



mountains (among others), Moore County in the Piedmont (Southern Pines), and Dare County (Nags Head) have changed from the rural, isolated areas of recent years. Composition of

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*"Youth is a blunder,  
manhood a  
struggle, old age a  
regret."*

—Benjamin  
Disraeli

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county boards of commissioners and planning boards are taking on a new complexion as retirees—people with time and oftentimes experience—get involved in civic life.

That means potential changes in politics—though how these changes may evidence themselves is difficult to determine. As counties with large elderly populations grow, it appears from recent political registration data that Republican strength—and conservative sentiment—is slowly gaining on the majority-party Democrats.

For instance, a decade ago, Transylvania County was 33 percent Republican; today it is 36 percent Republican. Moore County, long a haven for Republican retirees, had a GOP registration of 33 percent; today, its Republican registration is 39 percent and growing, according to the State Board of Elections. All this comes at the expense of Democratic Party registration, and ultimately could mean a permanent political shift in those counties. Statewide, GOP registration is a third less, about 26 percent of the total registered.

Meanwhile, the needs of the community are changing. The changes in services range from specific, relatively minor items in a county budget, to differences that can affect the entire local taxing mentality. In 1985, for example, the Transylvania County Board of Commissioners added a \$65,000 item in the budget for 24-hour-a-day, paid personnel on the county ambulance system. "We were using volunteers before," says McNeill, "but the demand for higher quality medical care was there." If the \$65,000 didn't raise any eyebrows, a cut of thousands of dollars from proposed expansions for the local school budget did rankle many local residents who have children in the public schools.

That cut in the proposed budget hurt especially because Transylvania County already ranked near the bottom in per-pupil expenditures in North Carolina. In 1983-84, Transylvania County ranked 94th in the state (among 142 school districts) in terms of the money spent on

educating its children (*North Carolina Insight*, Vol. 7, No. 4, p. 49).

Responding to local pressure to hold down budget increases and avoid local tax hikes, the school board cut proposed expenditures for, among other things, an elementary school's art budget. "We had to organize volunteers to provide an arts program," says Jim Parker, a board member of an elementary school's Organization of Parents and Teachers (the local PTA). Dick Voso, the principal where the volunteers were needed for the arts program, did get his arts program but through volunteers—some of them elderly. "Now we have some retirees here who are almost full-time staff members in terms of volunteer support," says Voso.

Parker, a local tennis pro whose livelihood to some extent depends upon the trade of retirees, takes the school funding issue one step further. "I like having the older people coming to Brevard. There are some retired people giving a lot back to the community. But it worries me that the older people will not want the same services that we need for our children."

Not every county has the same experience. For instance, in Moore County, world-renowned for its golf courses and mild climate and long a haven for retirees, there isn't much opposition from older persons to providing programs and services for other age groups. That may be because Moore County is generally a wealthy area.

Bob Ewing, a Moore County commissioner and former Moore County manager, explains: "We are witnessing terrific growth here in terms of the county tax basis because of the homes these folks are coming down here to build. And while they are not bringing new industry with them, they are providing a guaranteed payroll (by purchasing new homes and stimulating the construction industry) of sorts with them."

And, says Ewing, while county revenues are growing, the school-age population has shrunk. "In the last 20 years, our population has grown to

Spring Planting - Whispering Pines Garden Club.



Courtesy The Pilot, Southern Pines

more than 50,000, more than double what it was, but we have about 1,000 fewer students enrolled in the schools." So the combination of growing revenues and less pressure on the school budget than other counties experience, has forestalled any budgetary antipathy from the elderly opposed to new taxation or bond issues.

## Taxation and In-migration

**H**ow much should North Carolina attempt to attract retirees to the state? The 1985 General Assembly grappled with this issue to some extent in debating whether to repeal the state's intangibles tax. Gov. James G. Martin and other backers of the repeal claimed the tax was a deterrent to attracting retirees. Other analysts insisted that the intangibles tax did not deter retirees from coming to the state (see "Rendering Unto Caesar, the Tax Debate of 1985," *North Carolina Insight*, Vol. 7, No. 4, p. 12).<sup>1</sup>

No doubt, however, the collective impact of North Carolina's tax policy toward older persons does influence whether the elderly retire here—and whether North Carolina's home-grown elderly stay here. The state has several specific tax policies designed to benefit the elderly. They include:

- a double personal exemption on state income taxes, which allows those 65 and over to take an extra \$1,100 personal exemption (G.S. 105-149[9]);
- tax exclusion from taxable income of public pensions or state government retirement funds (G.S. 105-141[b] [8], [14], and [18]);
- a new feature that allows a tax deduction for amounts of up to \$3,000 paid for maintenance and care of a taxpayer's elderly parents, or a dependency exemption of \$800 (G.S. 105-147[28]; and
- the homestead exemption, which exempts from local property taxes the first \$12,000 in assessed value of property of those over 65 who have income of no more than \$11,000 per year (G.S. 105-277.1).

The Fiscal Research Division of the General Assembly estimates that these state tax breaks for the elderly cost about \$41.1 million annually. That includes \$11.5 million for the additional personal exemption; \$12.2 million for the homestead exemption; \$15 million for the public pension income exemption; and \$2.4 million for the dependency exemption.

By comparison, 32 states allow the additional personal exemption, 37 states allow pension income exclusion, 24 states provide for a homestead exemption and 27 provide some form of

dependency exemptions or credits. For a more complete picture of how North Carolina's tax breaks for the elderly stack up against those of other states popular with retirees, see Table 1.

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*"Old Age: When  
your memory is  
short, your  
experience long,  
your breath short,  
your eyesight dim,  
and your safe-  
deposit box full."*

—Author  
Unknown

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Three other tax breaks for older persons not offered by North Carolina but used by some other states include: an income tax credit for older persons, a deferring of property taxes for homeowners over a certain age until the property changes hands, and a "circuit breaker," which offers a property-tax rebate for low-income elderly homeowners. (The "circuit breaker" works to protect the elderly from a property-tax overload, just as an electrical circuit breaker protects against a current overload; hence the name.)

Are such tax benefits necessary to attract retirees? Determining exactly what causes a person to migrate to an area for retirement is, of course, difficult. The 1983 Rand McNally study included taxes in its ranking system only indirectly in a "money matters" category. The five other categories were climate and terrain, housing, crime rate, health and health care, and leisure living. A 1979 study done for *MONEY* magazine by Chase Econometric Associates used 10 categories to determine which states were most attractive to retirees. Property tax loads were one of the 10 categories.

North Carolina does not rank among the top two or three states in attracting retirees, as the conventional wisdom would have it in Brevard or in Raleigh. The *MONEY* magazine study had North Carolina 12th among 48 states (Alaska and Hawaii were excluded). A major analysis of the 1980 Census data by Charles Longino and others at the University of Miami at Coral Gables ranked North Carolina 7th in the number of persons over 60 who said they lived in a different state in 1980 than in 1975.

But whether North Carolina is 2nd, 7th, or 12th among the states in attracting retirees, the



Courtesy: The Pilot, Southern Pines

Millie & Ted Hibbetts, of Southern Pines, adopt a dog from the Moore County Humane Society.

question remains: Should the state attempt to lure retirees—and if so, should it do so with tax breaks? The state does *not* have a program aimed at attracting retirees to settle in North Carolina. Charles Heatherly, director of the Commerce Department's Division of Travel and Tourism Development, says his office provides pamphlets to potential retirees who write seeking information on the state. But that effort does not really meet the needs of those considering moving here, he adds.

"It's really something that the legislature ought to debate and decide upon," says Heatherly. "In the absence of such a program, we supply our own Travel and Tourism brochures to those potential retirees who write to us, but that is really an inadequate response to their needs."

Although the state's taxation policies are often cited when the question of attracting retirees come up, tax breaks for the elderly usually are meant more to help older persons already in the state, says General Assembly fiscal analyst David Crotts. "Most of the bills have been offered as a measure of relief to the existing folks in North Carolina, not as an incentive to attract retirees to the state," says Crotts.

Perhaps, as some state officials argue, there should be such a program to attract retirees. June Barbour, public information officer at the Department of Human Resources' Division of Aging, sees a crying need for a comprehensive retirement

planning program that would include specific information for those considering moving here. The state should also consider whether attracting new retirees might ultimately cost state and local governments more than they contribute in terms of tax revenues. For instance, it's often assumed that older migrants to North Carolina are fairly well off and can afford to purchase homes, pay for the medical care, and take care of themselves.

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*"Anyone who stops learning is old, whether at 20 or 80. Anyone who keeps learning stays young. The greatest thing in life is to keep your mind young."*

*—Henry Ford*

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But no hard research exists to back up that notion, or to determine whether elders might, for instance, require vast sums in Medicaid, far outweighing the benefit to the county through property and sales taxes. Or, some counties might encounter resistance from older voters on such

**Table 1. Tax Breaks Targeted for Older Persons in States Most Attractive to Retirees**

Top 10 States in Attracting Persons 60 and Over <sup>1</sup>	INCOME TAXES				PROPERTY TAXES		
	Double Exemption <sup>2</sup>	Pension Exclusion <sup>3</sup>	Income Credit <sup>4</sup>	Family Care Incentive <sup>5</sup>	Homestead Exemption <sup>6</sup>	Circuit Breaker <sup>7</sup>	Tax Deferral <sup>8</sup>
1. Florida	No Income Tax Levied in State				X		X
2. California	(Personal tax credits)	X	X	X	X	X	X
3. Arizona	X	X		X		X	
4. Texas	No Income Tax Levied in State				X		X
5. New Jersey	X	X			X		
6. Pennsylvania		X				X	
7. North Carolina	X	X		X	X		
8. Washington	No Income Tax Levied in State				X		X
9. Illinois	X	X			X	X	X
10. New York	X	X		X	X	X	
Number of States With Tax Break	32	37	10	27	24	31	16

Source: National Conference of State Legislatures, survey on using state tax policies to enhance the economic self-sufficiency of older people. Survey results published in "State Budget and Tax News," Vol. 4, No. 1, January 3, 1985.

**FOOTNOTES**

<sup>1</sup>The best ranking of states in attracting retirees comes from a study by Charles Longino et al. *Retirement Migration Project: A Final Report to the National Institute on Aging*, Center for Social Research in Aging, University of Miami at Coral Gables. Using 1980 U.S. Census data, the report ranked the top 10 states according to the number of persons 60 and over who said they lived in a different state in 1975 from 1980. see Table 2, page 14 of the report, which can be ordered from Box 248092, Coral Gables, Fla., 33124 (\$30.00).

<sup>2</sup>Double exemptions allow each elderly taxpayer to double the normal personal exemption on state income taxes.

<sup>3</sup>Pension exclusions allow exemption from income taxes

of some or all of income from public pension funds, such as teachers' and state workers' retirement systems.

<sup>4</sup>Income credit refers to personal tax credits allowed by some states for each elderly taxpayer.

<sup>5</sup>Family care incentive refers to exemptions or deductions allowable to taxpayers who pay for maintenance or care of elderly parents.

<sup>6</sup>Homestead exemption refers to exemptions from personal property taxes of home belonging to elderly property owners.

<sup>7</sup>Circuit breakers—property tax rebates for elderly homeowners—protect the elderly from an overload of taxation.

<sup>8</sup>Tax deferrals allow property tax payments to be deferred until the property in question is sold or otherwise changes hands.

items as bond issues, economic development programs, and tax increases for county services.

So far, though, no one is suggesting that the benefits of new retirees is outweighed by any disadvantages. Far from it, in fact. As Moore County Commissioner Bill Ewing, a Republican, puts it, "Their coming here has created a real economic boon. The only rumblings you might hear in Moore County is that some of these retirees are Republicans."

And listen to former Transylvania County Commissioner Bill Ives. "Retirees are an asset," says Ives. "They pay property taxes and demand little in county social services. They have no children in schools." Right now, Ives sees retirees as a "total benefit." But in the future, says Ives, there will be an "increasing need to help them in their final retirement. We need to create places

where they can go after 15 to 20 years in their homes. That's the only thing that may end up being a real cost or drain."

But Ives doesn't think the county or state should give special tax breaks to older persons in order to get them to come to North Carolina. "I can't see giving somebody a break just because they're 65," says Ives. "That might sound funny coming from a Republican but that's the way I feel. If I'm getting a break, somebody else is paying my fair share. I believe in taxing those who can pay—in basing taxes on income, not on age." □

**FOOTNOTES**

<sup>1</sup>The 1985 General Assembly repealed the intangibles tax only on cash, money on deposit, and accounts receivable. The tax remains on stock, bonds, and other items.