

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 49*

Short Title: Refine Use Value Limitations.

(Public)

Sponsors: Senators Odom, Winner, Ballance, Goldston, Hunt, Raynor, Shaw; and Carpenter.

Referred to: Finance.

February 11, 1991

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A MECHANISM TO ASSURE THAT ONLY LAND USED EXCLUSIVELY FOR COMMERCIAL FARMING MAY QUALIFY FOR PRESENT USE VALUE TAXATION.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-277.2 reads as rewritten:

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

~~For the purposes of G.S. 105-277.3 through 105-277.7 the~~ The following definitions shall apply: apply in G.S. 105-277.3 through 105-277.7:

(1) ~~"Agricultural land" means land~~ Agricultural land. – Land that is a part of a farm unit that is actively engaged in the commercial production or growing of crops, plants, or animals under a sound management program. Agricultural land includes woodland and wasteland that is a part of the farm unit, but the woodland and wasteland included in the unit shall be appraised under the use-value schedules as woodland or wasteland. A farm unit may consist of more than one tract of agricultural land, but at least one of the tracts must meet the requirements in G.S. 105-277.3(a)(1), and each tract must be under a sound management program.

(1a) Commercial. – Reasonably calculated to produce a profit from the sale of agricultural, horticultural, or forestry products. The assessor shall presume that land purchased by the owner or by any prior owner at a price that is more than five times but not more than 10 times the

1 present-use value of the land was purchased for a purpose other than
2 the commercial production or growing of agricultural, horticultural, or
3 forestry products. The taxpayer may offer the following evidence to
4 the assessor to rebut this presumption:

5 a. Whether the land purchased is adjacent to, or in close proximity
6 to, land currently owned by the taxpayer and classified for
7 taxation at present use value.

8 b. Whether the taxpayer purchased the land from a relative.

9 The assessor shall conclusively presume that land purchased by the
10 owner or by any prior owner at a price that is more than 10 times the
11 present-use value of the land is purchased for a purpose other than the
12 commercial production or growing of agricultural, horticultural, or
13 forestry products, and therefore the land may not qualify for present
14 use value classification.

15 (2) ~~"Forestland" means land~~ Forestland. – Land that is a part of a forest unit
16 that is actively engaged in the commercial growing of trees under a
17 sound management program. Forestland includes wasteland that is a
18 part of the forest unit, but the wasteland included in the unit shall be
19 appraised under the use-value schedules as wasteland. A forest unit
20 may consist of more than one tract of forestland, but at least one of the
21 tracts must meet the requirements in G.S. 105-277.3(a)(3), and each
22 tract must be under a sound management program.

23 (3) ~~"Horticultural land" means land~~ Horticultural land. – Land that is a part
24 of a horticultural unit that is actively engaged in the commercial
25 production or growing of fruits or vegetables or nursery or floral
26 products under a sound management program. Horticultural land
27 includes woodland and wasteland that is a part of the horticultural unit,
28 but the woodland and wasteland included in the unit shall be appraised
29 under the use-value schedules as woodland or wasteland. A
30 horticultural unit may consist of more than one tract of horticultural
31 land, but at least one of the tracts must meet the requirements in G.S.
32 105-277.3(a)(2), and each tract must be under a sound management
33 program.

34 (4) ~~"Individually owned" means~~ Individually owned. – Land owned by:
35 a. A natural person; or
36 b. A corporation having as its principal business one of the activities
37 described in subdivisions (1), (2), and (3) and whose shareholders are
38 all natural persons actively engaged in the business of the corporation
39 or a relative of a shareholder who is actively engaged in the business
40 of the corporation.

41 (5) ~~"Present-use value" means the~~ Present-use value. – The value of land in
42 its current use as agricultural land, horticultural land, or forestland,
43 based solely on its ability to produce income, using a rate of nine

1 percent (9%) to capitalize the expected net income of the property and
 2 assuming an average level of management.

3 (5a) ~~"Relative" means:~~ Relative. – A person who is

4 a. ~~Spouse;~~ A spouse;

5 b. A lineal ancestor;

6 c. A lineal descendant;

7 d. A brother or sister, including a stepbrother or
 8 stepsister;

9 e. An adopted or adoptive child, parent, grandchild, or grandparent;
 10 or

11 f. A spouse of a person listed in paragraphs b. through e.

12 (6) ~~"Sound management program" means a~~ Sound management program. – A
 13 program of production designed to obtain the greatest net return from
 14 the land consistent with its conservation and long-term improvement."

15 Sec. 2. The county assessor shall review the land qualified for present-use
 16 value prior to the enactment of this act for compliance with the amendment made by
 17 Section 1 of this act. If land was purchased after January 1, 1973, and prior to January
 18 1, 1991, at a cost that is more than five times the 1990 use value of the land, the assessor
 19 shall presume that the land was purchased for a purpose other than the commercial
 20 production or growing of agricultural, horticultural, or forestry products and is thus
 21 ineligible for present-use value assessment. The taxpayer may rebut the presumption by
 22 presenting evidence to the assessor that the land purchased is adjacent to, or in close
 23 proximity to, land owned by the taxpayer and classified for taxation at present use value
 24 or that the land was purchased from a relative. If the land was acquired at a cost that is
 25 more than 10 times the 1990 use value of the land, the assessor shall conclusively
 26 presume that the land was purchased for a purpose other than the commercial
 27 production or growing of agricultural, horticultural, or forestry products and is thus
 28 ineligible for present-use value assessment. If property loses its eligibility for present-
 29 use value classification because of the amendment made by Section 1 of this act, no
 30 deferred taxes are due on the property and the lien for the deferred taxes that would
 31 otherwise be payable is extinguished.

32 Sec. 3. This act is effective for taxes imposed for taxable years beginning on
 33 or after July 1, 1992.