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SENATE BILL 1161
Finance Committee Substitute Adopted 7/24/02
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Short Title: Amend Use Value Statutes.

(Public)

Sponsors:

Referred to:

June 4, 2002

A BILL TO BE ENTITLED

AN ACT TO AMEND THE PRESENT-USE VALUE STATUTES AND TO CREATE
A PROPERTY TAX SUBCOMMITTEE OF THE REVENUE LAWS STUDY
COMMITTEE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-277.2 reads as rewritten:

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

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

(1) Agricultural land. – Land that is a part of a farm unit that is actively engaged in the commercial production or growing of crops, plants, or animals under a sound management program. Agricultural land includes woodland and wasteland that is a part of the farm unit, but the woodland and wasteland included in the unit ~~shall~~must be appraised under the use-value schedules as woodland or wasteland. A farm unit may consist of more than one tract of agricultural land, but at least one of the tracts must meet the requirements in G.S. 105-277.3(a)(1), and each tract must be under a sound management program. If the agricultural land includes less than 20 acres of woodland, then the woodland portion is not required to be under a sound management program. Also, woodland is not required to be under a sound management program if it is determined that the highest and best use of the woodland is to diminish wind erosion of adjacent agricultural land, protect water quality of adjacent agricultural land, or serve as buffers for adjacent livestock or poultry operations.

(1a) Business entity. – A corporation, a general partnership, a limited partnership, or a limited liability company.

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

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

24 a. A natural person. For the purpose of this section, a natural
25 person who is an income beneficiary of a trust that owns land
26 may elect to treat the person's beneficial share of the land as
27 owned by that person. If the person's beneficial interest is not an
28 identifiable share of land but can be established as a
29 proportional interest in the trust income, the person's beneficial
30 share of land is a percentage of the land owned by the trust that
31 corresponds to the beneficiary's proportional interest in the trust
32 income. For the purpose of this section, a natural person who is
33 a member of a business entity, other than a corporation, that
34 owns land may elect to treat the person's share of the land as
35 owned by that person. The person's share is a percentage of the
36 land owned by the business entity that corresponds to the
37 person's percentage of ownership in the entity.

38 b. A business entity having as its principal business one of the
39 activities described in subdivisions (1), (2), and (3) and whose
40 members are all natural persons who meet one or more of the
41 following conditions:

- 42 1. The member is actively engaged in the business of the
43 entity.

- 1 a. A spouse or the spouse's lineal ancestor or descendant.
- 2 b. A lineal ancestor or a lineal descendant.
- 3 c. A brother or sister, or the lineal descendant of a brother or
- 4 sister. For the purposes of this sub-subdivision, the term brother
- 5 or sister includes stepbrother or stepsister.
- 6 d. An aunt or an uncle.
- 7 e. A spouse of a person listed in paragraphs a. through d.

8 For the purpose of this subdivision, an adoptive or adopted relative
9 is a relative and the term "spouse" includes a surviving spouse.

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

- 13 (7) Unit. – One or more tracts of agricultural land, horticultural land, or
- 14 forestland. Multiple tracts must be under the same ownership. If the
- 15 multiple tracts are located within different counties, they must be
- 16 within 50 miles of a tract qualifying under G.S. 105-277.3(a) and share
- 17 one of the following characteristics:

- 18 a. Type of classification.
- 19 b. Use of the same equipment or labor force."

20 **SECTION 2.** G.S. 105-277.3 reads as rewritten:

21 **"§ 105-277.3. Agricultural, horticultural, and forestland – Classifications.**

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

- 26 (1) Agricultural land. – Individually owned agricultural land consisting of
- 27 one or more tracts, one of which consists of at least 10 acres that are in
- 28 actual production and that, for the three years preceding January 1 of
- 29 the year for which the benefit of this section is claimed, have produced
- 30 an average gross income of at least one thousand dollars (\$1,000).
- 31 Gross income includes income from the sale of the agricultural
- 32 products produced from the land and any payments received under a
- 33 governmental soil conservation or land retirement program. Land in
- 34 actual production includes land under improvements used in the
- 35 commercial production or growing of crops, plants, or animals.
- 36 (2) Horticultural land. – Individually owned horticultural land consisting
- 37 of one or more tracts, one of which consists of at least five acres that
- 38 are in actual production and that, for the three years preceding January
- 39 1 of the year for which the benefit of this section is claimed, have met
- 40 the applicable minimum gross income requirement. Land in actual
- 41 production includes land under improvements used in the commercial
- 42 production or growing of fruits or vegetables or nursery or floral
- 43 products. Land that has been used to produce evergreens intended for
- 44 use as Christmas trees must have met the minimum gross income

1 requirements established by the Department of Revenue for the land.
2 All other horticultural land must have produced an average gross
3 income of at least one thousand dollars (\$1,000). Gross income
4 includes income from the sale of the horticultural products produced
5 from the land and any payments received under a governmental soil
6 conservation or land retirement program.

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

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

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

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

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

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

26 (b2) Exception to Ownership Requirements. – ~~G.S. 105-277.4(e) provides that~~
27 ~~deferred taxes are payable if land fails to meet any condition or requirement for~~
28 ~~classification. Accordingly, if land fails to meet an ownership requirement due to a~~
29 ~~change of ownership, G.S. 105-277.4(e) applies. Despite this failure and the resulting~~
30 ~~liability for taxes under G.S. 105-277.4(e), the~~Notwithstanding the provisions of
31 subsections (b) and (b1) of this section, land may qualify for classification in the hands
32 of the new owner if ~~both~~all of the conditions listed in this subsection are met, even if
33 the new owner does not meet all of the ownership requirements of subsections (b) and
34 (b1) of this section with respect to the land. If the land qualifies for classification in the
35 hands of the new owner under the provisions of this subsection, then the deferred taxes
36 remain a lien on the land under G.S. 105-277.4(c), the new owner becomes liable for the
37 deferred taxes, and the deferred taxes become payable if the land fails to meet any other
38 condition or requirement for classification.

39 (1) The land was appraised at its present use value or was eligible for
40 appraisal at its present use value at the time title to the land passed to
41 the new owner.

42 (2) At the time title to the land passed to the new owner, the new owner
43 acquires the land for the purposes of and continues to use the land for

1 the purposes it was classified under subsection (a) of this section while
2 under previous ownership.

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

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

8 (d) Exception for Conservation Reserve Program. – Land enrolled in the federal
9 Conservation Reserve Program authorized by 16 U.S.C. ~~§ 1384~~ Chapter 58 is considered
10 to be in actual production, and income derived from participation in the federal
11 Conservation Reserve Program may be used in meeting the minimum gross income
12 requirements of this section either separately or in combination with income from actual
13 production. Land enrolled in the federal Conservation Reserve Program ~~shall~~ must be
14 assessed as agricultural land if it is planted in vegetation other than trees, or as
15 forestland if it is planted in trees.

16 (d1) Exception for Easements on Qualified Conservation Lands Previously
17 Appraised at Use Value. – Property that is appraised at its present-use value under G.S.
18 105-277.4(b) shall continue to qualify for appraisal, assessment, and taxation as
19 provided in G.S. 105-277.2 through G.S. 105-277.7 so long as the property is subject to
20 an enforceable conservation easement that would qualify for the conservation tax credit
21 provided in G.S. 105-130.34 and G.S. 105-151.12, without regard to actual production
22 or income requirements of this section.

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

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

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

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

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

38 (1) Enrollment in and compliance with an agency-administered and
39 approved farm management plan.

40 (2) Compliance with a set of best management practices.

41 (3) Compliance with a minimum gross income per acre test.

42 (4) Evidence of net income from the farm operation.

43 (5) Evidence that farming is the farm operator's principal source of
44 income.

1 (6) Certification by a recognized agricultural or horticultural agency
2 within the county that the land is operated under a sound management
3 program.

4 Operation under a sound management program may also be demonstrated by evidence
5 of other similar factors. As long as a farm operator meets the sound management
6 requirements, it is irrelevant whether the property owner received income or rent from
7 the farm operator.

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

12 **SECTION 3.** G.S. 105-277.4 reads as rewritten:

13 **"§ 105-277.4. Agricultural, horticultural and forestland – Application; appraisal at**
14 **use value; appeal; deferred taxes.**

15 (a) Application. – Property coming within one of the classes defined in
16 G.S. 105-277.3 ~~shall be~~ is eligible for taxation on the basis of the value of the property
17 in its present use if a timely and proper application is filed with the assessor of the
18 county in which the property is located. The application ~~shall~~ must clearly show that the
19 property comes within one of the classes and ~~shall~~ must also contain any other relevant
20 information required by the assessor to properly appraise the property at its present-use
21 value. An initial application ~~shall~~ must be filed during the regular listing period of the
22 year for which the benefit of this classification is first claimed, or within 30 days of the
23 date shown on a notice of a change in valuation made pursuant to G.S. 105-286 or G.S.
24 105-287. A new application is not required to be submitted unless the property is
25 transferred or becomes ineligible for use-value appraisal because of a change in use or
26 acreage. An application required due to transfer of the land may be submitted at any
27 time during the calendar year but must be submitted within 60 days of the date of the
28 property's transfer.

29 (b) Appraisal at Present-use Value. – Upon receipt of a properly executed
30 application, the assessor ~~shall~~ must appraise the property at its present-use value as
31 established in the schedule prepared pursuant to G.S. 105-317. In appraising the
32 property at its present-use value, the assessor ~~shall~~ must appraise the improvements
33 located on qualifying land according to the schedules and standards used in appraising
34 other similar improvements in the county. If all or any part of a qualifying tract of land
35 is located within the limits of an incorporated city or town, or is property annexed
36 subject to G.S. 160A-37(f1) or G.S. 160A-49(f1), the assessor ~~shall~~ must furnish a copy
37 of the property record showing both the present-use appraisal and the valuation upon
38 which the property would have been taxed in the absence of this classification to the
39 collector of the city or town. ~~He shall~~ The assessor must also notify the tax collector of
40 any changes in the appraisals or in the eligibility of the property for the benefit of this
41 classification. Upon a request for a certification pursuant to G.S. 160A-37(f1) or
42 G.S.160A-49(f1), or any change in the certification, the assessor for the county where
43 the land subject to the annexation is located ~~shall,~~ must, within 30 days, determine if the

1 land meets the requirements of G.S. 160A-37(f1)(2) or G.S. 160A-49(f1)(2) and report
2 the results of its findings to the city.

3 (b1) Appeal. – Decisions of the assessor regarding the qualification or appraisal of
4 property under this section may be appealed to the county board of equalization and
5 review or, if that board is not in session, to the board of county commissioners.
6 Decisions of the county board may be appealed to the Property Tax Commission.

7 (c) Deferred Taxes. – Land meeting the conditions for classification under
8 G.S. 105-277.3 ~~shall~~must be taxed on the basis of the value of the land for its present
9 use. The difference between the taxes due on the present-use basis and the taxes that
10 would have been payable in the absence of this classification, together with any interest,
11 penalties, or costs that may accrue thereon, are a lien on the real property of the
12 taxpayer as provided in G.S. 105-355(a). The difference in taxes ~~shall~~must be carried
13 forward in the records of the taxing unit or units as deferred taxes. The taxes become
14 due and payable when the land fails to meet any condition or requirement for
15 classification. Failure to have an application approved is ground for disqualification.
16 The tax for the fiscal year that opens in the calendar year in which deferred taxes
17 become due is computed as if the land had not been classified for that year, and taxes
18 for the preceding three fiscal years that have been deferred are immediately payable,
19 together with interest as provided in G.S. 105-360 for unpaid taxes. Interest accrues on
20 the deferred taxes due as if they had been payable on the dates on which they originally
21 became due. If only a part of the qualifying tract of land fails to meet a condition or
22 requirement for classification, ~~a determination shall be made of the assessor must~~
23 determine the amount of deferred taxes applicable to that part and that amount becomes
24 payable with interest as provided above. Upon the payment of any taxes deferred in
25 accordance with this section for the three years immediately preceding a
26 disqualification, all liens arising under this subsection are extinguished. The deferred
27 taxes for any given year may be paid in that year without the qualifying tract of land
28 becoming ineligible for deferred status.

29 (d) Exceptions. – Notwithstanding the provisions of subsection (c) of this section,
30 if property loses its eligibility for present use value classification solely due to one of
31 the following reasons, no deferred taxes are due and the lien for the deferred taxes is
32 extinguished:

- 33 (1) There is a change in income caused by enrollment of the property in
34 the federal conservation reserve program established under 16 U.S.C.
35 Chapter 58.
- 36 (2) The property is conveyed by gift to a nonprofit organization and
37 qualifies for exclusion from the tax base pursuant to G.S. 105-275(12)
38 or G.S. 105-275(29).
- 39 (3) The property is conveyed by gift to the State, a political subdivision of
40 the State, or the United States.

41 (e) Repealed by Session Laws 1997-270, s. 3, effective July 3, 1997."

42 **SECTION 4.** G.S. 105-277.7 reads as rewritten:

43 "**§ 105-277.7. Use-Value Advisory Board.**

1 (a) Creation and Membership. – The Use-Value Advisory Board is established
2 under the supervision of the Agricultural Extension Service of North Carolina State
3 University. ~~The Board shall annually submit to the Department of Revenue a~~
4 ~~recommended use-value manual developed in accordance with the guidelines in G.S.~~
5 ~~105-289(a)(5). In developing the manual, the Board may consult with federal and State~~
6 ~~agencies as needed. The Board shall submit to the Department of Revenue~~
7 ~~recommendations concerning requirements for horticultural land used to produce~~
8 ~~evergreens intended for use as Christmas trees when requested to do so by the~~
9 ~~Department.~~

10 ~~The Board shall be chaired by the Director of the Agricultural Extension Service of~~
11 ~~North Carolina State University shall serve as the chair of the Board. The Board and~~
12 ~~shall consist of the following additional members:~~members, to serve ex officio:

13 (1) A a representative of the Department of Agriculture and Consumer
14 Services, designated by the Commissioner of ~~Agriculture;~~Agriculture.

15 (2) A a representative of the Forest Resources Division of the Department
16 of Environment and Natural Resources, designated by the Director of
17 that ~~Division;~~ and a Division.

18 (3) A representative of the Agricultural Extension Service at North
19 Carolina Agricultural and Technical State University, designated by
20 the Director of the Extension Service.

21 (4) A representative of the North Carolina Farm Bureau, designated by the
22 President of the Bureau.

23 (5) A representative of the North Carolina Association of Assessing
24 Officers, designated by the President of the Association.

25 (6) The Director of the Property Tax Division of the North Carolina
26 Department of Revenue or the Director's designee.

27 (7) A representative of the North Carolina Association of County
28 Commissioners, designated by the President of the Association.

29 (8) A representative of the North Carolina Forestry Association,
30 designated by the President of the Association.

31 (b) Staff. ~~All members shall serve ex officio.~~ The Agricultural Extension
32 Service at North Carolina State University ~~shall~~must provide clerical assistance to the
33 Board.

34 (c) Duties. – The Board must annually submit to the Department of Revenue a
35 recommended use-value manual. In developing the manual, the Board may consult with
36 federal and State agencies as needed. The manual must contain all of the following:

37 (1) The estimated cash rental rates for agricultural lands and horticultural
38 lands for the various classes of soils found in the State. The rental rates
39 must recognize the productivity levels by class of soil or geographic
40 area. The rental rates must be based on the rental value of the land to
41 be used for agricultural or horticultural purposes when those uses are
42 presumed to be the highest and best use of the land. The recommended
43 rental rates may be established from individual county studies or from
44 contracts with federal or State agencies as needed.

- 1 (2) The recommended net income ranges for forestland furnished to the
2 Board by the Forestry Section of the North Carolina Cooperative
3 Extension Service. These net income ranges may be based on up to six
4 classes of land within each Major Land Resource Area designated by
5 the United States Soil Conservation Service. In developing these
6 ranges, the Forestry Section must consider the soil productivity and
7 indicator tree species or stand type, the average stand establishment
8 and annual management costs, the average rotation length and timber
9 yield, and the average timber stumpage prices.
- 10 (3) The capitalization rates adopted by the Board prior to February 1 for
11 use in capitalizing incomes into values. The capitalization rate for
12 forestland shall be nine percent (9%). The capitalization rate for
13 agricultural land and horticultural land must be no less than six percent
14 (6%) and no more than seven percent (7%). The incomes must be in
15 the form of cash rents for agricultural lands and horticultural lands and
16 net incomes for forestlands.
- 17 (4) The value per acre adopted by the Board for the best agricultural land.
18 The value may not exceed one thousand two hundred dollars (\$1,200).
- 19 (5) Recommendations concerning any changes to the capitalization rate
20 for agricultural land and horticultural land and to the maximum value
21 per acre for the best agricultural land based on a calculation to be
22 determined by the Board. The Board shall annually report these
23 recommendations to the Revenue Laws Study Committee and to the
24 President Pro Tempore of the Senate and the Speaker of the House of
25 Representatives.
- 26 (6) Recommendations concerning requirements for horticultural land used
27 to produce evergreens intended for use as Christmas trees when
28 requested to do so by the Department."

29 **SECTION 5.** G.S. 105-289(a) reads as rewritten:

30 "(a) ~~It shall be~~ is the duty of the Department of Revenue:

- 31 (1) To discharge the duties prescribed by law and to enforce the provisions
32 of this Subchapter.
- 33 (2) To exercise general and specific supervision over the valuation and
34 taxation of property by taxing units throughout the State.
- 35 (3) To appraise the property of public service companies.
- 36 (4) To keep full and accurate records of the Commission's official
37 proceedings.
- 38 (5) To prepare and distribute annually to each assessor ~~a~~ the manual
39 developed by the Use-Value Advisory Board under G.S. 105-277.7
40 that establishes ~~five expected net income per acre ranges for~~
41 ~~agricultural land, horticultural land, and forestland, and establishes a~~
42 ~~method for appraising nonproductive land as a percentage of the~~
43 ~~lowest use value established for productive land. The high and low net~~
44 ~~income amount in each range may differ by no more than fifteen~~

1 dollars (\$15.00). The basis for establishing each range shall be soil
2 productivity.

3 For agricultural land, the expected net income per acre ranges
4 shall be based on the actual yields and prices of corn and soybeans
5 over a period of at least the five previous years, and the actual fixed
6 and variable costs, including an imputed management cost, incurred in
7 growing corn and soybeans over the same period of time. The manual
8 shall contain recommended adjustments to the net income per acre
9 ranges for the growing of crops subject to acreage or poundage
10 allotments.

11 Expected net income per acre ranges shall be similarly
12 established for horticultural land and forestland, using typical
13 horticultural or forest products in various growing regions of the State
14 instead of corn and soybeans. the cash rental rates for agricultural
15 lands and horticultural lands and the net income ranges for forestland.

16 (6) To establish requirements for horticultural land, used to produce
17 evergreens intended for use as Christmas trees, in lieu of a gross
18 income requirement until evergreens are harvested from the land, and
19 to establish a gross income requirement for this type horticultural land,
20 that differs from the income requirement for other horticultural land,
21 when evergreens are harvested from the land.

22 (7) To conduct studies of the cash rents for agricultural lands on a county
23 or a regional basis, such as the Major Land Resource Area map
24 designated and developed by the U.S. Department of Agriculture. The
25 results of the studies must be furnished to the North Carolina Use-
26 Value Advisory Board. The studies may be conducted on any
27 reasonable basis and timetable that will be reflective of rents and
28 values for each local area based on the productivity of the land."

29 **SECTION 6.** G.S. 105-296(j) reads as rewritten:

30 "(j) The assessor ~~shall~~must annually review at least one eighth of the parcels in
31 the county classified for taxation at present-use value to verify that these parcels qualify
32 for the classification. By this method, the assessor ~~shall~~must review the eligibility of all
33 parcels classified for taxation at present-use value in an eight-year period. The period of
34 the review process is based on the average of the preceding three years' data. The
35 assessor may request assistance from the Farm Service Agency, the Cooperative
36 Extension Service, the Forest Resources Division of the Department of Environment
37 and Natural Resources, or other similar organizations.

38 The assessor may require the owner of classified property to submit any ~~information~~
39 information, including sound management plans for forestland, needed by the assessor
40 to verify that the property continues to qualify for present-use value taxation. The owner
41 has 60 days from the date a written request for the information is made to submit the
42 information to the assessor. If the assessor determines the owner failed to make the
43 information requested available in the time required without good cause, the property
44 loses its present-use value classification and the property's deferred taxes become due

1 and payable as provided in G.S. 105-277.4(c). The assessor must reinstate the property's
2 use-value classification when the owner submits the requested information unless the
3 information discloses that the property no longer qualifies for present-use value
4 classification. When a property's present-use value classification is reinstated, it is
5 reinstated retroactive to the date the classification was revoked and any deferred taxes
6 that were paid as a result of the revocation must be refunded to the property owner.

7 In determining whether property is operating under a sound management program,
8 the assessor must consider any weather conditions or other acts of nature that prevent
9 the growing or harvesting of crops or the realization of income from cattle, swine, or
10 poultry operations. The assessor must also allow the property owner to submit
11 additional information before making this determination."

12 **SECTION 7.** G.S. 105-299 reads as rewritten:

13 **"§ 105-299. Employment of experts.**

14 The board of county commissioners may employ appraisal firms, mapping firms or
15 other persons or firms having expertise in one or more of the duties of the assessor to
16 assist ~~him or her~~ the assessor in the performance of ~~such~~ these duties. The county may
17 also assign to county agencies, or contract with State or federal agencies, for any duties
18 involved with the approval or auditing of use-value accounts. The county may make
19 available to ~~such~~ these persons any information it has that will facilitate the
20 performance of a contract entered into pursuant to this section. Persons receiving ~~such~~
21 this information shall be subject to the provisions of G.S. 105-289(e) and
22 G.S. 105-259 regarding the use and disclosure of information provided to them by the
23 county. Any person employed by an appraisal firm whose duties include the appraisal of
24 property for the county ~~shall~~ must be required to demonstrate that he or she is qualified
25 to carry out ~~such~~ these duties by achieving a passing grade on a comprehensive
26 examination in the appraisal of property administered by the Department of Revenue. In
27 the employment of ~~such~~ these firms, primary consideration ~~shall~~ must be given to the
28 firms registered with the Department of Revenue pursuant to ~~the provisions of~~
29 G.S. 105-289(i). A copy of the specifications to be submitted to potential bidders and a
30 copy of the proposed contract may be sent by the board to the Department of Revenue
31 for review before the invitation or acceptance of any bids. Contracts for the employment
32 of ~~these~~ such firms or persons ~~shall be deemed to be~~ are contracts for personal services
33 and ~~shall not be~~ not subject to the provisions of Article 8, Chapter 143, of the
34 General Statutes."

35 **SECTION 8.** Article 12L of Chapter 120 of the General Statutes is amended
36 by adding a new section to read:

37 **"§ 120-70.108. Property Tax Subcommittee.**

38 (a) The Revenue Laws Study Committee shall establish a Property Tax
39 Subcommittee consisting of six members. The Senate cochair of the Committee shall
40 designate three members appointed by the President Pro Tempore of the Senate to serve
41 on the Subcommittee and shall name one of those members a cochair of the
42 Subcommittee. The House cochair of the Committee shall designate three members
43 appointed by the Speaker of the House of Representatives to serve on the Subcommittee

1 and shall name one of those members a cochair of the Subcommittee. The
2 Subcommittee shall meet upon the call of the Subcommittee cochairs.

3 (b) The Property Tax Subcommittee shall study, examine, and, if necessary,
4 recommend changes to the property tax system. The Subcommittee shall include in its
5 study an examination of all classes of property, including exemptions and exclusions of
6 property from the property tax base. The Subcommittee shall also study the present-use
7 value system, including the following:

8 (1) Examine the implementation and application of the current present-use
9 value statutes.

10 (2) Evaluate other tax credits, including adjustments to and credits for ad
11 valorem taxes, to encourage agricultural, forestry, horticultural, and
12 conservation use of land.

13 (3) Evaluate the treatment of undeveloped land in ad valorem tax.

14 (4) Evaluate the possibility of amending the present-use value system and
15 developing other tax incentives to encourage conservation and
16 environmental protection of land. The study shall include the
17 feasibility of allowing lands managed for conservation and the
18 preservation of water quality, wildlife habitats, and other conservation
19 purposes to be taxed at their present-use value.

20 (5) Evaluate the possibility of adding more specific land and resource
21 management criteria to the sound management programs required for
22 all lands enrolled in the present-use value system.

23 (6) Review other issues related to the taxation of agricultural land,
24 horticultural land, and forestland, including reducing the acreage
25 requirement for land to qualify as forestland.

26 (c) The Subcommittee shall report any recommendations to the Revenue Laws
27 Study Committee."

28 **SECTION 9.** Sections 1 through 7 of this act are effective for taxes imposed
29 for taxable years beginning on or after July 1, 2003. The remainder of this act is
30 effective when it becomes law.