

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005**

**H**

**1**

**HOUSE BILL 2597**

Short Title: PUV - Working Waterfronts. (Public)

Sponsors: Representatives Spear, Hill, Williams, Preston (Primary Sponsors);  
Underhill and Wainwright.

Referred to: Finance.

May 25, 2006

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,~~ 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,~~ or working waterfront land. Multiple tracts must be under the same ownership and be of the same type of classification. If the multiple tracts are located within different counties, they must be within 50 miles of a tract qualifying under G.S. 105-277.3(a).

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

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

5       "**§ 105-277.3. ~~Agricultural, horticultural, and forestland~~Agricultural land,**  
6       **horticultural land, forestland, and working waterfront land** –  
7       **Classifications."**

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

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

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

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

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

43          (4) Working waterfront land. – Individually owned working waterfront  
44          land that is actually used as a working waterfront and that has

1 produced an average gross income of at least one thousand dollars  
2 (\$1,000) of the three years preceding January 1 of the year for which  
3 the benefit is claimed."

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

5 "§ 105-277.4. ~~Agricultural, horticultural and forestland~~Agricultural land,  
6 horticultural land, forestland, and working waterfront land –  
7 Application; appraisal at use value; appeal; deferred taxes."

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

9 "§ 105-277.5. ~~Agricultural, horticultural and forestland~~Agricultural land,  
10 horticultural land, forestland, and working waterfront land – Notice of  
11 change in use."

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

13 "§ 105-277.6. ~~Agricultural, horticultural and forestland~~Agricultural land,  
14 horticultural land, forestland, and working waterfront land – Appraisal;  
15 computation of deferred tax."

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

17 "§ 105-277.7. Use-Value Advisory Board.

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

23 (1) A representative of the Department of Agriculture and Consumer  
24 Services, designated by the Commissioner of Agriculture.

25 (2) A representative of the Division of Forest Resources of the  
26 Department of Environment and Natural Resources, designated by the  
27 Director of that Division.

28 (3) A representative of the Agricultural Extension Service at North  
29 Carolina Agricultural and Technical State University, designated by  
30 the Director of the Extension Service.

31 (4) A representative of the North Carolina Farm Bureau Federation, Inc.,  
32 designated by the President of the Bureau.

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

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

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

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

41 (9) A representative of the Division of Marine Fisheries of the Department  
42 of Environment and Natural Resources, designated by the director of  
43 that Division.

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

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

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

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

24 (2a) The estimated net income ranges for working waterfront land.

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

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

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

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

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

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