

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 1889 (Second Edition)

SHORT TITLE: Present-Use Value System Modifications.

SPONSOR(S): Representatives Harrison, Gibson, Hill, and Brubaker

<b>FISCAL IMPACT</b>					
	<b>Yes (x)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>
<b>REVENUES:</b>					
<b>Local Governments</b>					
					<b>*No available estimate*</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Local Governments, NC Department of Revenue					
<b>EFFECTIVE DATE:</b> Sections 1 and 2 of this act are effective for taxes imposed for taxable years beginning on or after July 1, 2008. The remainder of this act is effective when it becomes law.					

**BILL SUMMARY:**

House Bill 1889 would make three changes to the present-use value property tax laws:

- It would designate real property that is managed and maintained primarily to protect wildlife habitats as a special class of property for property tax purposes. The property must consist of at least 10 acres, be owned by a natural person or a family business, and be under a sound management plan certified by the N.C. Wildlife Commission. The property would be appraised at its present-use value as if it were agricultural land if the majority of the property is open space land. The property would be appraised at its present-use value as if it were forestland if the majority of the property is woodland. If the property lost its classification, the taxpayer would be required to pay 3 years of deferred taxes. The second edition limits the amount of land a landowner can have in the new classification to not more than 100 acres per county.
- It would clarify that property appraised at present-use value would continue to qualify for use value appraisal as long as the property was subject to a conservation easement that qualifies for the conservation income tax credit for donated lands and the taxpayer received no more than 75% of the fair market value of the donated property interest as

compensation, even if the property no longer meets the production or income requirements for qualified farmland.

- The second edition also directs the Revenue Laws Study Committee to study the three-year impact of the new classification, including the amount of property classified as wildlife conservation land, the fiscal impact on local governments, and any other impact.

## **ASSUMPTIONS AND METHODOLOGY:**

### Section 1

No information is available on the acreage or value of land that would qualify for the wildlife conservation classification. Therefore, no estimate is available on the impact of this section of the bill.

### Section 2

The establishment of the percentage donation required in order to maintain status in the PUV program may have the effect of keeping more acreage in PUV status. However, because tax assessors take conservation easements into account when assessing the value of property, the PUV status would not generally reduce the value of the property significantly below the assessed value; therefore, this portion of the bill is expected to have minimal impact.

**SOURCES OF DATA:** NC Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** August 1, 2007



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