

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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1

HOUSE BILL 2021

Short Title: PUV - Working Waterfronts.

(Public)

Sponsors: Representatives Spear; Faison and Harrison.

Referred to: Judiciary III, if favorable, Finance.

May 10, 2007

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

4 The General Assembly of North Carolina enacts:

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

6 "§ 105-277.2. ~~Agricultural, horticultural, and forestland~~Agricultural land,
7 horticultural land, forestland, and working waterfront land –
8 **Definitions.**

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

10 ...

11 (1b) Commercial fishing. – Harvesting or processing wild marine
12 organisms with the intent of disposing of them for profit or trace in
13 commercial channels.

14 ...

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

23 ...

24 (7) Unit. – One or more tracts of agricultural land, horticultural land, ~~or~~
25 ~~forestland.~~ forestland, or working waterfront land. Multiple tracts must
26 be under the same ownership and be of the same type of classification.
27 If the multiple tracts are located within different counties, they must be
28 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 2007-2008 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, 2007. The
6 remainder of this act is effective for taxes imposed for taxable years beginning on or
7 after July 1, 2008.