

June 4, 2002

**S 1161. AMEND USE VALUE STATUTES. TO AMEND THE PRESENT-USE VALUE**

**STATUTES.** Makes numerous changes to the property tax statutes governing the assessment of farmland, forestland, and horticultural land at present-use value rather than at market value, the assessment standard for virtually all other taxable real property. Amends GS 105-277.2(1), defining "agricultural land," and -277.2(3), defining "horticultural land," to provide that if the land includes less than 20 acres of woodland, the woodland portion is not required to be under a sound management program. Amends GS 105-277.2(2), defining "forestland," to provide that forestland is not required to be under a sound management program if it is determined that the highest and best use of the land is to diminish wind erosion, protect water quality, or serve as a buffer for livestock or poultry operations. Amends GS 105-277.2(4), which lists the classes of entities that meet the definition of "individually owned," to add new subsection e to provide that certain land owned by tenants in common may qualify. Amends GS 105-277.2(5), defining "present-use value," to provide that a capitalization rate of 9% shall be applied to the net income of forestland, but that the capitalization rate for agricultural and horticultural land shall be determined by the Use-Value Advisory Board in accordance with GS 105-277.7.

Currently, GS 105-277.2 requires that to qualify for use-value assessment, land be part of a farm, forest, or horticultural "unit." This bill adds new GS 105-277.2(7) to define "unit" as one or more tracts, and if multiple tracts are sought to be qualified, they must be under the same ownership. If they are located in different counties, they must be within 50 miles of a tract qualifying under GS 105-277.3(a) (minimum acreage and income requirements) and share one of the following characteristics: (1) type of classification; or (2) use of the same equipment or labor force. GS 105-277.3(b2) currently deals with the situation in which qualified land is transferred to a new owner and is eligible for continued qualification. This bill makes it clear that the lien for deferred taxes remains on the land and adds as a condition for qualification that the new owner timely file an application for use-value assessment and certify that he accepts liability for the deferred taxes. The application may be filed at any time during the year but must be submitted within 60 days of the date of the property's transfer.

One of the requirements for qualification is that the land be under a sound management program. New GS 105-277.3(f) attempts to define what this is by setting forth 7 factors that will demonstrate such a program, but also allows the owner to demonstrate the existence of sound management by the showing of other, similar factors. It further provides that as long as a farm operator meets the sound management requirements, it is irrelevant whether the property owner received income or rent from the farm operator. GS 105-277.4(c) is amended to provide that the failure to have an application for use-value assessment approved is ground for disqualification. The bill adds 4 members to the Use-Value Advisory Board: (1) a representative of the NC Farm Bureau; a representative of the NC Association of Assessing Officers; (3) director of the Property Tax Div., Dep't of Revenue; and (4) a representative of the NC Association of County Commissioners. New GS 105-277.7(c) charges the advisory board with preparing a recommended use-value manual and submitting it to the Dep't of Revenue annually. The manual is to contain estimated cash rental rates for agricultural and horticultural lands and recommended net income ranges for forestland. The capitalization rate for forestland shall be 9%, for agricultural and horticultural land, no less than 6% and no more than 7%. The value per acre for the best agricultural land may not exceed \$1,200, regardless of the actual value.

Amends GS 105-296(j) to authorize the county assessor to require the owner of classified property to submit information regarding sound management plans for forestland to aid in determining whether the land continues to qualify for use-value assessment. In determining whether any property is operating under a sound management program, the assessor must consider any weather conditions or other acts of nature that prevent the growing or harvesting of crops or the realization of income from cattle, swine, or poultry operations. The assessor must also allow the landowner to submit additional information before making this determination. Amends GS 105-299 to authorize a county to assign county agencies or contract with state or federal agencies for any duties involved with the approval or auditing of use-value accounts. Effective for tax years beginning on or after July 1, 2003; that is, first applicable with regard to property listed and assessed as of Jan. 1, 2003.

**Intro. by Hartsell, Dalton, Hoyle, Kerr, Webster.**

July 24, 2002

**S 1161. AMEND USE VALUE STATUTES.** Intro. 6/4/02. Senate committee substitute makes the following changes to 1st edition. Changes title to *AN ACT TO AMEND THE PRESENT-VALUE STATUTES AND TO CREATE A PROPERTY TAX SUBCOMMITTEE OF THE REVENUE LAWS STUDY COMMITTEE*. Amends definition of agricultural land in present-value statutes to provide that woodland is not required to be under a sound management program if it is determined that the highest and best use of the woodland is to diminish wind erosion or protect water quality of adjacent agricultural land, or to serve as a buffer for adjacent livestock or poultry operations. Similarly amends definition of horticulture land to provide that woodland is not required to be under a sound management plan if it is determined that the highest and best use of the woodland is to diminish wind erosion or protect water quality on adjacent horticulture land. Deletes changes to definition of forestland made in original bill. Amends membership of the Use-Value Advisory Board to include a representative of the North Carolina Forestry Association. Adds new GS 120-70.108 to create a property tax subcommittee of the revenue laws study committee to study, examine and recommend changes to the property tax system. Specifies that the subcommittee study the present-use system including particular issues set forth in new statute. Subcommittee to consist of six members; the Senate cochair of the revenue laws committee shall designate three members appointed by the Pres. Pro. Tem., and the House cochair shall designate three members appointed by the Speaker.

July 25, 2002

**S 1161. AMEND USE VALUE STATUTES.** Intro. 06/04/02. Senate amendment makes the following changes to 1st edition. Adds new GS 105-277.3(d1) to provide that property appraised at its present-use value under GS 105-277.4(b) continues to qualify for appraisal, assessment, and taxation as provided in GS 105-277.2 through GS 105-277.7 so long as the property is subject to an enforceable conservation easement that would qualify for the conservation tax credit provided in GS 105-130.34 and GS 105-151.12, without regard to actual production or income requirements of GS 105-277.3. Makes other technical changes.

August 21, 2002

**S 1161. AMEND USE VALUE STATUTES AND OTHER TAX LAWS.** Intro. 6/4/02. House committee substitute makes the following changes to 3rd edition. Amends GS 105-164.13(2a) to specify that equipment used to dispense substances exempt from sales tax under that subsection (commercially used pesticides, animal and plant food, etc.) is not exempt from sales tax. Amends GS 105-164.16(b) to provide that sales tax return due under that subsection is not due until last of month following end of quarter in which taxes are being paid. Amends GS 105-164.16(b2) to revise formula used to determine if taxpayer liable for at least \$10,000 a month in sales tax has underpaid for a month; amended formula provides that underpayment occurs if taxpayer fails to pay at least 95% of amount due for each semimonthly payment period or of the amount of average semimonthly payment for the prior calendar year. Adds new GS 105-164.28A to provide that Revenue Sec'y may require that purchaser of property exempt from sales tax or subject to preferential tax rate if used for a specific use or by a specific kind of taxpayer must obtain certificate certifying that the use or user is entitled to the exemption or lower rate. Amendments to GS 105-164.16 effective Oct. 1, 2002, for taxes levied or payments due on or after that date.

September 4, 2002

**S 1161. AMEND USE VALUE STATUTES AND OTHER TAX LAWS.** Intro. 6/4/02. House amendment makes the following changes to 4th edition. Adds provision that subsequent transfer of property subject to an easement that qualifies for the conservation tax credit does not extinguish its present-use value eligibility, as long as the property remains subject to the easement.