

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

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**SENATE BILL 1878\***  
**Finance Committee Substitute Adopted 6/10/08**

Short Title: Property Tax Modifications.

(Public)

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Sponsors:

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Referred to:

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May 22, 2008

A BILL TO BE ENTITLED

1 AN ACT TO MODIFY THE SCHEDULE FOR GENERAL REAPPRAISALS OF  
2 REAL PROPERTY IN THE STATE TO REDUCE THE DISCREPANCY  
3 BETWEEN THE PROPERTY TAX VALUE OF PROPERTY AND ITS MARKET  
4 VALUE, TO ALLOW PROPERTY TO REMAIN IN PRESENT-USE VALUE  
5 WHEN THE DEFERRED TAXES ARE PAID AT THE TIME OF TRANSFER  
6 AND THE NEW OWNER CONTINUES TO FARM THE PROPERTY, AND TO  
7 CLASSIFY LOW-INCOME HOUSING PROPERTY.  
8

9 The General Assembly of North Carolina enacts:

10  
11 **PART I: REAPPRAISAL SCHEDULE**

12 **SECTION 1.1.** G.S. 105-286 reads as rewritten:

13 **"§ 105-286. Time for general reappraisal of real property.**

14 (a) ~~Octennial Plan. Unless the date shall be advanced as provided in~~  
15 ~~subdivision (a)(2), below, each county of the State, as of January 1 of the year~~  
16 ~~prescribed in the schedule set out in subdivision (a)(1), below, and every eighth year~~  
17 ~~thereafter, shall reappraise all real property in accordance with the provisions of~~  
18 ~~G.S. 105-283 and 105-317.~~ Octennial Cycle. – Each county must reappraise all real  
19 property in accordance with the provisions of G.S. 105-283 and G.S. 105-317 as of  
20 January 1 of the year set out in the following schedule and every eighth year thereafter,  
21 unless the county is required to advance the date under subdivision (2) of this subsection  
22 or chooses to advance the date under subdivision (3) of this subsection.

23 (1) Schedule of Initial Reappraisals.

24 Division One – 1972: Avery, Camden, Cherokee, Cleveland,  
25 Cumberland, Guilford, Harnett, Haywood, Lee, Montgomery,  
26 Northampton, and Robeson.

27 Division Two – 1973: Caldwell, Carteret, Columbus, Currituck,  
28 Davidson, Gaston, Greene, Hyde, Lenoir, Madison, Orange, Pamlico,  
29 Pitt, Richmond, Swain, Transylvania, and Washington. Division Three

1 – 1974: Ashe, Buncombe, Chowan, Franklin, Henderson, Hoke, Jones,  
2 Pasquotank, Rowan, and Stokes. Division Four – 1975: Alleghany,  
3 Bladen, Brunswick, Cabarrus, Catawba, Dare, Halifax, Macon, New  
4 Hanover, Surry, Tyrrell, and Yadkin. Division Five – 1976: Bertie,  
5 Caswell, Forsyth, Iredell, Jackson, Lincoln, Onslow, Person,  
6 Perquimans, Rutherford, Union, Vance, Wake, Wilson, and Yancey.

7 Division Six – 1977: Alamance, Durham, Edgecombe, Gates,  
8 Martin, Mitchell, Nash, Polk, Randolph, Stanly, Warren, and Wilkes.

9 Division Seven – 1978: Alexander, Anson, Beaufort, Clay, Craven,  
10 Davie, Duplin, and Granville.

11 Division Eight – 1979: Burke, Chatham, Graham, Hertford,  
12 Johnston, McDowell, Mecklenburg, Moore, Pender, Rockingham,  
13 Sampson, Scotland, Watauga, and Wayne.

14 (2) ~~Advancing Scheduled Octennial Reappraisal. Any county desiring to~~  
15 ~~conduct a reappraisal of real property earlier than required by this~~  
16 ~~subsection (a) may do so upon adoption by the board of county~~  
17 ~~commissioners of a resolution so providing. A copy of any such~~  
18 ~~resolution shall be forwarded promptly to the Department of Revenue.~~  
19 ~~If the scheduled date for reappraisal for any county is advanced as~~  
20 ~~provided herein, real property in that county shall thereafter be~~  
21 ~~reappraised every eighth year following the advanced date unless, in~~  
22 ~~accordance with the provisions of this subdivision (a)(2), an earlier~~  
23 ~~date shall be adopted by resolution of the board of county~~  
24 ~~commissioners, in which event a new schedule of octennial~~  
25 ~~reappraisals shall thereby be established for that county.~~Mandatory  
26 Advancement. – A county must conduct a reappraisal of real property  
27 when the county's sales assessment ratio determined under  
28 G.S. 105-289(h) is less than .90, as indicated on the notice the county  
29 receives under G.S. 105-284. A reappraisal required under this  
30 subdivision must become effective no later than January 1 of the  
31 earlier of the following years:

32 a. The third year following the year the county received the notice.

33 b. The eighth year following the year of the county's last  
34 reappraisal.

35 (3) Optional Advancement. – A county may conduct a reappraisal of real  
36 property earlier than required by subdivision (1) or (2) of this  
37 subsection if the board of county commissioners adopts a resolution  
38 providing for advancement of the reappraisal. The resolution must  
39 designate the effective date of the advanced reappraisal and may  
40 designate a new reappraisal cycle that is more frequent than the  
41 octennial cycle set in subdivision (1) of this subsection. The board of  
42 county commissioners must promptly forward a copy of the resolution  
43 adopted under this subdivision to the Department of Revenue. A more  
44 frequent reappraisal cycle designated in a resolution adopted under this

1 subdivision continues in effect after a mandatory reappraisal required  
2 under subdivision (2) of this subsection unless the board of county  
3 commissioners adopts another resolution that designates a different  
4 date for the county's next reappraisal.

5 ~~(b) Fourth-Year Horizontal Adjustments. — As of January 1 of the fourth year~~  
6 ~~following a reappraisal of real property conducted under the provisions of subsection~~  
7 ~~(a), above, each county shall review the appraised values of all real property and~~  
8 ~~determine whether changes should be made to bring those values into line with then~~  
9 ~~current true value. If it is determined that the appraised value of all real property or of~~  
10 ~~defined types or categories of real property require such adjustment, the assessor shall~~  
11 ~~revise the values accordingly by horizontal adjustments rather than by actual appraisal~~  
12 ~~of individual properties: That is, by uniform application of percentages of increase or~~  
13 ~~reduction to the appraised values of properties within defined types or categories or~~  
14 ~~within defined geographic areas of the county.~~

15 ~~(c) Value to Be Assigned Real Property When Not Subject to Appraisal. — In~~  
16 ~~years in which real property within a county is not subject to appraisal or reappraisal~~  
17 ~~under subsections (a) or (b), above, or under G.S. 105-287, it shall be listed at the value~~  
18 ~~assigned when last appraised under this section or under G.S. 105-287."~~

19 **SECTION 1.2.** G.S. 105-287 reads as rewritten:

20 **"§ 105-287. Changing appraised value of real property in years in which general**  
21 **reappraisal or horizontal adjustment is not made.**

22 (a) In a year in which a general reappraisal ~~or horizontal adjustment~~ of real  
23 property in the county is not ~~made,~~ made under G.S. 105-286, the property shall be listed  
24 at the value assigned when last appraised unless the value is changed in accordance with  
25 this section. ~~The~~ The assessor shall increase or decrease the appraised value of real  
26 property, as determined under G.S. 105-286, to recognize a change in the property's  
27 value resulting from one or more of the reasons ~~listed in this subsection.~~ The reason  
28 necessitating a change in the property's value need not be under the control of or at the  
29 request of the owner of the affected property. following reasons:

- 30 (1) Correct a clerical or mathematical error.  
31 (2) Correct an appraisal error resulting from a misapplication of the  
32 schedules, standards, and rules used in the county's most recent general  
33 ~~reappraisal or horizontal adjustment.~~ reappraisal.  
34 (2a) Recognize an increase or decrease in the value of the property  
35 resulting from a conservation or preservation agreement subject to  
36 Article 4 of Chapter 121 of the General Statutes, the Conservation and  
37 Historic Preservation Agreements Act.  
38 (2b) Recognize an increase or decrease in the value of the property  
39 resulting from a physical change to the land or to the improvements on  
40 the land, other than a change listed in subsection (b) of this section.  
41 (2c) Recognize an increase or decrease in the value of the property  
42 resulting from a change in the legally permitted use of the property.  
43 (3) Recognize an increase or decrease in the value of the property  
44 resulting from a factor other than one listed in subsection (b).

1 (b) In a year in which a general reappraisal ~~or horizontal adjustment~~ of real  
2 property in the county is not made, the assessor may not increase or decrease the  
3 appraised value of real property, as determined under G.S. 105-286, to recognize a  
4 change in value caused by:

- 5 (1) Normal, physical depreciation of improvements;  
6 (2) Inflation, deflation, or other economic changes affecting the county in  
7 general; or  
8 (3) Betterments to the property made by:  
9 a. Repainting buildings or other structures;  
10 b. Terracing or other methods of soil conservation;  
11 c. Landscape gardening;  
12 d. Protecting forests against fire; or  
13 e. Impounding water on marshland for non-commercial purposes  
14 to preserve or enhance the natural habitat of wildlife.

15 (c) An increase or decrease in the appraised value of real property authorized by  
16 this section shall be made in accordance with the schedules, standards, and rules used in  
17 the county's most recent general ~~reappraisal or horizontal adjustment~~ reappraisal. An  
18 increase or decrease in appraised value made under this section is effective as of  
19 January 1 of the year in which it is made and is not retroactive. The reason for an  
20 increase or decrease in appraised value made under this section need not be under the  
21 control of or at the request of the owner of the affected property. This section does not  
22 modify or restrict the provisions of G.S. 105-312 concerning the appraisal of discovered  
23 property.

24 (d) Notwithstanding subsection (a), if a tract of land has been subdivided into lots  
25 and more than five acres of the tract remain unsold by the owner of the tract, the  
26 assessor may appraise the unsold portion as land acreage rather than as lots. A tract is  
27 considered subdivided into lots when the lots are located on streets laid out and open for  
28 travel and the lots have been sold or offered for sale as lots since the last appraisal of the  
29 property."

30 **SECTION 1.3.** G.S. 153A-150 reads as rewritten:

31 "**§ 153A-150. Reserve for ~~oetennial~~ reappraisal.**

32 Before the beginning of the fiscal year immediately following the effective date of  
33 ~~an oetennial~~ a reappraisal of real property conducted as required by G.S. 105-286, the  
34 county budget officer shall present to the board of commissioners ~~an eight-year~~ a budget  
35 for financing the cost of the next ~~oetennial~~ reappraisal. The budget shall estimate the  
36 cost of the reappraisal and shall propose a plan for raising the necessary funds in ~~eight~~  
37 annual installments during the next fiscal years, intervening years between reappraisals,  
38 with all installments as nearly uniform as practicable. The board shall consider this  
39 budget, making any amendments to the budget it deems advisable, and shall adopt a  
40 resolution establishing a special reserve fund for the next ~~oetennial~~ reappraisal. In the  
41 budget ordinance of the first fiscal year of the plan, the board of commissioners shall  
42 appropriate to the special reappraisal reserve fund the amount set out in the plan for the  
43 first year's installment. When the county budget for each succeeding fiscal year is in  
44 preparation, the board shall review the ~~eight-year~~ reappraisal budget with the budget

1 officer and shall amend it, if necessary, so that it will reflect the probable cost at that  
2 time of the reappraisal and will produce the necessary funds at the end of the ~~eight-year~~  
3 intervening period. In the budget ordinance for each succeeding fiscal year, the board  
4 shall appropriate to the special reappraisal reserve fund the amount set out in the plan as  
5 due in that year.

6 Moneys appropriated to the special reappraisal reserve fund shall not be available or  
7 expended for any purpose other than the reappraisal of real property required by  
8 G.S. 105-286, except that the funds may be deposited at interest or invested as permitted  
9 by G.S. 159-30. If there is a fund balance in the reserve fund following payment for the  
10 required reappraisal, it shall be retained in the fund for use in financing the next  
11 required reappraisal.

12 Within 10 days after the adoption of each annual budget ordinance, the county  
13 finance officer shall report to the Department of Revenue, on forms to be supplied by  
14 the Department, the terms of the county's ~~eight-year~~-reappraisal budget, the current  
15 condition of the special reappraisal reserve fund, and the amount appropriated to the  
16 reserve fund in the current fiscal year."

17 **SECTION 1.4.** This section becomes effective July 1, 2009, and mandatory  
18 advancements in G.S. 105-286(a)(2), as amended by this section, apply to notices sent  
19 under G.S. 105-284(c) on or after that date.

## 20 21 **PART II: PRESENT-USE VALUE PROPERTY CHANGES**

22 **SECTION 2.1.** G.S. 105-277.2 reads as rewritten:

### 23 **"§ 105-277.2. Agricultural, horticultural, and forestland – Definitions.**

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

- 25 (1) Agricultural land. – Land that is a part of a farm unit that is actively  
26 engaged in the commercial production or growing of crops, plants, or  
27 animals under a sound management program. Agricultural land  
28 includes woodland and wasteland that is a part of the farm unit, but the  
29 woodland and wasteland included in the unit must be appraised under  
30 the use-value schedules as woodland or wasteland. A farm unit may  
31 consist of more than one tract of agricultural land, but at least one of  
32 the tracts must meet the requirements in G.S. 105-277.3(a)(1), and  
33 each tract must be under a sound management program. If the  
34 agricultural land includes less than 20 acres of woodland, then the  
35 woodland portion is not required to be under a sound management  
36 program. Also, woodland is not required to be under a sound  
37 management program if it is determined that the highest and best use  
38 of the woodland is to diminish wind erosion of adjacent agricultural  
39 land, protect water quality of adjacent agricultural land, or serve as  
40 buffers for adjacent livestock or poultry operations.
- 41 (1a) Business entity. – A corporation, a general partnership, a limited  
42 partnership, or a limited liability company.
- 43 (2) Forestland. – Land that is a part of a forest unit that is actively engaged  
44 in the commercial growing of trees under a sound management

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

7 (3) Horticultural land. – Land that is a part of a horticultural unit that is  
8 actively engaged in the commercial production or growing of fruits or  
9 vegetables or nursery or floral products under a sound management  
10 program. Horticultural land includes woodland and wasteland that is a  
11 part of the horticultural unit, but the woodland and wasteland included  
12 in the unit must be appraised under the use-value schedules as  
13 woodland or wasteland. A horticultural unit may consist of more than  
14 one tract of horticultural land, but at least one of the tracts must meet  
15 the requirements in G.S. 105-277.3(a)(2), and each tract must be under  
16 a sound management program. If the horticultural land includes less  
17 than 20 acres of woodland, then the woodland portion is not required  
18 to be under a sound management program. Also, woodland is not  
19 required to be under a sound management program if it is determined  
20 that the highest and best use of the woodland is to diminish wind  
21 erosion of adjacent horticultural land or protect water quality of  
22 adjacent horticultural land. Land used to grow horticultural and  
23 agricultural crops on a rotating basis or where the horticultural crop is  
24 set out or planted and harvested within one growing season, may be  
25 treated as agricultural land as described in subdivision (1) of this  
26 section when there is determined to be no significant difference in the  
27 cash rental rates for the land.

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

- 29 a. ~~A natural person. For the purpose of this section, a natural~~  
30 ~~person who is an income beneficiary of a trust that owns land~~  
31 ~~may elect to treat the person's beneficial share of the land as~~  
32 ~~owned by that person. If the person's beneficial interest is not an~~  
33 ~~identifiable share of land but can be established as a~~  
34 ~~proportional interest in the trust income, the person's beneficial~~  
35 ~~share of land is a percentage of the land owned by the trust that~~  
36 ~~corresponds to the beneficiary's proportional interest in the trust~~  
37 ~~income. For the purpose of this section, a natural person who is~~  
38 ~~a member of a business entity, other than a corporation, that~~  
39 ~~owns land may elect to treat the person's share of the land as~~  
40 ~~owned by that person. The person's share is a percentage of the~~  
41 ~~land owned by the business entity that corresponds to the~~  
42 ~~person's percentage of ownership in the entity.~~An individual.  
43 b. A business entity ~~having as its principal business one of the~~  
44 ~~activities described in subdivisions (1), (2), and (3) and whose~~

1 members are all natural persons who meet one or more of the  
2 conditions listed in this sub-subdivision. For the purpose of this  
3 sub-subdivision, the terms "having as its principal business" and  
4 "actively engaged in the business of the entity" include the  
5 leasing of the land for one of the activities described in  
6 subdivisions (1), (2), and (3) only if all members of the business  
7 entity are relatives.

8 1. ~~The member is actively engaged in the business of the~~  
9 ~~entity.~~

10 2. ~~The member is a relative of a member who is actively~~  
11 ~~engaged in the business of the entity.~~

12 3. ~~The member is a relative of, and inherited the~~  
13 ~~membership interest from, a decedent who met one or~~  
14 ~~both of the preceding conditions after the land qualified~~  
15 ~~for classification in the hands of the business entity.~~that  
16 meets all of the following conditions:

17 1. Its principal business is farming agricultural land,  
18 horticultural land, or forestland.

19 2. All of its members are, directly or indirectly, individuals  
20 who are actively engaged in farming agricultural land,  
21 horticultural land, or forestland or a relative of one of the  
22 individuals who is actively engaged. An individual is  
23 indirectly a member of a business entity that owns the  
24 land if the individual is a member of a business entity or  
25 a beneficiary of a trust that is part of the ownership  
26 structure of the business entity that owns the land.

27 3. It is not a corporation whose shares are publicly traded,  
28 and none of its members are corporations whose shares  
29 are publicly traded.

30 4. If it leases the land, all of its members are individuals  
31 and are relatives. Under this condition, 'principal  
32 business' and 'actively engaged' include leasing.

33 c. ~~A trust that was created by a natural person who transferred the~~  
34 ~~land to the trust and each of whose beneficiaries who is~~  
35 ~~currently entitled to receive income or principal meets one~~all  
36 of the following conditions:

37 1. ~~Is the creator of the trust or the creator's relative.~~It was  
38 created by an individual who owned the land and  
39 transferred the land to the trust.

40 2. ~~Is a second trust whose beneficiaries who are currently~~  
41 ~~entitled to receive income or principal are all either the~~  
42 ~~creator of the first trust or the creator's relatives.~~All of its  
43 beneficiaries are, directly or indirectly, individuals who  
44 are the creator of the trust or a relative of the creator. An



1 adopted relative is a relative and the term "spouse" includes a  
2 surviving spouse.

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

6 (7) Unit. – One or more tracts of agricultural land, horticultural land, or  
7 forestland. Multiple tracts must be under the same ownership and be of  
8 the same type of classification. If the multiple tracts are located within  
9 different counties, they must be within 50 miles of a tract qualifying  
10 under G.S. 105-277.3(a)."

11 **SECTION 2.2.** G.S. 105-277.3 reads as rewritten:

12 **"§ 105-277.3. Agricultural, horticultural, and forestland – Classifications.**

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

17 (1) Agricultural land. – Individually owned agricultural land consisting of  
18 one or more tracts, one of which satisfies the requirements of this  
19 subdivision. For agricultural land used as a farm for aquatic species, as  
20 defined in G.S. 106-758, the tract must meet the income requirement  
21 for agricultural land and must consist of at least five acres in actual  
22 production or produce at least 20,000 pounds of aquatic species for  
23 commercial sale annually, regardless of acreage. For all other  
24 agricultural land, the tract must meet the income requirement for  
25 agricultural land and must consist of at least 10 acres that are in actual  
26 production. Land in actual production includes land under  
27 improvements used in the commercial production or growing of crops,  
28 plants, or animals.

29 To meet the income requirement, agricultural land must, for the  
30 three years preceding January 1 of the year for which the benefit of  
31 this section is claimed, have produced an average gross income of at  
32 least one thousand dollars (\$1,000). Gross income includes income  
33 from the sale of the agricultural products produced from the land, any  
34 payments received under a governmental soil conservation or land  
35 retirement program, and the amount paid to the taxpayer during the  
36 taxable year pursuant to P.L. 108-357, Title VI, Fair and Equitable  
37 Tobacco Reform Act of 2004.

38 (2) Horticultural land. – Individually owned horticultural land consisting  
39 of one or more tracts, one of which consists of at least five acres that  
40 are in actual production and that, for the three years preceding January  
41 1 of the year for which the benefit of this section is claimed, have met  
42 the applicable minimum gross income requirement. Land in actual  
43 production includes land under improvements used in the commercial  
44 production or growing of fruits or vegetables or nursery or floral

1 products. Land that has been used to produce evergreens intended for  
2 use as Christmas trees must have met the minimum gross income  
3 requirements established by the Department of Revenue for the land.  
4 All other horticultural land must have produced an average gross  
5 income of at least one thousand dollars (\$1,000). Gross income  
6 includes income from the sale of the horticultural products produced  
7 from the land and any payments received under a governmental soil  
8 conservation or land retirement program.

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

12 (b) ~~Natural Person~~Individual Ownership Requirements. – In order to come within  
13 a classification described in subsection (a) of this section, ~~the land must, if owned by a~~  
14 ~~natural person, an individual must~~ also satisfy one of the following conditions:

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

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

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

23 (b1) Entity Ownership Requirements. – In order to come within a classification  
24 described in subsection (a) of this section, ~~the land must, if owned by a business entity~~  
25 ~~or trust, trust must~~ have been owned by the business entity or trust or by one or more of  
26 its members or creators, respectively, for the four years immediately preceding January  
27 1 of the year for which the benefit of this section is claimed.

28 (b2) ~~Exception~~Exceptions to Ownership Requirements. – Notwithstanding the  
29 provisions of subsections (b) and (b1) of this section, land may qualify for classification  
30 in the hands of the new owner if all of the conditions listed in either subdivision of this  
31 subsection are met, even if the new owner does not meet all of the ownership  
32 requirements of subsections (b) and (b1) of this section with respect to the land.

33 (1) ~~Exception for assumption of deferred liability.~~Continued use. – If the  
34 land qualifies for classification in the hands of the new owner under  
35 the provisions of this subdivision, then ~~the any~~ deferred taxes remain a  
36 lien on the land under G.S. 105-277.4(c), the new owner becomes  
37 liable for the deferred taxes, and the deferred taxes become payable if  
38 the land fails to meet any other condition or requirement for  
39 classification. Land qualifies for classification in the hands of the new  
40 owner if all of the following conditions are met:

41 a. The land was appraised at its present use value at the time title  
42 to the land passed to the new owner.

43 b. ~~At the time title to the land passed to the new owner, the~~The  
44 new owner acquires the land ~~for the purposes of~~ and continues

1 to use the land for the ~~purposes~~ purpose for which it was  
2 classified under subsection (a) of this section while under  
3 previous ownership.

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

8 (2) ~~Exception for expansion~~Expansion of existing unit. – ~~If deferred~~  
9 ~~liability is not assumed under subdivision (1) of this subsection, the~~  
10 ~~land~~Land qualifies for classification in the hands of the new owner if,  
11 at the time title passed to the new owner, the land was not appraised at  
12 its present-use value but was being used for the same purpose and was  
13 eligible for appraisal at its present-use value as other land already  
14 owned by the new owner and classified under subsection (a) of this  
15 section. The new owner must timely file an application as required by  
16 G.S. 105-277.4(a).

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

18 (d) Exception for Conservation Reserve Program. – Land enrolled in the federal  
19 Conservation Reserve Program authorized by 16 U.S.C. Chapter 58 is considered to be  
20 in actual production, and income derived from participation in the federal Conservation  
21 Reserve Program may be used in meeting the minimum gross income requirements of  
22 this section either separately or in combination with income from actual production.  
23 Land enrolled in the federal Conservation Reserve Program must be assessed as  
24 agricultural land if it is planted in vegetation other than trees, or as forestland if it  
25 is planted in trees.

26 (d1) Exception for Easements on Qualified Conservation Lands Previously  
27 Appraised at Use Value. – Property that is appraised at its present-use value under  
28 G.S. 105-277.4(b) shall continue to qualify for appraisal, assessment, and taxation as  
29 provided in G.S. 105-277.2 through G.S. 105-277.7 as long as the property is subject to  
30 an enforceable conservation easement that would qualify for the conservation tax credit  
31 provided in G.S. 105-130.34 and G.S. 105-151.12, without regard to actual production  
32 or income requirements of this section. Notwithstanding G.S. 105-277.3(b) and (b1),  
33 subsequent transfer of the property does not extinguish its present-use value eligibility  
34 as long as the property remains subject to an enforceable conservation easement that  
35 qualifies for the conservation tax credit provided in G.S. 105-130.34 and  
36 G.S. 105-151.12. The exception provided in this subsection applies only to that part of  
37 the property that is subject to the easement.

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

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

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

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

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

- (1) Enrollment in and compliance with an agency-administered and approved farm management plan.
- (2) Compliance with a set of best management practices.
- (3) Compliance with a minimum gross income per acre test.
- (4) Evidence of net income from the farm operation.
- (5) Evidence that farming is the farm operator's principal source of income.
- (6) Certification by a recognized agricultural or horticultural agency within the county that the land is operated under a sound management program.

Operation under a sound management program may also be demonstrated by evidence of other similar factors. 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.

(g) Sound Management Program for Forestland. – If the owner of forestland demonstrates that the forestland complies with a written sound forest management plan for the production and sale of forest products, then the forestland is operated under a sound management program."

**SECTION 2.3.** This section is effective for taxes imposed for taxable years beginning on or after July 1, 2008.

**PART III: LOW-INCOME HOUSING PROPERTY**

**SECTION 3.1.** Article 12 of Subchapter II of Chapter 105 of the General Statutes is amended by adding a new section to read:

**"§ 105-277.15. Taxation of low-income housing property.**

A qualified North Carolina low-income housing development, as defined in G.S. 105-129.42, is designated a special class of property under Article V, Section 2(2) of the North Carolina Constitution and must be appraised, assessed, and taxed in accordance with this section. The assessor must use the income approach as the method of valuation for property classified under this section and must take rent restrictions that apply to the property into consideration in determining the income attributable to the property. The assessor may not consider income tax credits received under section 42 of the Code or under G.S. 105-129.42 in determining the income attributable to the property."

1           **SECTION 3.2.** This section is effective for taxes imposed for taxable years  
2 beginning on or after July 1, 2009.

3

4 **PART IV: EFFECTIVE DATE**

5           **SECTION 4.** Except as otherwise provided in this act, this act is effective  
6 when it becomes law.