

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019**

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HOUSE BILL 970

Short Title: Enhance Ag Tax Benefits for Beginning Farmers. (Public)

Sponsors: Representatives Queen, Corbin, Ager, and B. Turner (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Finance, if favorable, Rules, Calendar, and Operations of the House

April 26, 2019

A BILL TO BE ENTITLED
AN ACT TO INCENTIVIZE BEGINNING FARMING OPERATIONS BY BROADENING
WHICH AGRICULTURAL LANDS QUALIFY FOR THE PRESENT-USE VALUE
PROPERTY TAX BENEFIT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-277.3 reads as rewritten:

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

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

(1) Agricultural land. – Individually owned agricultural land consisting of one or more tracts, one of which satisfies the requirements of this subdivision. For agricultural land used as a farm for aquatic species, as defined in G.S. 106-758, the tract must meet the income requirement for agricultural land and must consist of at least five acres in actual production or produce at least 20,000 pounds of aquatic species for commercial sale annually, regardless of acreage. For all other agricultural land, the tract must meet the income requirement ~~for agricultural land in subsection (a1) of this section~~ and must consist of at least 10 acres that are in actual production. Land in actual production includes land under improvements used in the commercial production or growing of crops, plants, or animals.

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

(2) Horticultural land. – Individually owned horticultural land consisting of one or more tracts, one of which consists of at least five acres that are in actual production and ~~that, for the three years preceding January 1 of the year for which the benefit of this section is claimed, have met the applicable minimum gross income requirement.~~ that meet the income requirement in subsection



1 (a1) of this section. Land in actual production includes land under
2 improvements used in the commercial production or growing of fruits or
3 vegetables or nursery or floral products. Land that has been used to produce
4 evergreens intended for use as Christmas trees must have met the minimum
5 gross income requirements established by the Department of Revenue for the
6 land. All other horticultural land must have produced an average gross income
7 of at least one thousand dollars (\$1,000). Gross income includes income from
8 the sale of the horticultural products produced from the land and any payments
9 received under a governmental soil conservation or land retirement program.

10 ...

11 (a1) Income Requirements. – For a new application to qualify agricultural or horticultural
12 land for present-use value assessment or for any review of the property's qualification for
13 present-use value assessment that occurs before the property has been assessed at present-use
14 value for three years, the property owner must show that the property either (i) for the year
15 preceding January 1 of the year for which the benefit of this section is claimed, produced a gross
16 income of at least one thousand dollars (\$1,000) or (ii) for the three years preceding January 1 of
17 the year for which the benefit of this section is claimed, produced an average gross income of at
18 least one thousand dollars (\$1,000).

19 For any review of the eligibility of agricultural or horticultural land for present-use value
20 assessment under G.S. 105-296(j) that occurs after such land has been taxed at its present-use
21 value for three years, in order to meet the income requirement, the property owner must show
22 that, for the three years preceding such review, the property has produced an average gross
23 income of at least one thousand dollars (\$1,000).

24 Gross income includes income from the sale of the agricultural or horticultural products
25 produced from the land, grazing fees for livestock, the sale of bees or products derived from
26 beehives other than honey, any payments received under a governmental soil conservation or
27 land retirement program, and the amount paid to the taxpayer during the taxable year pursuant to
28 P.L. 108-357, Title VI, Fair and Equitable Tobacco Reform Act of 2004.

29 (b) Individual Ownership Requirements. – In order to come within a classification
30 described in subsection (a) of this section, land owned by an individual must also satisfy one of
31 the following conditions:

- 32 (1) It is the owner's place of residence.
- 33 (2) It has been owned by the current owner or a relative of the current owner for
34 the ~~four years year~~ preceding January 1 of the year for which the benefit of
35 this section is claimed.
- 36 (3) At the time of transfer to the current owner, it qualified for classification in
37 the hands of a business entity or trust that transferred the land to the current
38 owner who was a member of the business entity or a beneficiary of the trust,
39 as appropriate.

40 (b1) Entity Ownership Requirements. – In order to come within a classification described
41 in subsection (a) of this section, land owned by a business entity must meet the requirements of
42 subdivision (1) of this subsection and land owned by a trust must meet the requirements of
43 subdivision (2) of this subsection.

- 44 (1) Land owned by a business entity must have been owned by one or more of the
45 following for the ~~four years year~~ immediately preceding January 1 of the year
46 for which the benefit of this section is claimed:
 - 47 a. The business entity.
 - 48 b. A member of the business entity.
 - 49 c. Another business entity whose members include a member of the
50 business entity that currently owns the land.

1 (2) Land owned by a trust must have been owned by the trust or by one or more
2 of its creators for the ~~four years-year~~ immediately preceding January 1 of the
3 year for which the benefit of this section is claimed.

4 "

5 **SECTION 2.** This act is effective for taxes imposed for taxable years beginning on
6 or after July 1, 2019.