

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

S

2

SENATE BILL 1161
Finance Committee Substitute Adopted 7/24/02

Short Title: Amend Use Value Statutes.

(Public)

Sponsors:

Referred to:

June 4, 2002

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE PRESENT-USE VALUE STATUTES AND TO CREATE
3 A PROPERTY TAX SUBCOMMITTEE OF THE REVENUE LAWS STUDY
4 COMMITTEE.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. G.S. 105-277.2 reads as rewritten:

7 "§ 105-277.2. **Agricultural, horticultural, and forestland – Definitions.**

8 The following definitions apply in G.S. 105-277.3 through G.S. 105-277.7:

9 (1) Agricultural land. – Land that is a part of a farm unit that is actively
10 engaged in the commercial production or growing of crops, plants, or
11 animals under a sound management program. Agricultural land
12 includes woodland and wasteland that is a part of the farm unit, but the
13 woodland and wasteland included in the unit ~~shall~~must be appraised
14 under the use-value schedules as woodland or wasteland. A farm unit
15 may consist of more than one tract of agricultural land, but at least one
16 of the tracts must meet the requirements in G.S. 105-277.3(a)(1), and
17 each tract must be under a sound management program. If the
18 agricultural land includes less than 20 acres of woodland, then the
19 woodland portion is not required to be under a sound management
20 program. Also, woodland is not required to be under a sound
21 management program if it is determined that the highest and best use
22 of the woodland is to diminish wind erosion of adjacent agricultural
23 land, protect water quality of adjacent agricultural land, or serve as
24 buffers for adjacent livestock or poultry operations.

25 (1a) Business entity. – A corporation, a general partnership, a limited
26 partnership, or a limited liability company.

27 (2) Forestland. – Land that is a part of a forest unit that is actively engaged
28 in the commercial growing of trees under a sound management
29 program. Forestland includes wasteland that is a part of the forest unit,

1 but the wasteland included in the unit ~~shall~~must be appraised under
2 the use-value schedules as wasteland. A forest unit may consist of
3 more than one tract of forestland, but at least one of the tracts must
4 meet the requirements in G.S. 105-277.3(a)(3), and each tract must be
5 under a sound management program.

- 6 (3) Horticultural land. – Land that is a part of a horticultural unit that is
7 actively engaged in the commercial production or growing of fruits or
8 vegetables or nursery or floral products under a sound management
9 program. Horticultural land includes woodland and wasteland that is a
10 part of the horticultural unit, but the woodland and wasteland included
11 in the unit ~~shall~~must be appraised under the use-value schedules as
12 woodland or wasteland. A horticultural unit may consist of more than
13 one tract of horticultural land, but at least one of the tracts must meet
14 the requirements in G.S. 105-277.3(a)(2), and each tract must be under
15 a sound management program. If the horticultural land includes less
16 than 20 acres of woodland, then the woodland portion is not required
17 to be under a sound management program. Also, woodland is not
18 required to be under a sound management program if it is determined
19 that the highest and best use of the woodland is to diminish wind
20 erosion of adjacent horticultural land or protect water quality of
21 adjacent horticultural land.

- 22 (4) Individually owned. – Owned by one of the following:

- 23 a. A natural person. For the purpose of this section, a natural
24 person who is an income beneficiary of a trust that owns land
25 may elect to treat the person's beneficial share of the land as
26 owned by that person. If the person's beneficial interest is not an
27 identifiable share of land but can be established as a
28 proportional interest in the trust income, the person's beneficial
29 share of land is a percentage of the land owned by the trust that
30 corresponds to the beneficiary's proportional interest in the trust
31 income. For the purpose of this section, a natural person who is
32 a member of a business entity, other than a corporation, that
33 owns land may elect to treat the person's share of the land as
34 owned by that person. The person's share is a percentage of the
35 land owned by the business entity that corresponds to the
36 person's percentage of ownership in the entity.
- 37 b. A business entity having as its principal business one of the
38 activities described in subdivisions (1), (2), and (3) and whose
39 members are all natural persons who meet one or more of the
40 following conditions:
- 41 1. The member is actively engaged in the business of the
42 entity.
 - 43 2. The member is a relative of a member who is actively
44 engaged in the business of the entity.

- 1 3. The member is a relative of, and inherited the
2 membership interest from, a decedent who met one or
3 both of the preceding conditions after the land qualified
4 for classification in the hands of the business entity.
- 5 c. A trust that was created by a natural person who transferred the
6 land to the trust and each of whose beneficiaries who is
7 currently entitled to receive income or principal meets one of
8 the following conditions:
- 9 1. Is the creator of the trust or the creator's relative.
- 10 2. Is a second trust whose beneficiaries who are currently
11 entitled to receive income or principal are all either the
12 creator of the first trust or the creator's relatives.
- 13 d. A testamentary trust that meets all of the following conditions:
- 14 1. It was created by a natural person who transferred to the
15 trust land that qualified in that person's hands for
16 classification under G.S. 105-277.3.
- 17 2. At the time of the creator's death, the creator had no
18 relatives as defined in this section as of the date of death.
- 19 3. The trust income, less reasonable administrative
20 expenses, is used exclusively for educational, scientific,
21 literary, cultural, charitable, or religious purposes as
22 defined in G.S. 105-278.3(d).
- 23 e. Tenants in common, if each tenant is either a natural person or a
24 business entity described in sub-subdivision b. of this
25 subdivision. Tenants in common may elect to treat their
26 individual shares as owned by them individually in accordance
27 with G.S. 105-302(c)(9). The ownership requirements of G.S.
28 105-277.3(b) apply to each tenant in common who is a natural
29 person and the ownership requirements of G.S. 105-277.3(b1)
30 apply to each tenant in common who is a business entity.
- 31 (4a) Member. – A shareholder of a corporation, a partner of a general or
32 limited partnership, or a member of a limited liability company.
- 33 (5) Present-use value. – The value of land in its current use as agricultural
34 land, horticultural land, or forestland, based solely on its ability to
35 produce ~~income, using a rate of nine percent (9%) to capitalize the~~
36 ~~expected net income of the property and assuming an average level of~~
37 ~~management.~~ income and assuming an average level of management.
38 A rate of nine percent (9%) shall be used to capitalize the expected net
39 income of forestland. The capitalization rate for agricultural land and
40 horticultural land is to be determined by the Use-Value Advisory
41 Board as provided in G.S. 105-277.7.
- 42 (5a) Relative. – Any of the following:
- 43 a. A spouse or the spouse's lineal ancestor or descendant.
- 44 b. A lineal ancestor or a lineal descendant.

1 c. A brother or sister, or the lineal descendant of a brother or
2 sister. For the purposes of this sub-subdivision, the term brother
3 or sister includes stepbrother or stepsister.

4 d. An aunt or an uncle.

5 e. A spouse of a person listed in paragraphs a. through d.

6 For the purpose of this subdivision, an adoptive or adopted relative
7 is a relative and the term "spouse" includes a surviving spouse.

8 (6) Sound management program. – A program of production designed to
9 obtain the greatest net return from the land consistent with its
10 conservation and long-term improvement.

11 (7) Unit. – One or more tracts of agricultural land, horticultural land, or
12 forestland. Multiple tracts must be under the same ownership. If the
13 multiple tracts are located within different counties, they must be
14 within 50 miles of a tract qualifying under G.S. 105-277.3(a) and share
15 one of the following characteristics:

16 a. Type of classification.

17 b. Use of the same equipment or labor force."

18 **SECTION 2.** G.S. 105-277.3 reads as rewritten:

19 **"§ 105-277.3. Agricultural, horticultural, and forestland – Classifications.**

20 (a) Classes Defined. – The following classes of property are designated special
21 classes of property under authority of Section 2(2) of Article V of the North Carolina
22 Constitution and ~~shall~~must be appraised, assessed, and taxed as provided in
23 G.S. 105-277.2 through G.S. 105-277.7.

24 (1) Agricultural land. – Individually owned agricultural land consisting of
25 one or more tracts, one of which consists of at least 10 acres that are in
26 actual production and that, for the three years preceding January 1 of
27 the year for which the benefit of this section is claimed, have produced
28 an average gross income of at least one thousand dollars (\$1,000).
29 Gross income includes income from the sale of the agricultural
30 products produced from the land and any payments received under a
31 governmental soil conservation or land retirement program. Land in
32 actual production includes land under improvements used in the
33 commercial production or growing of crops, plants, or animals.

34 (2) Horticultural land. – Individually owned horticultural land consisting
35 of one or more tracts, one of which consists of at least five acres that
36 are in actual production and that, for the three years preceding January
37 1 of the year for which the benefit of this section is claimed, have met
38 the applicable minimum gross income requirement. Land in actual
39 production includes land under improvements used in the commercial
40 production or growing of fruits or vegetables or nursery or floral
41 products. Land that has been used to produce evergreens intended for
42 use as Christmas trees must have met the minimum gross income
43 requirements established by the Department of Revenue for the land.
44 All other horticultural land must have produced an average gross

1 income of at least one thousand dollars (\$1,000). Gross income
2 includes income from the sale of the horticultural products produced
3 from the land and any payments received under a governmental soil
4 conservation or land retirement program.

5 (3) Forestland. – Individually owned forestland consisting of one or more
6 tracts, one of which consists of at least 20 acres that are in actual
7 production and are not included in a farm unit.

8 (b) Natural Person Ownership Requirements. – In order to come within a
9 classification described in subsection (a) of this section, the land must, if owned by a
10 natural person, also satisfy one of the following conditions:

11 (1) It is the owner's place of residence.

12 (2) It has been owned by the current owner or a relative of the current
13 owner for the four years preceding January 1 of the year for which the
14 benefit of this section is claimed.

15 (3) At the time of transfer to the current owner, it qualified for
16 classification in the hands of a business entity or trust that transferred
17 the land to the current owner who was a member of the business entity
18 or a beneficiary of the trust, as appropriate.

19 (b1) Entity Ownership Requirements. – In order to come within a classification
20 described in subsection (a) of this section, the land must, if owned by a business entity
21 or trust, have been owned by the business entity or trust or by one or more of its
22 members or creators, respectively, for the four years immediately preceding January 1
23 of the year for which the benefit of this section is claimed.

24 (b2) Exception to Ownership Requirements. – ~~G.S. 105-277.4(e) provides that~~
25 ~~deferred taxes are payable if land fails to meet any condition or requirement for~~
26 ~~classification. Accordingly, if land fails to meet an ownership requirement due to a~~
27 ~~change of ownership, G.S. 105-277.4(e) applies. Despite this failure and the resulting~~
28 ~~liability for taxes under G.S. 105-277.4(e), the~~Notwithstanding the provisions of
29 subsections (b) and (b1) of this section, land may qualify for classification in the hands
30 of the new owner if ~~both~~all of the conditions listed in this subsection are met, even if
31 the new owner does not meet all of the ownership requirements of subsections (b) and
32 (b1) of this section with respect to the land. If the land qualifies for classification in the
33 hands of the new owner under the provisions of this subsection, then the deferred taxes
34 remain a lien on the land under G.S. 105-277.4(c), the new owner becomes liable for the
35 deferred taxes, and the deferred taxes become payable if the land fails to meet any other
36 condition or requirement for classification.

37 (1) The land was appraised at its present use value or was eligible for
38 appraisal at its present use value at the time title to the land passed to
39 the new owner.

40 (2) At the time title to the land passed to the new owner, the new owner
41 acquires the land for the purposes of and continues to use the land for
42 the purposes it was classified under subsection (a) of this section while
43 under previous ownership.

1 (3) The new owner has timely filed an application as required by
2 G.S. 105-277.4(a) and has certified that the new owner accepts liability
3 for the deferred taxes and intends to continue the present use of the
4 land.

5 (c) Repealed by Session Laws 1995, c. 454, s. 2.

6 (d) Exception for Conservation Reserve Program. – Land enrolled in the federal
7 Conservation Reserve Program authorized by 16 U.S.C. ~~§ 1381~~Chapter 58 is considered
8 to be in actual production, and income derived from participation in the federal
9 Conservation Reserve Program may be used in meeting the minimum gross income
10 requirements of this section either separately or in combination with income from actual
11 production. Land enrolled in the federal Conservation Reserve Program ~~shall~~must be
12 assessed as agricultural land if it is planted in vegetation other than trees, or as
13 forestland if it is planted in trees.

14 (e) Exception for Turkey Disease. – Agricultural land that meets all of the
15 following conditions is considered to be in actual production and to meet the minimum
16 gross income requirements:

17 (1) The land was in actual production in turkey growing within the
18 preceding two years and qualified for present use value treatment
19 while it was in actual production.

20 (2) The land was taken out of actual production in turkey growing solely
21 for health and safety considerations due to the presence of Poulter
22 Enteritis Mortality Syndrome among turkeys in the same county or a
23 neighboring county.

24 (3) The land is otherwise eligible for present use value treatment.

25 (f) Sound Management Program for Agricultural Land and Horticultural Land. –
26 If the property owner demonstrates any one of the following factors with respect to
27 agricultural land or horticultural land, then the land is operated under a sound
28 management program:

29 (1) Enrollment in and compliance with an agency-administered and
30 approved farm management plan.

31 (2) Compliance with a set of best management practices.

32 (3) Compliance with a minimum gross income per acre test.

33 (4) Evidence of net income from the farm operation.

34 (5) Evidence that farming is the farm operator's principal source of
35 income.

36 (6) Certification by a recognized agricultural or horticultural agency
37 within the county that the land is operated under a sound management
38 program.

39 Operation under a sound management program may also be demonstrated by evidence
40 of other similar factors. As long as a farm operator meets the sound management
41 requirements, it is irrelevant whether the property owner received income or rent from
42 the farm operator.

43 (g) Sound Management Program for Forestland. – If the owner of forestland
44 demonstrates that the forestland complies with a written sound forest management plan

1 for the production and sale of forest products, then the forestland is operated under a
2 sound management program. The plan must be prepared or approved by a registered
3 forester."

4 **SECTION 3.** G.S. 105-277.4 reads as rewritten:

5 "**§ 105-277.4. Agricultural, horticultural and forestland – Application; appraisal at**
6 **use value; appeal; deferred taxes.**

7 (a) Application. – Property coming within one of the classes defined in
8 G.S. 105-277.3 ~~shall be~~ is eligible for taxation on the basis of the value of the property
9 in its present use if a timely and proper application is filed with the assessor of the
10 county in which the property is located. The application ~~shall~~ must clearly show that the
11 property comes within one of the classes and ~~shall~~ must also contain any other relevant
12 information required by the assessor to properly appraise the property at its present-use
13 value. An initial application ~~shall~~ must be filed during the regular listing period of the
14 year for which the benefit of this classification is first claimed, or within 30 days of the
15 date shown on a notice of a change in valuation made pursuant to G.S. 105-286 or G.S.
16 105-287. A new application is not required to be submitted unless the property is
17 transferred or becomes ineligible for use-value appraisal because of a change in use or
18 acreage. An application required due to transfer of the land may be submitted at any
19 time during the calendar year but must be submitted within 60 days of the date of the
20 property's transfer.

21 (b) Appraisal at Present-use Value. – Upon receipt of a properly executed
22 application, the assessor ~~shall~~ must appraise the property at its present-use value as
23 established in the schedule prepared pursuant to G.S. 105-317. In appraising the
24 property at its present-use value, the assessor ~~shall~~ must appraise the improvements
25 located on qualifying land according to the schedules and standards used in appraising
26 other similar improvements in the county. If all or any part of a qualifying tract of land
27 is located within the limits of an incorporated city or town, or is property annexed
28 subject to G.S. 160A-37(f1) or G.S. 160A-49(f1), the assessor ~~shall~~ must furnish a copy
29 of the property record showing both the present-use appraisal and the valuation upon
30 which the property would have been taxed in the absence of this classification to the
31 collector of the city or town. ~~He shall~~ The assessor must also notify the tax collector of
32 any changes in the appraisals or in the eligibility of the property for the benefit of this
33 classification. Upon a request for a certification pursuant to G.S. 160A-37(f1) or
34 G.S.160A-49(f1), or any change in the certification, the assessor for the county where
35 the land subject to the annexation is located ~~shall,~~ must, within 30 days, determine if the
36 land meets the requirements of G.S. 160A-37(f1)(2) or G.S. 160A-49(f1)(2) and report
37 the results of its findings to the city.

38 (b1) Appeal. – Decisions of the assessor regarding the qualification or appraisal of
39 property under this section may be appealed to the county board of equalization and
40 review or, if that board is not in session, to the board of county commissioners.
41 Decisions of the county board may be appealed to the Property Tax Commission.

42 (c) Deferred Taxes. – Land meeting the conditions for classification under
43 G.S. 105-277.3 ~~shall~~ must be taxed on the basis of the value of the land for its present
44 use. The difference between the taxes due on the present-use basis and the taxes that

1 would have been payable in the absence of this classification, together with any interest,
2 penalties, or costs that may accrue thereon, are a lien on the real property of the
3 taxpayer as provided in G.S. 105-355(a). The difference in taxes ~~shall~~must be carried
4 forward in the records of the taxing unit or units as deferred taxes. The taxes become
5 due and payable when the land fails to meet any condition or requirement for
6 classification. Failure to have an application approved is ground for disqualification.
7 The tax for the fiscal year that opens in the calendar year in which deferred taxes
8 become due is computed as if the land had not been classified for that year, and taxes
9 for the preceding three fiscal years that have been deferred are immediately payable,
10 together with interest as provided in G.S. 105-360 for unpaid taxes. Interest accrues on
11 the deferred taxes due as if they had been payable on the dates on which they originally
12 became due. If only a part of the qualifying tract of land fails to meet a condition or
13 requirement for classification, ~~a determination shall be made of the assessor must~~
14 determine the amount of deferred taxes applicable to that part and that amount becomes
15 payable with interest as provided above. Upon the payment of any taxes deferred in
16 accordance with this section for the three years immediately preceding a
17 disqualification, all liens arising under this subsection are extinguished. The deferred
18 taxes for any given year may be paid in that year without the qualifying tract of land
19 becoming ineligible for deferred status.

20 (d) Exceptions. – Notwithstanding the provisions of subsection (c) of this section,
21 if property loses its eligibility for present use value classification solely due to one of
22 the following reasons, no deferred taxes are due and the lien for the deferred taxes is
23 extinguished:

- 24 (1) There is a change in income caused by enrollment of the property in
25 the federal conservation reserve program established under 16 U.S.C.
26 Chapter 58.
- 27 (2) The property is conveyed by gift to a nonprofit organization and
28 qualifies for exclusion from the tax base pursuant to G.S. 105-275(12)
29 or G.S. 105-275(29).
- 30 (3) The property is conveyed by gift to the State, a political subdivision of
31 the State, or the United States.

32 (e) Repealed by Session Laws 1997-270, s. 3, effective July 3, 1997."

33 **SECTION 4.** G.S. 105-277.7 reads as rewritten:

34 **"§ 105-277.7. Use-Value Advisory Board.**

35 (a) Creation and Membership. – The Use-Value Advisory Board is established
36 under the supervision of the Agricultural Extension Service of North Carolina State
37 University. The ~~Board shall annually submit to the Department of Revenue a~~
38 ~~recommended use value manual developed in accordance with the guidelines in G.S.~~
39 ~~105-289(a)(5). In developing the manual, the Board may consult with federal and State~~
40 ~~agencies as needed. The Board shall submit to the Department of Revenue~~
41 ~~recommendations concerning requirements for horticultural land used to produce~~
42 ~~evergreens intended for use as Christmas trees when requested to do so by the~~
43 ~~Department.~~

1 ~~The Board shall be chaired by the~~ Director of the Agricultural Extension Service of
2 North Carolina State University shall serve as the chair of the Board. The Board and
3 shall consist of the following additional members; members, to serve ex officio:

- 4 (1) A a representative of the Department of Agriculture and Consumer
5 Services, designated by the Commissioner of ~~Agriculture;~~ Agriculture.
- 6 (2) A a representative of the Forest Resources Division of the Department
7 of Environment and Natural Resources, designated by the Director of
8 that ~~Division;~~ and a Division.
- 9 (3) A representative of the Agricultural Extension Service at North
10 Carolina Agricultural and Technical State University, designated by
11 the Director of the Extension Service.
- 12 (4) A representative of the North Carolina Farm Bureau, designated by the
13 President of the Bureau.
- 14 (5) A representative of the North Carolina Association of Assessing
15 Officers, designated by the President of the Association.
- 16 (6) The Director of the Property Tax Division of the North Carolina
17 Department of Revenue or the Director's designee.
- 18 (7) A representative of the North Carolina Association of County
19 Commissioners, designated by the President of the Association.
- 20 (8) A representative of the North Carolina Forestry Association,
21 designated by the President of the Association.

22 (b) Staff. ~~All members shall serve ex officio.~~ The Agricultural Extension
23 Service at North Carolina State University ~~shall~~ must provide clerical assistance to the
24 Board.

25 (c) Duties. – The Board must annually submit to the Department of Revenue a
26 recommended use-value manual. In developing the manual, the Board may consult with
27 federal and State agencies as needed. The manual must contain all of the following:

- 28 (1) The estimated cash rental rates for agricultural lands and horticultural
29 lands for the various classes of soils found in the State. The rental rates
30 must recognize the productivity levels by class of soil or geographic
31 area. The rental rates must be based on the rental value of the land to
32 be used for agricultural or horticultural purposes when those uses are
33 presumed to be the highest and best use of the land. The recommended
34 rental rates may be established from individual county studies or from
35 contracts with federal or State agencies as needed.
- 36 (2) The recommended net income ranges for forestland furnished to the
37 Board by the Forestry Section of the North Carolina Cooperative
38 Extension Service. These net income ranges may be based on up to six
39 classes of land within each Major Land Resource Area designated by
40 the United States Soil Conservation Service. In developing these
41 ranges, the Forestry Section must consider the soil productivity and
42 indicator tree species or stand type, the average stand establishment
43 and annual management costs, the average rotation length and timber
44 yield, and the average timber stumpage prices.

- 1 (3) The capitalization rates adopted by the Board prior to February 1 for
2 use in capitalizing incomes into values. The capitalization rate for
3 forestland shall be nine percent (9%). The capitalization rate for
4 agricultural land and horticultural land must be no less than six percent
5 (6%) and no more than seven percent (7%). The incomes must be in
6 the form of cash rents for agricultural lands and horticultural lands and
7 net incomes for forestlands.
- 8 (4) The value per acre adopted by the Board for the best agricultural land.
9 The value may not exceed one thousand two hundred dollars (\$1,200).
- 10 (5) Recommendations concerning any changes to the capitalization rate
11 for agricultural land and horticultural land and to the maximum value
12 per acre for the best agricultural land based on a calculation to be
13 determined by the Board. The Board shall annually report these
14 recommendations to the Revenue Laws Study Committee and to the
15 President Pro Tempore of the Senate and the Speaker of the House of
16 Representatives.
- 17 (6) Recommendations concerning requirements for horticultural land used
18 to produce evergreens intended for use as Christmas trees when
19 requested to do so by the Department."

20 **SECTION 5.** G.S. 105-289(a) reads as rewritten:

21 "(a) It ~~shall be~~ is the duty of the Department of Revenue:

- 22 (1) To discharge the duties prescribed by law and to enforce the provisions
23 of this Subchapter.
- 24 (2) To exercise general and specific supervision over the valuation and
25 taxation of property by taxing units throughout the State.
- 26 (3) To appraise the property of public service companies.
- 27 (4) To keep full and accurate records of the Commission's official
28 proceedings.
- 29 (5) To prepare and distribute annually to each assessor ~~a the manual~~
30 developed by the Use-Value Advisory Board under G.S. 105-277.7
31 ~~that establishes five expected net income per acre ranges for~~
32 ~~agricultural land, horticultural land, and forestland, and establishes a~~
33 ~~method for appraising nonproductive land as a percentage of the~~
34 ~~lowest use-value established for productive land. The high and low net~~
35 ~~income amount in each range may differ by no more than fifteen~~
36 ~~dollars (\$15.00). The basis for establishing each range shall be soil~~
37 ~~productivity.~~

38 For agricultural land, the expected net income per acre ranges
39 ~~shall be based on the actual yields and prices of corn and soybeans~~
40 ~~over a period of at least the five previous years, and the actual fixed~~
41 ~~and variable costs, including an imputed management cost, incurred in~~
42 ~~growing corn and soybeans over the same period of time. The manual~~
43 ~~shall contain recommended adjustments to the net income per acre~~

1 ~~ranges for the growing of crops subject to acreage or poundage~~
2 ~~allotments.~~

3 ~~Expected net income per acre ranges shall be similarly~~
4 ~~established for horticultural land and forestland, using typical~~
5 ~~horticultural or forest products in various growing regions of the State~~
6 ~~instead of corn and soybeans. the cash rental rates for agricultural~~
7 ~~lands and horticultural lands and the net income ranges for forestland.~~

8 (6) To establish requirements for horticultural land, used to produce
9 evergreens intended for use as Christmas trees, in lieu of a gross
10 income requirement until evergreens are harvested from the land, and
11 to establish a gross income requirement for this type horticultural land,
12 that differs from the income requirement for other horticultural land,
13 when evergreens are harvested from the land.

14 (7) To conduct studies of the cash rents for agricultural lands on a county
15 or a regional basis, such as the Major Land Resource Area map
16 designated and developed by the U.S. Department of Agriculture. The
17 results of the studies must be furnished to the North Carolina Use-
18 Value Advisory Board. The studies may be conducted on any
19 reasonable basis and timetable that will be reflective of rents and
20 values for each local area based on the productivity of the land."

21 **SECTION 6.** G.S. 105-296(j) reads as rewritten:

22 "(j) The assessor ~~shall~~must annually review at least one eighth of the parcels in
23 the county classified for taxation at present-use value to verify that these parcels qualify
24 for the classification. By this method, the assessor ~~shall~~must review the eligibility of all
25 parcels classified for taxation at present-use value in an eight-year period. The period of
26 the review process is based on the average of the preceding three years' data. The
27 assessor may request assistance from the Farm Service Agency, the Cooperative
28 Extension Service, the Forest Resources Division of the Department of Environment
29 and Natural Resources, or other similar organizations.

30 The assessor may require the owner of classified property to submit any ~~information~~
31 information, including sound management plans for forestland, needed by the assessor
32 to verify that the property continues to qualify for present-use value taxation. The owner
33 has 60 days from the date a written request for the information is made to submit the
34 information to the assessor. If the assessor determines the owner failed to make the
35 information requested available in the time required without good cause, the property
36 loses its present-use value classification and the property's deferred taxes become due
37 and payable as provided in G.S. 105-277.4(c). The assessor must reinstate the property's
38 use-value classification when the owner submits the requested information unless the
39 information discloses that the property no longer qualifies for present-use value
40 classification. When a property's present-use value classification is reinstated, it is
41 reinstated retroactive to the date the classification was revoked and any deferred taxes
42 that were paid as a result of the revocation must be refunded to the property owner.

43 In determining whether property is operating under a sound management program,
44 the assessor must consider any weather conditions or other acts of nature that prevent

1 the growing or harvesting of crops or the realization of income from cattle, swine, or
2 poultry operations. The assessor must also allow the property owner to submit
3 additional information before making this determination."

4 **SECTION 7.** G.S. 105-299 reads as rewritten:

5 **"§ 105-299. Employment of experts.**

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

27 **SECTION 8.** Article 12L of Chapter 120 of the General Statutes is amended
28 by adding a new section to read:

29 **"§ 120-70.108. Property Tax Subcommittee.**

30 (a) The Revenue Laws Study Committee shall establish a Property Tax
31 Subcommittee consisting of six members. The Senate cochair of the Committee shall
32 designate three members appointed by the President Pro Tempore of the Senate to serve
33 on the Subcommittee and shall name one of those members a cochair of the
34 Subcommittee. The House cochair of the Committee shall designate three members
35 appointed by the Speaker of the House of Representatives to serve on the Subcommittee
36 and shall name one of those members a cochair of the Subcommittee. The
37 Subcommittee shall meet upon the call of the Subcommittee cochairs.

38 (b) The Property Tax Subcommittee shall study, examine, and, if necessary,
39 recommend changes to the property tax system. The Subcommittee shall include in its
40 study an examination of all classes of property, including exemptions and exclusions of
41 property from the property tax base. The Subcommittee shall also study the present-use
42 value system, including the following:

- 43 (1) Examine the implementation and application of the current present-use
44 value statutes.

- 1 (2) Evaluate other tax credits, including adjustments to and credits for ad
2 valorem taxes, to encourage agricultural, forestry, horticultural, and
3 conservation use of land.
- 4 (3) Evaluate the treatment of undeveloped land in ad valorem tax.
- 5 (4) Evaluate the possibility of amending the present-use value system and
6 developing other tax incentives to encourage conservation and
7 environmental protection of land. The study shall include the
8 feasibility of allowing lands managed for conservation and the
9 preservation of water quality, wildlife habitats, and other conservation
10 purposes to be taxed at their present-use value.
- 11 (5) Evaluate the possibility of adding more specific land and resource
12 management criteria to the sound management programs required for
13 all lands enrolled in the present-use value system.
- 14 (6) Review other issues related to the taxation of agricultural land,
15 horticultural land, and forestland, including reducing the acreage
16 requirement for land to qualify as forestland.
- 17 (c) The Subcommittee shall report any recommendations to the Revenue Laws
18 Study Committee."

19 **SECTION 9.** Sections 1 through 7 of this act are effective for taxes imposed
20 for taxable years beginning on or after July 1, 2003. The remainder of this act is
21 effective when it becomes law.