

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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HOUSE BILL 462  
Senate Commerce Committee Substitute Adopted 6/7/12

Short Title: Contingency Contracts for Audits/Assessments.

(Public)

Sponsors:

Referred to:

March 28, 2011

1 A BILL TO BE ENTITLED  
2 AN ACT TO LIMIT USE OF CONTINGENT-BASED CONTRACTS FOR AUDIT OR  
3 ASSESSMENT PURPOSES.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-243.1 is amended by adding a new subsection to read:

6 "(a1) In determining the liability of any person for a tax, the Secretary may not employ an  
7 agent who is compensated in whole or in part by the State for services rendered on a contingent  
8 basis or any other basis related to the amount of tax, interest, or penalty assessed against or  
9 collected from the person."

10 **SECTION 2.** G.S. 105-299 reads as rewritten:

11 **"§ 105-299. Employment of experts.**

12 The board of county commissioners may employ appraisal firms, mapping firms or other  
13 persons or firms having expertise in one or more of the duties of the assessor to assist the  
14 assessor in the performance of these duties. The county may also assign to county agencies, or  
15 contract with State or federal agencies for, any duties involved with the approval or auditing of  
16 use-value accounts. The county may make available to these persons any information it has that  
17 will facilitate the performance of a contract entered into pursuant to this section. Persons  
18 receiving this information are subject to the provisions of G.S. 105-289(e) and G.S. 105-259  
19 regarding the use and disclosure of information provided to them by the county. Any person  
20 employed by an appraisal firm whose duties include the appraisal of property for the county  
21 must be required to demonstrate that he or she is qualified to carry out these duties by  
22 achieving a passing grade on a comprehensive examination in the appraisal of property  
23 administered by the Department of Revenue. In the employment of these firms, primary  
24 consideration must be given to the firms registered with the Department of Revenue pursuant to  
25 G.S. 105-289(i). A copy of the specifications to be submitted to potential bidders and a copy of  
26 the proposed contract may be sent by the board to the Department of Revenue for review before  
27 the invitation or acceptance of any bids. Contracts for the employment of these firms or persons  
28 are contracts for personal services and are not subject to the provisions of Article 8, Chapter  
29 143, of the General Statutes. If the board of county commissioners employs any person or firm  
30 to assist the assessor in the performance of the assessor's duties, the person or firm may not be  
31 compensated, in whole or in part, on a contingent fee basis or any other similar method that  
32 may impair the assessor's independence or the perception of the assessor's independence by the  
33 public."

34 **SECTION 3.** Chapter 116B-8 reads as rewritten:

35 **"§ 116B-8. Employment of persons with specialized skills or knowledge.**



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1 The Treasurer may employ the services of such independent consultants, real estate  
2 managers and other persons possessing specialized skills or knowledge as the Treasurer deems  
3 necessary or appropriate for the administration of this Chapter, including valuation,  
4 maintenance, upkeep, management, sale and conveyance of property and determination of  
5 sources of unreported abandoned property. The Treasurer may also employ the services of an  
6 attorney to perform a title search or to provide an accurate legal description of real property  
7 which the Treasurer has reason to believe may have escheated. Persons whose services are  
8 employed by the Treasurer pursuant to this section to determine sources and amounts of  
9 unreported property are subject to the same policies, including confidentiality and ethics, as  
10 employees of the Department of State Treasurer assigned to determine sources and amounts of  
11 unreported property. ~~Compensation of persons whose services are employed pursuant to this~~  
12 ~~section on a contingent fee basis shall be limited to twelve percent (12%) of the final~~  
13 ~~assessment.~~If the Treasurer contracts with any other person to conduct an audit under this  
14 Chapter, the audit shall not be performed on a contingent fee basis or any other similar method  
15 that may impair an auditor's independence or the perception of the auditor's independence by  
16 the public."

17 **SECTION 4.** G.S. 153A-146 reads as rewritten:

18 "**§ 153A-146. General power to impose taxes.**

19 A county may impose taxes only as specifically authorized by act of the General Assembly.  
20 Except when the statute authorizing a tax provides for penalties and interest, the power to  
21 impose a tax includes the power to impose reasonable penalties for failure to declare tax  
22 liability, if required, and to impose penalties or interest for failure to pay taxes lawfully due  
23 within the time prescribed by law or ordinance. In determining the liability of any taxpayer for  
24 a tax, a county may not employ an agent who is compensated in whole or in part by the county  
25 for services rendered on a contingent basis or any other basis related to the amount of tax,  
26 interest, or penalty assessed against or collected from the taxpayer. The power to impose a tax  
27 also includes the power to provide for its administration in a manner not inconsistent with the  
28 statute authorizing the tax."

29 **SECTION 5.** G.S. 160A-206 reads as rewritten:

30 "**§ 160A-206. General power to impose taxes.**

31 A city shall have power to impose taxes only as specifically authorized by act of the  
32 General Assembly. Except when the statute authorizing a tax provides for penalties and  
33 interest, the power to impose a tax shall include the power to impose reasonable penalties for  
34 failure to declare tax liability, if required, or to impose penalties or interest for failure to pay  
35 taxes lawfully due within the time prescribed by law or ordinance. In determining the liability  
36 of any taxpayer for a tax, a city may not employ an agent who is compensated in whole or in  
37 part by the city for services rendered on a contingent basis or any other basis related to the  
38 amount of tax, interest, or penalty assessed against or collected from the taxpayer. The power to  
39 impose a tax shall also include the power to provide for its administration in a manner not  
40 inconsistent with the statute authorizing the tax."

41 **SECTION 6.** This act becomes effective July 1, 2012, and applies to audits,  
42 determinations of liability, and assessments contracted for on or after that date. Units of local  
43 government and the Treasurer shall not renew contingency fee based contracts for these  
44 services after July 1, 2012.