

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

H.B. 855  
Apr 16, 2019  
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.

32  
 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 University funded by subsection (b) of this section in effectuating the purpose and goals of the  
2 grant program.

3

4 **EFFECTIVE DATE**

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