

GENERAL ASSEMBLY OF NORTH CAROLINA  
1989 SESSION

CHAPTER 736  
HOUSE BILL 1397

AN ACT TO PROVIDE SPECIAL RULES FOR USE VALUE TAXATION OF  
CHRISTMAS TREES.

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) The following classes of property are hereby designated special classes of property under authority of Article V, Sec. 2(2) of the North Carolina Constitution and shall be appraised, assessed and taxed as hereinafter provided:

- (1) Individually owned agricultural land consisting of one or more tracts, one of which consists of at least 10 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 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 and any payments received under a governmental soil conservation or land retirement program. Land in actual production includes land under improvements used in the commercial production or growing of crops, plants, or animals.
- (2) 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, which have produced an average gross income of at least one thousand dollars (\$1,000). have either:
  - a. Been used to produce evergreens intended for use as Christmas trees and met the qualifying or gross income requirements established by the Department of Revenue for the land; or
  - b. Produced an average gross income of at least one thousand dollars (\$1,000).

Gross income includes income from the sale of the horticultural products produced from the land and any payments received under a governmental soil conservation or land retirement program. Land in actual production includes land under improvements used in the commercial production or growing of fruits or vegetables or nursery or floral products.

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

(b) In order to come within a classification described in subdivision (a)(1), (2) or (3), above, the property must, if owned by natural persons, also:

(1) Be the owner's place of residence; or

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

If owned by a corporation, the property must have been owned by the corporation or by one or more of its principal shareholders as defined in G.S. 105-277.2(4)b for the four years immediately preceding January 1 of the year for which the benefit of this section is claimed. Notwithstanding the provisions of G.S. 105-277.2(4)b, above, a corporation qualifying for a classification described in G.S. 105- 277.3 shall not lose the benefit of the classification by reason of the death of one of the principal shareholders provided the decedent's ownership passes to and remains in a relative of the decedent.

(c) In addition, property may come within one of the classifications described in subsection (a) above, if (i) it was appraised at its present use value or was eligible for appraisal at its present use value pursuant to that subsection at the time title to the property passed to the present owner, and (ii) at the time title to the property passed to the present owner he owned other property classified under subsection (a). Classification pursuant to this subsection shall not affect any liability for deferred taxes under G.S. 105-277.4(c) if such taxes were otherwise due at the time title passed to the present owner.

(d) Enrollment in the federal Conservation Reserve Program authorized by Title XII of the Food Security Act of 1985 (Pub. L. 99-198), as amended, shall not preclude eligibility of land for present use value treatment solely on the grounds that the land is no longer in actual production, and income derived from participation in the federal Conservation Reserve Program may be used in meeting the minimum income requirements of this section either separately or in combination with income from actual production. Land enrolled in the federal Conservation Reserve Program shall be assessed as agricultural land if it is planted in vegetation other than trees, or as forest land if it is planted in trees."

Sec. 2. G.S. 105-277.7 reads as rewritten:

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

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

The Board shall be chaired by the Director of the Agricultural Extension Service of North Carolina State University and shall consist of the following additional members: a representative of the Department of Agriculture, designated by the Commissioner of Agriculture; a representative of the Forest Resources Division of the Department of Natural Resources and Community Development, designated by the Director of that Division; and a representative of the Agricultural Extension Service at North Carolina Agricultural and Technical State University, designated by the Director of the Extension Service. All members shall serve ex officio. The Agricultural Extension Service at North Carolina State University shall provide clerical assistance to the Board."

Sec. 3. G.S. 105-289(a) reads as rewritten:

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

- (1) To discharge the duties prescribed by law and to take such action and to do such things as may be needful and proper to enforce the provisions of this Subchapter.
- (2) To report in reasonably durable form to the General Assembly at each regular session or at such other times as the General Assembly may direct:
  - a. The proceedings of the Property Tax Commission during the preceding biennium.
  - b. Recommendations concerning revision of this Subchapter and information concerning the public revenues that may be required by the General Assembly or that the Commission deems expedient and wise.
- (3) To report to the Governor on or before the first day of January each year:
  - a. The proceedings of the Commission during the preceding year.
  - b. Any recommendations the Commission desires to submit with respect to any matter relating to this Subchapter.
- (4) To keep full and accurate records of the Commission's official proceedings.
- (5) To prepare and distribute annually to each assessor a manual that establishes five expected net income per acre ranges for agricultural land, horticultural land, and forestland, and establishes a method for appraising nonproductive land as a percentage of the lowest use-value established for productive land. The high and low net income amount in each range may differ by no more than fifteen dollars (\$15.00). The basis for establishing each range shall be soil productivity.

For agricultural land, the expected net income per acre ranges shall be based on the actual yields and prices of corn and soybeans over a period of at least the five previous years, and the actual fixed and variable costs, including an imputed management cost, incurred in growing corn and soybeans over the same period of time. The manual shall contain recommended adjustments to the net income per acre

ranges for the growing of crops subject to acreage or poundage allotments.

Expected net income per acre ranges shall be similarly established for horticultural land and forestland, using typical horticultural or forest products in various growing regions of the State instead of corn and soybeans.

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

Sec. 4. This act is effective for taxable years beginning on or after January 1, 1990. The Department shall establish requirements under G.S. 105-289(a)(6) by January 1, 1990.

In the General Assembly read three times and ratified this the 7th day of August, 1989.