

Understanding Taxes on Bald Head Island

Taxes in North Carolina often are paid to both the county and a municipality. The Brunswick County Tax Office bills and collects taxes on behalf of several local municipalities, including Bald Head Island. Therefore, you receive only one tax bill and pay with one transaction to the County, but that payment covers both your county and municipal taxes. The Village pays the County a “fee” of 0.75% of all tax revenues collected for this service.

The Village of BHI has three primary sources of tax revenue:

- Real Property
- Personal property
- Accommodations

Real property includes land, buildings, structures, improvements, and other permanent fixtures.

State law requires that real property be reassessed or revalued at least once every 8 years. State law allows counties to adopt shorter intervals and Brunswick County now revalues every 4 years. The most recent Brunswick County valuation was made effective January 1, 2019. The tax value of real property within the Village limits is based on the County’s assessed value of the property.

Personal property includes boats, campers, airplanes, machinery, equipment, furniture, etc. All taxable personal property is appraised at its true monetary value and is appraised each year as of January 1.

Real and personal property taxes are known as ad valorem taxes. For FY 2022, the Village expects to receive approximately \$8.4 million in ad valorem tax revenues.

Occupancy tax (or accommodation tax) is collected by the Village on the cost of short-term rentals, such as vacation homes and bed and breakfast inns. A short-term rental is defined as any accommodation that is rented for less than 90 days to the same person. It does not include a property rented for less than 15 days in total during the calendar year which has not been listed with a rental agency. The Village expects to receive approximately \$1.3 million in accommodation tax revenues for FY 2022.

The Rate Process and Tax Revenues

The Village ad valorem tax rates are established annually by Village Council. In 2009, two Municipal Service Districts (MSD) were created for beachfront (MSD A) and dune and East Beach (MSD B) properties. Property owners in these zones pay an additional tax to support shoreline protection.

Since 2009, the Village tax rate has increased at the time of a County property value reassessment. The County tax rate also increased at the same intervals. The exception was an increase in 2018 when there was a .02 tax increase to fund debt service and increases for both MSDs. The current Island wide tax rate is 0.6863 per \$100 value. Click [HERE](#) for a table of tax rates from 2009-2021.

The Village has seen increased tax revenues as building occurs on unimproved properties (vacant lots), resulting in higher tax values and revenues. Since 2007, an average of 12 residential building permits were issued each year. Also, additional rentals on the Island have resulted in significant increases in the accommodations tax revenues paid by visitors. This additional revenue allowed the Village in 2021 to pay off early one of the loan balances (\$550K) on the Marina Park property.

The increased revenues have resulted in substantial cash reserves (\$7,439,856 – [Ref. page 23 of 2020 audit report](#)) that could be used to mitigate raising taxes, if the Village's operating revenues are insufficient. The Village also has options, including, without limitation, budget ordinance amendments to transfer funds from another account, public grants, installment or other financing, bonds, increasing service fees, or historically, as a last resort, raising taxes. Ongoing construction on the Island and increased tax base reduces the likelihood of tax increases and also would reduce any tax increase on a per capita basis.

Tax Rate Comparisons

Much has been said about the Village tax rate as compared to other municipalities. Several factors that make comparisons problematic:

- The Village is a unique and young municipality whose departments provide its community with numerous resources and services that compare to those of much larger and older municipalities. As such, there are operating and capital needs that are necessary to continue providing the quality and level of services that our residents expect. Thus, tax rates alone cannot be compared without considering the respective services that are funded by those taxes.
- The Village does not have a large commercial property tax base. In other communities, the abundance of restaurants, shopping malls, and businesses paying taxes help to offset the tax rates for residents and property owners.
- There can also be additional tax rates and charges beyond the basic tax rate. MSDs are one such additional rate but there are others. For example, New Hanover County has a general fund rate plus additional tax rates to fund debt and fire services. There is also a set amount added for stormwater assessment. Some municipalities charge separately for services such as garbage collection, which are included in the tax rate for The Village.