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SENATE BILL 1878*
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Short Title: Property Tax Modifications.

(Public)

Sponsors:

Referred to:

May 22, 2008

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE SCHEDULE FOR GENERAL REAPPRAISALS OF REAL PROPERTY IN THE STATE TO REDUCE THE DISCREPANCY BETWEEN THE PROPERTY TAX VALUE OF PROPERTY AND ITS MARKET VALUE, TO ALLOW PROPERTY TO REMAIN IN PRESENT-USE VALUE WHEN THE DEFERRED TAXES ARE PAID AT THE TIME OF TRANSFER AND THE NEW OWNER CONTINUES TO FARM THE PROPERTY, AND TO CLASSIFY LOW-INCOME HOUSING PROPERTY.

The General Assembly of North Carolina enacts:

PART I: REAPPRAISAL SCHEDULE

SECTION 1.1. G.S. 105-286 reads as rewritten:

"§ 105-286. Time for general reappraisal of real property.

(a) ~~Octennial Plan. Unless the date shall be advanced as provided in subdivision (a)(2), below, each county of the State, as of January 1 of the year prescribed in the schedule set out in subdivision (a)(1), below, and every eighth year thereafter, shall reappraise all real property in accordance with the provisions of G.S. 105-283 and 105-317.~~ Octennial Cycle. – Each county must reappraise all real property in accordance with the provisions of G.S. 105-283 and G.S. 105-317 as of January 1 of the year set out in the following schedule and every eighth year thereafter, unless the county is required to advance the date under subdivision (2) of this subsection or chooses to advance the date under subdivision (3) of this subsection.

(1) Schedule of Initial Reappraisals.

Division One – 1972: Avery, Camden, Cherokee, Cleveland, Cumberland, Guilford, Harnett, Haywood, Lee, Montgomery, Northampton, and Robeson.

Division Two – 1973: Caldwell, Carteret, Columbus, Currituck, Davidson, Gaston, Greene, Hyde, Lenoir, Madison, Orange, Pamlico,

1 Pitt, Richmond, Swain, Transylvania, and Washington. Division Three
2 – 1974: Ashe, Buncombe, Chowan, Franklin, Henderson, Hoke, Jones,
3 Pasquotank, Rowan, and Stokes. Division Four – 1975: Alleghany,
4 Bladen, Brunswick, Cabarrus, Catawba, Dare, Halifax, Macon, New
5 Hanover, Surry, Tyrrell, and Yadkin. Division Five – 1976: Bertie,
6 Caswell, Forsyth, Iredell, Jackson, Lincoln, Onslow, Person,
7 Perquimans, Rutherford, Union, Vance, Wake, Wilson, and Yancey.

8 Division Six – 1977: Alamance, Durham, Edgecombe, Gates,
9 Martin, Mitchell, Nash, Polk, Randolph, Stanly, Warren, and Wilkes.

10 Division Seven – 1978: Alexander, Anson, Beaufort, Clay, Craven,
11 Davie, Duplin, and Granville.

12 Division Eight – 1979: Burke, Chatham, Graham, Hertford,
13 Johnston, McDowell, Mecklenburg, Moore, Pender, Rockingham,
14 Sampson, Scotland, Watauga, and Wayne.

15 (2) ~~Advancing Scheduled Octennial Reappraisal. Any county desiring to~~
16 ~~conduct a reappraisal of real property earlier than required by this~~
17 ~~subsection (a) may do so upon adoption by the board of county~~
18 ~~commissioners of a resolution so providing. A copy of any such~~
19 ~~resolution shall be forwarded promptly to the Department of Revenue.~~
20 ~~If the scheduled date for reappraisal for any county is advanced as~~
21 ~~provided herein, real property in that county shall thereafter be~~
22 ~~reappraised every eighth year following the advanced date unless, in~~
23 ~~accordance with the provisions of this subdivision (a)(2), an earlier~~
24 ~~date shall be adopted by resolution of the board of county~~
25 ~~commissioners, in which event a new schedule of octennial~~
26 ~~reappraisals shall thereby be established for that county.~~
27 Mandatory
28 Advancement. – A county must conduct a reappraisal of real property
29 when the county's sales assessment ratio determined under
30 G.S. 105-289(h) is less than .90, as indicated on the notice the county
31 receives under G.S. 105-284. A reappraisal required under this
32 subdivision must become effective no later than January 1 of the
33 earlier of the following years:

33 a. The third year following the year the county received the notice.

34 b. The eighth year following the year of the county's last
35 reappraisal.

36 (3) Optional Advancement. – A county may conduct a reappraisal of real
37 property earlier than required by subdivision (1) or (2) of this
38 subsection if the board of county commissioners adopts a resolution
39 providing for advancement of the reappraisal. The resolution must
40 designate the effective date of the advanced reappraisal and may
41 designate a new reappraisal cycle that is more frequent than the
42 octennial cycle set in subdivision (1) of this subsection. The board of
43 county commissioners must promptly forward a copy of the resolution
44 adopted under this subdivision to the Department of Revenue. A more

1 frequent reappraisal cycle designated in a resolution adopted under this
2 subdivision continues in effect after a mandatory reappraisal required
3 under subdivision (2) of this subsection unless the board of county
4 commissioners adopts another resolution that designates a different
5 date for the county's next reappraisal.

6 ~~(b) Fourth Year Horizontal Adjustments.—As of January 1 of the fourth year~~
7 ~~following a reappraisal of real property conducted under the provisions of subsection~~
8 ~~(a), above, each county shall review the appraised values of all real property and~~
9 ~~determine whether changes should be made to bring those values into line with then~~
10 ~~current true value. If it is determined that the appraised value of all real property or of~~
11 ~~defined types or categories of real property require such adjustment, the assessor shall~~
12 ~~revise the values accordingly by horizontal adjustments rather than by actual appraisal~~
13 ~~of individual properties: That is, by uniform application of percentages of increase or~~
14 ~~reduction to the appraised values of properties within defined types or categories or~~
15 ~~within defined geographic areas of the county.~~

16 ~~(c) Value to Be Assigned Real Property When Not Subject to Appraisal.—In~~
17 ~~years in which real property within a county is not subject to appraisal or reappraisal~~
18 ~~under subsections (a) or (b), above, or under G.S. 105-287, it shall be listed at the value~~
19 ~~assigned when last appraised under this section or under G.S. 105-287."~~

20 **SECTION 1.2.** G.S. 105-287 reads as rewritten:

21 **"§ 105-287. Changing appraised value of real property in years in which general**
22 **reappraisal ~~or horizontal adjustment is not made.~~**

23 ~~(a) In a year in which a general reappraisal or horizontal adjustment of real~~
24 ~~property in the county is not made, made under G.S. 105-286, the property shall be listed~~
25 ~~at the value assigned when last appraised unless the value is changed in accordance with~~
26 ~~this section. ~~the~~The assessor shall increase or decrease the appraised value of real~~
27 ~~property, as determined under G.S. 105-286, to recognize a change in the property's~~
28 ~~value resulting from one or more of the reasons listed in this subsection. The reason~~
29 ~~necessitating a change in the property's value need not be under the control of or at the~~
30 ~~request of the owner of the affected property. following reasons:~~

31 (1) Correct a clerical or mathematical error.

32 (2) Correct an appraisal error resulting from a misapplication of the
33 schedules, standards, and rules used in the county's most recent general
34 ~~reappraisal or horizontal adjustment.~~ reappraisal.

35 (2a) Recognize an increase or decrease in the value of the property
36 resulting from a conservation or preservation agreement subject to
37 Article 4 of Chapter 121 of the General Statutes, the Conservation and
38 Historic Preservation Agreements Act.

39 (2b) Recognize an increase or decrease in the value of the property
40 resulting from a physical change to the land or to the improvements on
41 the land, other than a change listed in subsection (b) of this section.

42 (2c) Recognize an increase or decrease in the value of the property
43 resulting from a change in the legally permitted use of the property.

1 (3) Recognize an increase or decrease in the value of the property
2 resulting from a factor other than one listed in subsection (b).

3 (b) In a year in which a general reappraisal ~~or horizontal adjustment~~ of real
4 property in the county is not made, the assessor may not increase or decrease the
5 appraised value of real property, as determined under G.S. 105-286, to recognize a
6 change in value caused by:

7 (1) Normal, physical depreciation of improvements;

8 (2) Inflation, deflation, or other economic changes affecting the county in
9 general; or

10 (3) Betterments to the property made by:

11 a. Repainting buildings or other structures;

12 b. Terracing or other methods of soil conservation;

13 c. Landscape gardening;

14 d. Protecting forests against fire; or

15 e. Impounding water on marshland for non-commercial purposes
16 to preserve or enhance the natural habitat of wildlife.

17 (c) An increase or decrease in the appraised value of real property authorized by
18 this section shall be made in accordance with the schedules, standards, and rules used in
19 the county's most recent general ~~reappraisal or horizontal adjustment~~ reappraisal. An
20 increase or decrease in appraised value made under this section is effective as of
21 January 1 of the year in which it is made and is not retroactive. The reason for an
22 increase or decrease in appraised value made under this section need not be under the
23 control of or at the request of the owner of the affected property. This section does not
24 modify or restrict the provisions of G.S. 105-312 concerning the appraisal of discovered
25 property.

26 (d) Notwithstanding subsection (a), if a tract of land has been subdivided into lots
27 and more than five acres of the tract remain unsold by the owner of the tract, the
28 assessor may appraise the unsold portion as land acreage rather than as lots. A tract is
29 considered subdivided into lots when the lots are located on streets laid out and open for
30 travel and the lots have been sold or offered for sale as lots since the last appraisal of the
31 property."

32 **SECTION 1.3.** G.S. 153A-150 reads as rewritten:

33 **"§ 153A-150. Reserve for ~~oetennial~~ reappraisal.**

34 Before the beginning of the fiscal year immediately following the effective date of
35 ~~an oetennial~~ a reappraisal of real property conducted as required by G.S. 105-286, the
36 county budget officer shall present to the board of commissioners ~~an eight-year~~ a budget
37 for financing the cost of the next ~~oetennial~~ reappraisal. The budget shall estimate the
38 cost of the reappraisal and shall propose a plan for raising the necessary funds in ~~eight~~
39 annual installments during the next fiscal years, intervening years between reappraisals,
40 with all installments as nearly uniform as practicable. The board shall consider this
41 budget, making any amendments to the budget it deems advisable, and shall adopt a
42 resolution establishing a special reserve fund for the next ~~oetennial~~ reappraisal. In the
43 budget ordinance of the first fiscal year of the plan, the board of commissioners shall
44 appropriate to the special reappraisal reserve fund the amount set out in the plan for the

1 first year's installment. When the county budget for each succeeding fiscal year is in
2 preparation, the board shall review the ~~eight-year~~ reappraisal budget with the budget
3 officer and shall amend it, if necessary, so that it will reflect the probable cost at that
4 time of the reappraisal and will produce the necessary funds at the end of the ~~eight-year~~
5 intervening period. In the budget ordinance for each succeeding fiscal year, the board
6 shall appropriate to the special reappraisal reserve fund the amount set out in the plan as
7 due in that year.

8 Moneys appropriated to the special reappraisal reserve fund shall not be available or
9 expended for any purpose other than the reappraisal of real property required by
10 G.S. 105-286, except that the funds may be deposited at interest or invested as permitted
11 by G.S. 159-30. If there is a fund balance in the reserve fund following payment for the
12 required reappraisal, it shall be retained in the fund for use in financing the next
13 required reappraisal.

14 Within 10 days after the adoption of each annual budget ordinance, the county
15 finance officer shall report to the Department of Revenue, on forms to be supplied by
16 the Department, the terms of the county's ~~eight-year~~ reappraisal budget, the current
17 condition of the special reappraisal reserve fund, and the amount appropriated to the
18 reserve fund in the current fiscal year."

19 **SECTION 1.4.** This section becomes effective July 1, 2009, and mandatory
20 advancements in G.S. 105-286(a)(2), as amended by this section, apply to notices sent
21 under G.S. 105-284(c) on or after that date.

22 **PART II: PRESENT-USE VALUE PROPERTY CHANGES**

23 **SECTION 2.1.** G.S. 105-277.2 reads as rewritten:

24 **"§ 105-277.2. Agricultural, horticultural, and forestland – Definitions.**

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

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

- 42 (1a) Business entity. – A corporation, a general partnership, a limited
43 partnership, or a limited liability company.
44

- 1 (2) Forestland. – Land that is a part of a forest unit that is actively engaged
2 in the commercial growing of trees under a sound management
3 program. Forestland includes wasteland that is a part of the forest unit,
4 but the wasteland included in the unit must be appraised under the
5 use-value schedules as wasteland. A forest unit may consist of more
6 than one tract of forestland, but at least one of the tracts must meet the
7 requirements in G.S. 105-277.3(a)(3), and each tract must be under a
8 sound management program.
- 9 (3) Horticultural land. – Land that is a part of a horticultural unit that is
10 actively engaged in the commercial production or growing of fruits or
11 vegetables or nursery or floral products under a sound management
12 program. Horticultural land includes woodland and wasteland that is a
13 part of the horticultural unit, but the woodland and wasteland included
14 in the unit must be appraised under the use-value schedules as
15 woodland or wasteland. A horticultural unit may consist of more than
16 one tract of horticultural land, but at least one of the tracts must meet
17 the requirements in G.S. 105-277.3(a)(2), and each tract must be under
18 a sound management program. If the horticultural land includes less
19 than 20 acres of woodland, then the woodland portion is not required
20 to be under a sound management program. Also, woodland is not
21 required to be under a sound management program if it is determined
22 that the highest and best use of the woodland is to diminish wind
23 erosion of adjacent horticultural land or protect water quality of
24 adjacent horticultural land. Land used to grow horticultural and
25 agricultural crops on a rotating basis or where the horticultural crop is
26 set out or planted and harvested within one growing season, may be
27 treated as agricultural land as described in subdivision (1) of this
28 section when there is determined to be no significant difference in the
29 cash rental rates for the land.
- 30 (4) Individually owned. – Owned by one of the following:
- 31 a. ~~A natural person. For the purpose of this section, a natural~~
32 ~~person who is an income beneficiary of a trust that owns land~~
33 ~~may elect to treat the person's beneficial share of the land as~~
34 ~~owned by that person. If the person's beneficial interest is not an~~
35 ~~identifiable share of land but can be established as a~~
36 ~~proportional interest in the trust income, the person's beneficial~~
37 ~~share of land is a percentage of the land owned by the trust that~~
38 ~~corresponds to the beneficiary's proportional interest in the trust~~
39 ~~income. For the purpose of this section, a natural person who is~~
40 ~~a member of a business entity, other than a corporation, that~~
41 ~~owns land may elect to treat the person's share of the land as~~
42 ~~owned by that person. The person's share is a percentage of the~~
43 ~~land owned by the business entity that corresponds to the~~
44 ~~person's percentage of ownership in the entity.~~An individual.

- 1 b. A business entity ~~having as its principal business one of the~~
2 ~~activities described in subdivisions (1), (2), and (3) and whose~~
3 ~~members are all natural persons who meet one or more of the~~
4 ~~conditions listed in this sub-subdivision. For the purpose of this~~
5 ~~sub-subdivision, the terms "having as its principal business" and~~
6 ~~"actively engaged in the business of the entity" include the~~
7 ~~leasing of the land for one of the activities described in~~
8 ~~subdivisions (1), (2), and (3) only if all members of the business~~
9 ~~entity are relatives.~~
- 10 1. ~~The member is actively engaged in the business of the~~
11 ~~entity.~~
- 12 2. ~~The member is a relative of a member who is actively~~
13 ~~engaged in the business of the entity.~~
- 14 3. ~~The member is a relative of, and inherited the~~
15 ~~membership interest from, a decedent who met one or~~
16 ~~both of the preceding conditions after the land qualified~~
17 ~~for classification in the hands of the business entity.that~~
18 ~~meets all of the following conditions:~~
- 19 1. Its principal business is farming agricultural land,
20 horticultural land, or forestland.
- 21 2. All of its members are, directly or indirectly, individuals
22 who are actively engaged in farming agricultural land,
23 horticultural land, or forestland or a relative of one of the
24 individuals who is actively engaged. An individual is
25 indirectly a member of a business entity that owns the
26 land if the individual is a member of a business entity or
27 a beneficiary of a trust that is part of the ownership
28 structure of the business entity that owns the land.
- 29 3. It is not a corporation whose shares are publicly traded,
30 and none of its members are corporations whose shares
31 are publicly traded.
- 32 4. If it leases the land, all of its members are individuals
33 and are relatives. Under this condition, 'principal
34 business' and 'actively engaged' include leasing.
- 35 c. A trust that ~~was created by a natural person who transferred the~~
36 ~~land to the trust and each of whose beneficiaries who is~~
37 ~~currently entitled to receive income or principal meets oneall~~
38 ~~of the following conditions:~~
- 39 1. ~~Is the creator of the trust or the creator's relative.~~It was
40 ~~created by an individual who owned the land and~~
41 ~~transferred the land to the trust.~~
- 42 2. ~~Is a second trust whose beneficiaries who are currently~~
43 ~~entitled to receive income or principal are all either the~~
44 ~~creator of the first trust or the creator's relatives.~~All of its

- 1 beneficiaries are, directly or indirectly, individuals who
 2 are the creator of the trust or a relative of the creator. An
 3 individual is indirectly a beneficiary of a trust that owns
 4 the land if the individual is a beneficiary of another trust
 5 or a member of a business entity that has a beneficial
 6 interest in the trust that owns the land.
- 7 d. A testamentary trust that meets all of the following conditions:
- 8 1. It was created by ~~a natural person~~ an individual who
 9 transferred to the trust land that qualified in that ~~person's~~
 10 individual's hands for classification under
 11 G.S. 105-277.3.
- 12 2. At the ~~time date~~ of the creator's death, the creator had no
 13 ~~relatives as defined in this section as of the date of~~
 14 ~~death relatives.~~
- 15 3. The trust income, less reasonable administrative
 16 expenses, is used exclusively for educational, scientific,
 17 literary, cultural, charitable, or religious purposes as
 18 defined in G.S. 105-278.3(d).
- 19 e. Tenants in common, if each tenant is ~~either a natural person or a~~
 20 ~~business entity described in sub subdivision b. of this~~
 21 ~~subdivision would qualify as an owner if the tenant were the~~
 22 sole owner. Tenants in common may elect to treat their
 23 individual shares as owned by them individually in accordance
 24 with G.S. 105-302(c)(9). The ownership requirements of
 25 G.S. 105-277.3(b) apply to each tenant in common who is a
 26 ~~natural person, an individual,~~ and the ownership requirements of
 27 G.S. 105-277.3(b1) apply to each tenant in common who is a
 28 ~~business entity.~~ entity or a trust.
- 29 (4a) Member. – A shareholder of a corporation, a partner of a general or
 30 limited partnership, or a member of a limited liability company.
- 31 (5) Present-use value. – The value of land in its current use as agricultural
 32 land, horticultural land, or forestland, based solely on its ability to
 33 produce income and assuming an average level of management. A rate
 34 of nine percent (9%) shall be used to capitalize the expected net
 35 income of forestland. The capitalization rate for agricultural land and
 36 horticultural land is to be determined by the Use-Value Advisory
 37 Board as provided in G.S. 105-277.7.
- 38 (5a) Relative. – Any of the following:
- 39 a. A spouse or the spouse's lineal ancestor or descendant.
 40 b. A lineal ancestor or a lineal descendant.
 41 c. A brother or sister, or the lineal descendant of a brother or
 42 sister. For the purposes of this sub-subdivision, the term brother
 43 or sister includes stepbrother or stepsister.
 44 d. An aunt or an uncle.

1 e. A spouse of ~~a person~~ an individual listed in paragraphs a.
2 through d. For the purpose of this subdivision, an adoptive or
3 adopted relative is a relative and the term "spouse" includes a
4 surviving spouse.

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

8 (7) Unit. – One or more tracts of agricultural land, horticultural land, or
9 forestland. Multiple tracts must be under the same ownership and be of
10 the same type of classification. If the multiple tracts are located within
11 different counties, they must be within 50 miles of a tract qualifying
12 under G.S. 105-277.3(a)."

13 **SECTION 2.2.** G.S. 105-277.3 reads as rewritten:

14 **"§ 105-277.3. Agricultural, horticultural, and forestland – Classifications.**

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

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

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

40 (2) Horticultural land. – Individually owned horticultural land consisting
41 of one or more tracts, one of which consists of at least five acres that
42 are in actual production and that, for the three years preceding January
43 1 of the year for which the benefit of this section is claimed, have met
44 the applicable minimum gross income requirement. Land in actual

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

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

14 (b) ~~Natural Person~~Individual Ownership Requirements. – In order to come within
15 a classification described in subsection (a) of this section, ~~the land must, if~~ owned by a
16 ~~natural person, an individual must~~ also satisfy one of the following conditions:

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

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

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

25 (b1) Entity Ownership Requirements. – In order to come within a classification
26 described in subsection (a) of this section, ~~the land must, if~~ owned by a business entity
27 or ~~trust, trust must~~ have been owned by the business entity or trust or by one or more of
28 its members or creators, respectively, for the four years immediately preceding January
29 1 of the year for which the benefit of this section is claimed.

30 (b2) ~~Exception~~Exceptions to Ownership Requirements. – Notwithstanding the
31 provisions of subsections (b) and (b1) of this section, land may qualify for classification
32 in the hands of the new owner if all of the conditions listed in either subdivision of this
33 subsection are met, even if the new owner does not meet all of the ownership
34 requirements of subsections (b) and (b1) of this section with respect to the land.

35 (1) ~~Exception for assumption of deferred liability.~~Continued use. – If the
36 land qualifies for classification in the hands of the new owner under
37 the provisions of this subdivision, then ~~the any~~ deferred taxes remain a
38 lien on the land under G.S. 105-277.4(c), the new owner becomes
39 liable for the deferred taxes, and the deferred taxes become payable if
40 the land fails to meet any other condition or requirement for
41 classification. Land qualifies for classification in the hands of the new
42 owner if all of the following conditions are met:

43 a. The land was appraised at its present use value at the time title
44 to the land passed to the new owner.

- 1 b. ~~At the time title to the land passed to the new owner, the~~The
2 new owner acquires the land ~~for the purposes of~~ and continues
3 to use the land for the ~~purposes~~purpose for which it was
4 classified under subsection (a) of this section while under
5 previous ownership.
- 6 c. The new owner has timely filed an application as required by
7 G.S. 105-277.4(a) and has certified that the new owner accepts
8 liability for ~~the any~~ deferred taxes and intends to continue the
9 present use of the land.
- 10 (2) ~~Exception for expansion~~Expansion of existing unit. – ~~If deferred~~
11 ~~liability is not assumed under subdivision (1) of this subsection, the~~
12 ~~land~~Land qualifies for classification in the hands of the new owner if,
13 at the time title passed to the new owner, the land was not appraised at
14 its present-use value but was being used for the same purpose and was
15 eligible for appraisal at its present-use value as other land already
16 owned by the new owner and classified under subsection (a) of this
17 section. The new owner must timely file an application as required by
18 G.S. 105-277.4(a).
- 19 (c) Repealed by Session Laws 1995, c. 454, s. 2.
- 20 (d) Exception for Conservation Reserve Program. – Land enrolled in the federal
21 Conservation Reserve Program authorized by 16 U.S.C. Chapter 58 is considered to be
22 in actual production, and income derived from participation in the federal Conservation
23 Reserve Program may be used in meeting the minimum gross income requirements of
24 this section either separately or in combination with income from actual production.
25 Land enrolled in the federal Conservation Reserve Program must be assessed as
26 agricultural land if it is planted in vegetation other than trees, or as forestland if it is
27 planted in trees.
- 28 (d1) Exception for Easements on Qualified Conservation Lands Previously
29 Appraised at Use Value. – Property that is appraised at its present-use value under
30 G.S. 105-277.4(b) shall continue to qualify for appraisal, assessment, and taxation as
31 provided in G.S. 105-277.2 through G.S. 105-277.7 as long as the property is subject to
32 an enforceable conservation easement that would qualify for the conservation tax credit
33 provided in G.S. 105-130.34 and G.S. 105-151.12, without regard to actual production
34 or income requirements of this section. Notwithstanding G.S. 105-277.3(b) and (b1),
35 subsequent transfer of the property does not extinguish its present-use value eligibility
36 as long as the property remains subject to an enforceable conservation easement that
37 qualifies for the conservation tax credit provided in G.S. 105-130.34 and
38 G.S. 105-151.12. The exception provided in this subsection applies only to that part of
39 the property that is subject to the easement.
- 40 (e) Exception for Turkey Disease. – Agricultural land that meets all of the
41 following conditions is considered to be in actual production and to meet the minimum
42 gross income requirements:

- 1 (1) The land was in actual production in turkey growing within the
- 2 preceding two years and qualified for present use value treatment
- 3 while it was in actual production.
- 4 (2) The land was taken out of actual production in turkey growing solely
- 5 for health and safety considerations due to the presence of Poul
- 6 Enteritis Mortality Syndrome among turkeys in the same county or a
- 7 neighboring county.
- 8 (3) The land is otherwise eligible for present use value treatment.

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

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

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

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

31 **SECTION 2.3.** This section is effective for taxes imposed for taxable years
 32 beginning on or after July 1, 2008.

33
 34 **PART III: LOW-INCOME HOUSING PROPERTY**

35 **SECTION 3.1.** Article 12 of Subchapter II of Chapter 105 of the General
 36 Statutes is amended by adding a new section to read:

37 **"§ 105-277.15. Taxation of low-income housing property.**

38 A North Carolina low-income housing development to which the North Carolina
 39 Housing Finance Agency allocated a federal tax credit under section 42 of the Code is
 40 designated a special class of property under Article V, Section 2(2) of the North
 41 Carolina Constitution and must be appraised, assessed, and taxed in accordance with
 42 this section. The assessor must use the income approach as the method of valuation for
 43 property classified under this section and must take rent restrictions that apply to the
 44 property into consideration in determining the income attributable to the property. The

1 assessor may not consider income tax credits received under section 42 of the Code or
2 under G.S. 105-129.42 in determining the income attributable to the property."

3 **SECTION 3.2.** This section is effective for taxes imposed for taxable years
4 beginning on or after July 1, 2009.

5

6 **PART IV: EFFECTIVE DATE**

7 **SECTION 4.** Except as otherwise provided in this act, this act is effective
8 when it becomes law.