

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE DRH30523-LY-353 (5/11)

Short Title: PUV - Working Waterfronts.

(Public)

Sponsors: Representative Spear.

Referred to:

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH WORKING WATERFRONTS AS A SPECIAL CLASS OF
PROPERTY SUBJECT TO PRESENT-USE VALUE.

The General Assembly of North Carolina enacts:

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

"§ 105-277.2. ~~Agricultural, horticultural, and forestland~~Agricultural land, horticultural land, forestland, and working waterfront land –
Definitions.

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

...

(1b) Commercial fishing. – Harvesting or processing wild marine organisms with the intent of disposing of them for profit or trace in commercial channels.

...

(5) Present-use value. – The value of land in its current use as agricultural land, horticultural land, ~~or forestland,~~ or working waterfront land, based solely on its ability to produce income and assuming an average level of management. A rate of nine percent (9%) shall be used to capitalize the expected net income of forestland. The capitalization rate for agricultural ~~land and land,~~ land, horticultural land and land, and working waterfront land is to be determined by the Use-Value Advisory Board as provided in G.S. 105-277.7.

...

(7) Unit. – One or more tracts of agricultural land, horticultural land, ~~or forestland,~~ forestland, or working waterfront land. Multiple tracts must be under the same ownership and be of the same type of classification.

1 If the multiple tracts are located within different counties, they must be
2 within 50 miles of a tract qualifying under G.S. 105-277.3(a).

- 3 (8) Working waterfront land. – Land that abuts water to the head of tide or
4 is within the intertidal zone and that is primarily used to provide access
5 to or support the conduct of commercial fishing activities."

6 **SECTION 2.** The catch line of G.S. 105-277.3 reads as rewritten:

7 "**§ 105-277.3. ~~Agricultural, horticultural, and forestland~~Agricultural land,**
8 **horticultural land, forestland, and working waterfront land** –
9 **Classifications."**

10 **SECTION 3.** G.S. 105-277.3(a) reads as rewritten:

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

- 15 (1) Agricultural land. – Individually owned agricultural land consisting of
16 one or more tracts, one of which consists of at least 10 acres that are in
17 actual production and that, for the three years preceding January 1 of
18 the year for which the benefit of this section is claimed, have produced
19 an average gross income of at least one thousand dollars (\$1,000).
20 Gross income includes income from the sale of the agricultural
21 products produced from the land, any payments received under a
22 governmental soil conservation or land retirement program, and the
23 amount paid to the taxpayer during the taxable year pursuant to P.L.
24 108-357, Title VI, Fair and Equitable Tobacco Reform Act of 2004.
25 Land in actual production includes land under improvements used in
26 the commercial production or growing of crops, plants, or animals.

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

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

1 (4) Working waterfront land. – Individually owned working waterfront
2 land that is actually used as a working waterfront and that has
3 produced an average gross income of at least one thousand dollars
4 (\$1,000) of the three years preceding January 1 of the year for which
5 the benefit is claimed."

6 **SECTION 4.** The catch line of G.S. 105-277.4 reads as rewritten:

7 "**§ 105-277.4. ~~Agricultural, horticultural and forestland~~Agricultural land,**
8 **horticultural land, forestland, and working waterfront land –**
9 **Application; appraisal at use value; appeal; deferred taxes."**

10 **SECTION 5.** The catch line of G.S. 105-277.5 reads as rewritten:

11 "**§ 105-277.5. ~~Agricultural, horticultural and forestland~~Agricultural land,**
12 **horticultural land, forestland, and working waterfront land – Notice of**
13 **change in use."**

14 **SECTION 6.** The catch line of G.S. 105-277.6 reads as rewritten:

15 "**§ 105-277.6. ~~Agricultural, horticultural and forestland~~Agricultural land,**
16 **horticultural land, forestland, and working waterfront land – Appraisal;**
17 **computation of deferred tax."**

18 **SECTION 7.** G.S. 105-277.7 reads as rewritten:

19 "**§ 105-277.7. Use-Value Advisory Board.**

20 (a) Creation and Membership. – The Use-Value Advisory Board is established
21 under the supervision of the Agricultural Extension Service of North Carolina State
22 University. The Director of the Agricultural Extension Service of North Carolina State
23 University shall serve as the chair of the Board. The Board shall consist of the following
24 additional members, to serve ex officio:

- 25 (1) A representative of the Department of Agriculture and Consumer
26 Services, designated by the Commissioner of Agriculture.
- 27 (2) A representative of the Division of Forest Resources of the
28 Department of Environment and Natural Resources, designated by the
29 Director of that Division.
- 30 (3) A representative of the Agricultural Extension Service at North
31 Carolina Agricultural and Technical State University, designated by
32 the Director of the Extension Service.
- 33 (4) A representative of the North Carolina Farm Bureau Federation, Inc.,
34 designated by the President of the Bureau.
- 35 (5) A representative of the North Carolina Association of Assessing
36 Officers, designated by the President of the Association.
- 37 (6) The Director of the Property Tax Division of the North Carolina
38 Department of Revenue or the Director's designee.
- 39 (7) A representative of the North Carolina Association of County
40 Commissioners, designated by the President of the Association.
- 41 (8) A representative of the North Carolina Forestry Association,
42 designated by the President of the Association.

1 (9) A representative of the Division of Marine Fisheries of the Department
2 of Environment and Natural Resources, designated by the director of
3 that Division.

4 (b) Staff. – The Agricultural Extension Service at North Carolina State
5 University must provide clerical assistance to the Board.

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

9 (1) The estimated cash rental rates for agricultural lands and horticultural
10 lands for the various classes of soils found in the State. The rental rates
11 must recognize the productivity levels by class of soil or geographic
12 area, and the crop as either agricultural or horticultural. The rental
13 rates must be based on the rental value of the land to be used for
14 agricultural or horticultural purposes when those uses are presumed to
15 be the highest and best use of the land. The recommended rental rates
16 may be established from individual county studies or from contracts
17 with federal or State agencies as needed.

18 (2) The recommended net income ranges for forestland furnished to the
19 Board by the Forestry Section of the North Carolina Cooperative
20 Extension Service. These net income ranges may be based on up to six
21 classes of land within each Major Land Resource Area designated by
22 the United States Soil Conservation Service. In developing these
23 ranges, the Forestry Section must consider the soil productivity and
24 indicator tree species or stand type, the average stand establishment
25 and annual management costs, the average rotation length and timber
26 yield, and the average timber stumpage prices.

27 (2a) The estimated net income ranges for working waterfront land.

28 (3) The capitalization rates adopted by the Board prior to February 1 for
29 use in capitalizing incomes into values. The capitalization rate for
30 forestland shall be nine percent (9%). The capitalization rate for
31 agricultural land and horticultural land must be no less than six percent
32 (6%) and no more than seven percent (7%). The incomes must be in
33 the form of cash rents for agricultural lands and horticultural lands and
34 net incomes for ~~forestlands~~ forestland and working waterfront lands.

35 (4) The value per acre adopted by the Board for the best agricultural land.
36 The value may not exceed one thousand two hundred dollars (\$1,200).

37 (5) Recommendations concerning any changes to the capitalization rate
38 for agricultural land and horticultural land and to the maximum value
39 per acre for the best agricultural land and horticultural land based on a
40 calculation to be determined by the Board. The Board shall annually
41 report these recommendations to the Revenue Laws Study Committee
42 and to the President Pro Tempore of the Senate and the Speaker of the
43 House of Representatives.

1 (6) Recommendations concerning requirements for horticultural land used
2 to produce evergreens intended for use as Christmas trees when
3 requested to do so by the Department."

4 **SECTION 8.** There is appropriated from the General Fund to the
5 Agricultural Extension Service of North Carolina State University the sum of one
6 hundred thousand dollars (\$100,000) for the 2006-2007 fiscal year for the Use-Value
7 Advisory Board established under G.S. 105-277.7.

8 **SECTION 9.** Section 8 of this act becomes effective July 1, 2006. The
9 remainder of this act is effective for taxes imposed for taxable years beginning on or
10 after July 1, 2007.