

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

H.B. 855
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH50074-MHxfa-97A*

Short Title: Agricultural Relief Act.

(Public)

Sponsors: Representatives R. Smith and Majeed (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE POSITIVE SUSTAINABILITY FOR RURAL FARM FAMILIES
3 THROUGH TAX RELIEF, NEW CROP RESEARCH FUNDING, AND EXPANDED
4 ELIGIBILITY FOR CERTAIN CROP LICENSES.

5 The General Assembly of North Carolina enacts:

6
7 **TAX RELIEF FOR SMALL FARMERS**

8 **SECTION 1.(a)** G.S. 105-153.5(b) is amended by adding a new subdivision to read:

9 "(14) Up to fifty thousand dollars (\$50,000) of income that is derived from
10 agricultural land, as defined in G.S. 105-277.2 and appraised, assessed, and
11 taxed in accordance with G.S. 105-277.3."

12 **SECTION 1.(b)** This section is effective for taxable years beginning on or after
13 January 1, 2019, and expires for taxable years beginning on or after January 1, 2021.

14 **SECTION 2.(a)** G.S. 105-277.3 reads as rewritten:

15 **"§ 105-277.3. Agricultural, horticultural, and forestland – Classifications.**

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

19 (1) Agricultural land. – Individually owned agricultural land consisting of one or
20 more tracts, one of which satisfies the requirements of this subdivision. For
21 agricultural land used as a farm for aquatic species, as defined in
22 G.S. 106-758, the tract must meet the income requirement for agricultural land
23 and must consist of at least five acres in actual production or produce at least
24 20,000 pounds of aquatic species for commercial sale annually, regardless of
25 acreage. For all other agricultural land, the tract must meet the income
26 requirement for agricultural land and must consist of at least ~~40~~5 acres that
27 are in actual production. Land in actual production includes land under
28 improvements used in the commercial production or growing of crops, plants,
29 or animals.

30 To meet the income requirement, agricultural land must, for the three years
31 preceding January 1 of the year for which the benefit of this section is claimed,
32 have produced an average gross income of at least one thousand dollars
33 (\$1,000). Gross income includes income from the sale of the agricultural
34 products produced from the land, grazing fees for livestock, the sale of bees
35 or products derived from beehives other than honey, any payments received
36 under a governmental soil conservation or land retirement program, and the



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- 1 amount paid to the taxpayer during the taxable year pursuant to P.L. 108-357,
2 Title VI, Fair and Equitable Tobacco Reform Act of 2004.
- 3 (2) Horticultural land. – Individually owned horticultural land consisting of one
4 or more tracts, one of which consists of at least ~~five~~3 acres that are in actual
5 production and that, for the three years preceding January 1 of the year for
6 which the benefit of this section is claimed, have met the applicable minimum
7 gross income requirement. Land in actual production includes land under
8 improvements used in the commercial production or growing of fruits or
9 vegetables or nursery or floral products. Land that has been used to produce
10 evergreens intended for use as Christmas trees must have met the minimum
11 gross income requirements established by the Department of Revenue for the
12 land. All other horticultural land must have produced an average gross income
13 of at least one thousand dollars (\$1,000). Gross income includes income from
14 the sale of the horticultural products produced from the land and any payments
15 received under a governmental soil conservation or land retirement program.
- 16 (3) Forestland. – Individually owned forestland consisting of one or more tracts,
17 one of which consists of at least ~~20~~10 acres that are in actual production and
18 are not included in a farm unit.
- 19 (b) Individual Ownership Requirements. – In order to come within a classification
20 described in subsection (a) of this section, land owned by an individual must also satisfy one of
21 the following conditions:
- 22 (1) It is the owner's place of residence.
- 23 (2) It has been owned by the current owner or a relative of the current owner for
24 the four years preceding January 1 of the year for which the benefit of this
25 section is claimed.
- 26 (3) At the time of transfer to the current owner, it qualified for classification in
27 the hands of a business entity or trust that transferred the land to the current
28 owner who was a member of the business entity or a beneficiary of the trust,
29 as appropriate.
- 30 (b1) Entity Ownership Requirements. – In order to come within a classification described
31 in subsection (a) of this section, land owned by a business entity must meet the requirements of
32 subdivision (1) of this subsection and land owned by a trust must meet the requirements of
33 subdivision (2) of this subsection.
- 34 (1) Land owned by a business entity must have been owned by one or more of the
35 following for the four years immediately preceding January 1 of the year for
36 which the benefit of this section is claimed:
- 37 a. The business entity.
- 38 b. A member of the business entity.
- 39 c. Another business entity whose members include a member of the
40 business entity that currently owns the land.
- 41 (2) Land owned by a trust must have been owned by the trust or by one or more
42 of its creators for the four years immediately preceding January 1 of the year
43 for which the benefit of this section is claimed.
- 44 (b2) Exceptions to Ownership Requirements. – Notwithstanding the provisions of
45 subsections (b) and (b1) of this section, land may qualify for classification ~~in the hands of the~~
46 ~~new owner~~ under this section if all of the conditions listed in either subdivision of this subsection
47 are met, even if the ~~new~~ owner does not meet all of the ownership requirements of subsections
48 (b) and (b1) of this section with respect to the land.
- 49 ...
- 50 (2) Expansion of existing unit. – Land qualifies for classification under this
51 subdivision, as follows:

- 1 a. ~~in~~In the hands of the new owner if, at the time title passed to the new
- 2 owner, the land was not appraised at its present-use value but was
- 3 being used for the same purpose and was eligible for appraisal at its
- 4 present-use value as other land already owned by the new owner and
- 5 classified under subsection (a) of this section. The new owner must
- 6 timely file an application as required by G.S. 105-277.4(a).
- 7 b. In the hands of the owner if the owner rents the land to another
- 8 individual and, at the time the renter acquires the right to use the land,
- 9 the renter uses the land for the same purpose as land owned by the
- 10 renter that is appraised at its present-use value.

11 ...

12 (f) Sound Management Program for Agricultural Land and Horticultural Land. – If the

13 property owner demonstrates any one of the following factors with respect to agricultural land or

14 horticultural land, then the land is operated under a sound management program:

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

23 Operation under a sound management program may also be demonstrated by evidence of other

24 similar factors. As long as a farm operator meets the sound management requirements, it is

25 irrelevant whether the property owner received income or rent from the farm operator.

26 (g) Sound Management Program for Forestland. – If the owner of forestland

27 demonstrates that the forestland complies with a written sound forest management plan for the

28 production and sale of forest products, then the forestland is operated under a sound management

29 program."

30 **SECTION 2.(b)** This section is effective for taxable years beginning on or after July

31 1, 2019.

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33 **BROADEN HEMP LICENSE ELIGIBILITY**

34 **SECTION 3.(a)** Definitions. – "Hemp Applicant Rule" means 02 NCAC 62 .0107

35 (Application for Licenses) for purposes of this section and its implementation.

36 **SECTION 3.(b)** Hemp Applicant Rule. – Until the effective date of the revised

37 permanent rule that the Industrial Hemp Commission is required to adopt pursuant to subsection

38 (d) of this section, the Commission and the Department of Agriculture and Consumer Services

39 shall implement the Hemp Applicant Rule as provided in subsection (c) of this section.

40 **SECTION 3.(c)** Implementation. – With respect to industrial hemp cultivation

41 licenses, applicants with no drug-related or controlled substance felony convictions in the 10

42 years prior to the license application shall be eligible for a license.

43 **SECTION 3.(d)** Additional Rule-Making Authority. – The Commission shall adopt

44 a rule to amend the Hemp Applicant Rule consistent with subsection (c) of this section.

45 Notwithstanding G.S. 150B-19(4), the rule adopted by the Commission pursuant to this section

46 shall be substantively identical to the provisions of subsection (c) of this section. Rules adopted

47 pursuant to this section are not subject to Part 3 of Article 2A of Chapter 150B of the General

48 Statutes.

49

50 **TRUFFLE CULTIVATION RESEARCH FUNDING AND MATCHING GRANT**

51 **PROGRAM**

1 **SECTION 4.(a)** The General Assembly finds that truffle production in the State
2 could provide an exceptional return on investment for domestic production of a crop that is
3 currently over ninety percent (90%) supplied by imports from Europe and Asia. The General
4 Assembly further finds that high start-up costs serve as a barrier to entry for farmers with limited
5 resources.

6 **SECTION 4.(b)** The sum of two hundred thousand dollars (\$200,000) in
7 nonrecurring funds for the 2019-2020 fiscal year is appropriated to the Board of Governors of
8 The University of North Carolina for support of research activities at North Carolina Agricultural
9 and Technical State University intended to decrease time to production and site analysis costs for
10 truffle production and thereby decrease financial barriers to entry for the crop.

11 **SECTION 4.(c)** This section becomes effective July 1, 2019.

12 **SECTION 4.(d)** Chapter 106 of the General Statutes is amended by adding a new
13 Article to read:

14 "Article 55B.

15 "Truffle Cultivation Grants.

16 **"§ 106-655. Truffle Cultivation Grant Fund.**

17 (a) Establishment. – The North Carolina Truffle Cultivation Grant Fund is established as
18 a special fund in the Department of Agriculture and Consumer Services. The Department is
19 responsible for administering the Fund using personnel and other administrative resources of the
20 Agricultural Development and Farmland Preservation Trust Fund program. The Fund may
21 receive funds appropriated by the General Assembly and any gifts, grants, or donations from any
22 public or private sources.

23 (b) Purposes. – Funds in the North Carolina Truffle Cultivation Grant Fund shall be used,
24 as available, to encourage the establishment of new truffle orchards in the State. Grants from the
25 Fund shall be made upon application to the Truffle Cultivation Program as set forth in
26 G.S. 106-656.

27 **"§ 106-656. Truffle Cultivation Grant Program.**

28 (a) Definitions. – The definitions in G.S. 105-164.3 and the following definitions apply
29 in this Article:

30 (1) Eligible activity. – Expenses associated with the cost of establishing a new
31 truffle orchard, including preparation of trees and soil, and the purchase and
32 treatment cost of inoculants.

33 (2) Eligible farmer. – A resident of the State who is at least 18 years of age and
34 has demonstrated to the satisfaction of the Department completion of basic
35 training in the cultivation of truffles and long-term access by lease or
36 ownership to land suitable for the creation of a truffle orchard.

37 (3) Fund. – The Truffle Cultivation Grant Fund established by G.S. 106-655.

38 (b) Grants. – Any eligible farmer may apply for a grant from the Fund for an eligible
39 activity. The Department shall specify the form and contents of the application, including
40 procedures for the submission of applications electronically. The Board may establish a fee for
41 grant applicants to recover the reasonable costs of reviewing and processing applications. Grants
42 shall be limited to no more than ten thousand dollars (\$10,000) per grant recipient, which must
43 be matched on a one-to-one basis by the grant recipient.

44 (c) Rule Making. – The Board may issue rules to implement the requirements of this
45 Article."

46 **SECTION 4.(e)** The sum of three hundred thousand dollars (\$300,000) in
47 nonrecurring funds for the 2019-2020 fiscal year is appropriated to the Department of Agriculture
48 and Consumer Services, to be credited to the North Carolina Truffle Cultivation Grant Fund
49 established by G.S. 106-655, as enacted by subsection (d) of this section. The Department shall
50 coordinate with the research program at North Carolina Agricultural and Technical State

1 University funded by subsection (b) of this section in effectuating the purpose and goals of the
2 grant program.

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4 **EFFECTIVE DATE**

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