

NORTH CAROLINA GENERAL ASSEMBLY
1973 SESSION

CHAPTER 709
SENATE BILL 416

AN ACT TO PROVIDE FOR THE CLASSIFICATION, APPRAISAL, ASSESSMENT AND
TAXATION OF AGRICULTURAL, HORTICULTURAL AND FOREST LAND.

The General Assembly of North Carolina enacts:

Section 1. Article 12 of Chapter 105 of the General Statutes of North Carolina is hereby amended by adding the following sections thereto to be numbered and to read as follows:

"§ 105-277.2. **Classifications.** — (a) The following classes of property are hereby designated special classes of property under authority of Article V, Section 2(2) of the North Carolina Constitution and shall be appraised, assessed and taxed as hereinafter provided:

- (1) Individually owned agricultural land, consisting of 10 acres or more and having gross income from the sale of agricultural products produced thereon (together with any payments received under a governmental soil conservation or land retirement program) averaging one thousand dollars (\$1,000) per year for each of the three years immediately preceding January 1 of the year for which the benefit of this section is claimed.
- (2) Individually owned horticultural land, consisting of 10 acres or more and having gross income from the sale of horticultural products produced thereon (together with any payments received under a governmental soil conservation or land retirement program) averaging one thousand dollars (\$1,000) per year for each of the three years immediately preceding January 1 of the year for which the benefit of this section is claimed.
- (3) Individually owned forest land, consisting of 20 acres or more unless the property is included in a farm unit qualifying under G.S. 105-277.2(a)(1).

(b) In order to come within a classification described in subdivision(a)(1), (2) or (3), above, the property must also be:

- (1) The owner's place of residence; or
- (2) Owned by the present owner, by his siblings, or by one or both of his parents for the seven years immediately preceding January 1 of the year for which the benefit of this section is claimed.

"§ 105-277.3. **Definitions.** — For the purposes of this section the following definitions shall apply:

- (1) 'Land' includes land and land improvements but not buildings or other improvements.
- (2) 'Agricultural land' means land, including woodland and wasteland which form a contiguous part thereof, constituting a farm unit actively engaged in the commercial production or growing of crops, plants, or animals under a sound management program.
- (3) 'Horticultural land' means land constituting a horticultural unit actively engaged in the commercial production or growing of fruits, vegetables, nursery or floral products under a sound management program.

- (4) 'Forest land' means land constituting a forest unit actively engaged in the commercial growing of trees under a sound management program.
- (5) 'Sound management program' means a program of production designed to obtain the greatest net return from the land consistent with its conservation and long-term improvement.
- (6) 'Present use value' means the price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or to sell, assuming that both of them have reasonable knowledge of the capability of the property to produce income in its present use and that the present use of the property is its highest and best use.
- (7) Individually owned land (agricultural, horticultural or forest) means land, exclusive of buildings thereon, owned by a natural person or persons and not a corporation.

"§ 105-277.4. Application for taxation at present use value. — (a) Property coming within one of the classes defined in G.S. 105-277.2 but having a greater value for other uses shall be eligible for taxation on the basis of the value of the property in its present use if a timely and proper application is filed with the tax supervisor of the county in which the property is located. The application shall clearly show that the property comes within one of the classes and shall also contain any other relevant information required by the tax supervisor in properly appraising the property at its present use value. The application shall be filed annually during the regular listing period. If, in the opinion of the tax supervisor, the property does not meet the requirements of this section, he shall deny the application. Decisions of the tax supervisor may be appealed to the county board of equalization and review or, if that board is not in session, to the board of county commissioners. Decisions of the county board may be appealed to the Property Tax Commission as provided in G.S. 105-324.

(b) Upon receipt of a properly executed application, the tax supervisor shall appraise the property at its present use value as of January 1 of the year for which the application is filed. The property owner may appeal the present use appraisal to the board of equalization and review or, if that board is not in session, to the board of county commissioners and from the county board to the Property Tax Commission. Except for valuation changes made necessary by changes in the number of acres qualified for classification or by changes in the nature of the operations of a qualifying owner, the present use appraisal established in the year of the initial application shall continue in effect until a revaluation of all property in the county is conducted under the provisions of G.S. 105-286. If all or any part of a qualifying tract of land is located within the limits of an incorporated city or town, the tax supervisor shall furnish a copy of the property record showing both the present use appraisal and the valuation upon which the property would have been taxed in the absence of this classification to the tax collector of the city or town. He shall also notify the tax collector of any changes in the appraisals or in the eligibility of the property for the benefit of this classification.

(c) Property meeting the conditions herein set forth shall be taxed on the basis of the value of the property for its present use. The difference between the taxes due on the present use basis and the taxes which would have been payable in the absence of this classification shall be a lien on all the real property of the taxpayer as provided in G.S. 105-355(a), shall be carried forward in the records of the taxing unit or units as deferred taxes, but shall not be payable, unless and until the owner disposes of the property or the property loses its eligibility for the benefit of this classification for some other reason. The tax for the fiscal year that opens in the calendar year in which a disqualification occurs shall be computed as if the property had not been classified for that year, and taxes for the preceding five fiscal years which have been deferred as provided herein, shall immediately be payable, together with interest thereon as provided in G.S. 105-360 for unpaid taxes which shall accrue on the deferred taxes due herein

as if they had been payable on the dates on which they originally became due. If only a part of a qualifying tract of land loses its eligibility, a determination shall be made of the amount of deferred taxes applicable to that part and that amount shall become payable with interest as provided above.

"§ 105-277.5. **Notice of change in use.** — Not later than the close of the listing period following a change in use or disposal of property receiving the benefit of this classification, the property owner shall furnish the tax supervisor with complete information regarding such change or disposal. Any property owner who fails to notify the tax supervisor of a change in use or disposal of a tract of land receiving the benefit of this classification shall be subject to a penalty of ten percent (10%) of the total amount of the deferred taxes and interest thereon for each listing period for which the failure to report continues.

"§ 105-277.6. **Appraisal; computation of deferred tax** — (a) In determining the amount of the deferred taxes herein provided, the tax supervisor shall use the appraised valuation established in the county's last general revaluation except for any changes made under the provisions of G.S. 105-287. Such appraised valuations shall be adjusted, however, to eliminate any economic obsolescence allowed in the appraisal of improvements on the property on account of the use to which the property was put at the time it was last appraised.

(b) In revaluation years, as provided in G.S. 105-286, all property entitled to classification under G.S. 105-277.2 shall be reappraised at its true value in money and at its present use value as of the effective date of the revaluation. The two valuations shall continue in effect and shall provide the basis for deferred taxes until a change in one or both of the appraisals is required by law.

(c) To insure uniform appraisal of the classes of property herein defined in each county, the tax supervisor shall prepare a schedule of land values, standards and rules which, when properly applied, will result in the appraisal of the property at its present use value. The schedule of values, standards and rules shall be subject to all of the conditions set forth in G.S. 105-317(c), (c)(1) and (c)(2) relating to the adoption of schedules, standards and rules in revaluation years.

"§ 105-277.7. **Property Tax Commission Supervision.** — To insure reasonable uniformity among the counties of the State in making appraisals as prescribed herein, the Property Tax Commission shall prepare rules, regulations and standards for use by county taxing officials in administering the provisions of this section."

Sec. 2. This act shall become effective January 1, 1974.

In the General Assembly read three times and ratified, this the 23rd day of May, 1973.