal flexibility under the existing statutory framework. Given how robust local tax growth has been over the past decade, local jurisdictions' current taxing authority should be more than sufficient.

# Appendix: Local Tax Revenue Growth

## Table 2. County Total Revenues (2022 Dollars)

| County | Real FY 2013 Total Revenues | Real FY 2023 Total Revenues | Real Growth (Percent) | County | Real FY 2013 Total Revenues | Real FY 2023 Total Revenues | Real Growth (Percent) |
|---|---|---|---|---|---|---|---|
| Alamance | $132,682,593 | $194,716,060 | 46.75 | Johnston | $177,342,336 | $289,070,215 | 63.00 |
| Alexander | $28,702,620 | $38,435,644 | 33.91 | Jones | $9,516,045 | $11,424,449 | 20.05 |
| Alleghany | $13,762,202 | $17,365,484 | 26.18 | Lee | $65,724,815 | $86,276,512 | 31.27 |
| Anson | $22,217,093 | $25,350,463 | 14.10 | Lenoir | $56,414,014 | $60,099,637 | 6.53 |
| Ashe | $28,040,635 | $35,935,285 | 28.15 | Lincoln | $83,367,402 | $124,588,620 | 49.45 |
| Avery | $30,335,413 | $35,810,210 | 18.05 | Macon | $45,351,754 | $58,433,312 | 28.84 |
| Beaufort | $52,775,504 | $59,585,335 | 12.90 | Madison | $17,873,781 | $24,411,436 | 36.58 |
| Bertie | $15,595,733 | $18,431,524 | 18.18 | Martin | $23,222,190 | $26,204,974 | 12.84 |
| Bladen | $32,244,270 | $38,149,994 | 18.32 | McDowell | $35,033,179 | $48,679,634 | 38.95 |
| Brunswick | $179,375,374 | $250,446,592 | 39.62 | Mecklenburg | $1,678,254,753 | $2,149,962,154 | 28.11 |
| Buncombe | $316,887,463 | $469,554,906 | 48.18 | Mitchell | $14,157,626 | $20,372,974 | 43.90 |
| Burke | $66,709,566 | $93,152,162 | 39.64 | Montgomery | $27,348,870 | $34,176,263 | 24.96 |
| Cabarrus | $246,602,355 | $371,539,798 | 50.66 | Moore | $104,330,486 | $139,369,100 | 33.58 |
| Caldwell | $65,009,278 | $86,978,722 | 33.79 | Nash | $89,482,564 | $103,772,398 | 15.97 |
| Camden | $13,097,865 | $17,337,736 | 32.37 | New Hanover | $307,806,579 | $406,467,294 | 32.05 |
| Carteret | $90,224,659 | $116,277,691 | 28.88 | Northampton | $26,582,782 | $26,712,155 | 0.49 |
| Caswell | $16,585,857 | $20,950,018 | 26.31 | Onslow | $168,395,328 | $245,439,003 | 45.75 |
| Catawba | $161,920,734 | $206,791,950 | 27.71 | Orange | $225,238,011 | $280,031,726 | 24.33 |
| Chatham | $89,156,147 | $138,149,615 | 54.95 | Pamlico | $15,960,154 | $17,722,093 | 11.04 |
| Cherokee | $27,546,692 | $39,930,497 | 44.96 | Pasquotank | $42,592,003 | $52,900,781 | 24.20 |
| Chowan | $17,686,030 | $20,288,224 | 14.71 | Pender | $54,091,305 | $87,047,784 | 60.93 |
| Clay | $12,393,037 | $14,288,660 | 15.30 | Perquimans | $13,403,100 | $16,971,346 | 26.62 |
| Cleveland | $92,971,858 | $118,384,573 | 27.33 | Person | $46,398,381 | $55,541,819 | 19.71 |
| Columbus | $48,067,269 | $54,623,136 | 13.64 | Pitt | $155,473,671 | $200,515,085 | 28.97 |
| Craven | $90,434,587 | $110,367,029 | 22.04 | Polk | $23,558,728 | $28,010,925 | 18.90 |
| Cumberland | $333,748,275 | $377,621,585 | 13.15 | Randolph | $112,683,386 | $150,588,955 | 33.64 |
| Currituck | $61,438,192 | $87,013,601 | 41.63 | Richmond | $43,190,528 | $48,865,853 | 13.14 |
| Dare | $121,831,823 | $185,806,840 | 52.51 | Robeson | $88,722,666 | $110,794,503 | 24.88 |
| Davidson | $127,980,971 | $176,923,280 | 38.24 | Rockingham | $83,773,647 | $100,842,554 | 20.38 |
| Davie | $46,279,621 | $59,818,395 | 29.25 | Rowan | $128,451,441 | $166,000,682 | 29.23 |
| Duplin | $49,328,674 | $57,529,236 | 16.62 | Rutherford | $59,756,984 | $80,373,516 | 34.50 |
| Durham | $431,683,024 | $631,088,335 | 46.19 | Sampson | $55,696,291 | $67,796,301 | 21.72 |
| Edgecombe | $46,842,192 | $53,405,916 | 14.01 | Scotland | $36,191,421 | $38,885,993 | 7.45 |
| Forsyth | $419,049,161 | $511,912,332 | 22.16 | Stanly | $52,988,953 | $72,026,520 | 35.93 |
| Franklin | $59,342,927 | $87,171,788 | 46.89 | Stokes | $40,660,763 | $50,512,693 | 24.23 |
| Gaston | $217,044,733 | $295,639,667 | 36.21 | Surry | $64,166,324 | $77,253,024 | 20.39 |
| Gates | $10,267,891 | $12,480,732 | 21.55 | Swain | $10,657,537 | $17,149,831 | 60.92 |
| Graham | $9,718,902 | $12,109,672 | 24.60 | Transylvania | $40,699,866 | $62,551,278 | 53.69 |
| Granville | $56,019,694 | $70,450,521 | 25.76 | Tyrrell | $5,744,452 | $5,555,581 | -3.29 |
| Greene | $13,439,900 | $17,738,573 | 31.98 | Union | $253,972,773 | $343,675,254 | 35.32 |
| Guilford | $621,190,880 | $774,849,468 | 24.74 | Vance | $40,905,992 | $45,048,071 | 10.13 |
| Halifax | $47,543,136 | $54,071,421 | 13.73 | Wake | $1,217,978,995 | $2,072,974,561 | 70.20 |
| Harnett | $96,525,491 | $141,460,623 | 46.55 | Warren | $25,250,138 | $29,167,984 | 15.52 |
| Haywood | $70,542,249 | $89,738,550 | 27.21 | Washington | $11,297,297 | $12,570,261 | 11.27 |
| Henderson | $112,393,254 | $161,844,391 | 44.00 | Watauga | $57,151,420 | $86,410,294 | 51.20 |
| Hertford | $23,011,937 | $23,993,052 | 4.26 | Wayne | $103,355,796 | $120,342,439 | 16.44 |
| Hoke | $35,345,496 | $55,862,833 | 58.05 | Wilkes | $64,912,152 | $71,974,907 | 10.88 |
| Hyde | $11,925,994 | $12,086,355 | 1.34 | Wilson | $85,633,449 | $95,829,795 | 11.91 |
| Iredell | $181,307,246 | $257,122,856 | 41.82 | Yadkin | $33,198,527 | $36,622,128 | 10.31 |
| Jackson | $53,834,175 | $73,784,736 | 37.06 | Yancey | $19,611,689 | $22,787,901 | 16.20 |

Source: NC Department of Revenue, Statistical Abstract of North Carolina Taxes; Tax Foundation calculations.

## Table 3. Municipal Revenues (2022 Dollars)

| City | FY 2013 | FY 2023 | Real Growth (Percent) |
|---|---|---|---|
| Charlotte | $728,519,777 | $859,895,423 | 18.03 |
| Raleigh | $405,859,870 | $517,485,830 | 27.50 |
| Greensboro | $292,351,804 | $365,249,776 | 24.94 |
| Durham | $255,381,644 | $356,885,976 | 39.75 |
| Winston Salem | $209,981,051 | $268,269,441 | 27.76 |
| Total | $1,892,094,147 | $2,367,786,446 | 25.14 |

Source: NC Department of Revenue, Statistical Abstract of North Carolina Taxes; Tax Foundation calculations.

North Carolina's local governments have enjoyed robust revenue growth in recent years, fueled by state tax reforms, rising property values, an expanded sales tax bases encompassing services and remote sales, and a strong economy that has drawn population growth and business activity. Yet some localities continue to seek expanded taxing authority, often to diversify beyond property taxes amid discussions of potential state-level property tax relief for homeowners.

The choices before policymakers are clear: preserve the competitive advantages that have driven economic success and kept tax burdens relatively low, or risk undermining those gains by allowing new local revenue tools that could deter growth and mobility. Residents and businesses are increasingly mobile, and higher local tax burdens could accelerate out-migration or slow the influx that has bolstered the state's prosperity.

North Carolina's current tax framework provides counties and municipalities with ample fiscal flexibility. Local revenues have risen steadily, outpacing population growth and inflation pressures over the last decade, allowing considerable room to fund more services if desired without expanding taxing authority.

This report seeks to inform upcoming deliberations by highlighting the magnitude of recent local revenue gains, underscoring the sufficiency of existing taxing powers, and outlining the risks of permitting further revenue expansion that could hinder the economic boom that state reforms have fostered. Policymakers should resist unnecessary tax hikes and allow the state's story to remain one of economic opportunity.

TAX FOUNDATION

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NC Chamber

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