

NC Present Use-Value Property Tax Program

- Ownership requirements
- Acreage requirements
- Sound management requirements
- Income requirements
- “In-lieu of income” requirements for Christmas trees

Ownership

- “Natural persons”
 - Individuals—no active management required (leasing OK)
 - Closely held business (LLC, LLP, S corporation OK)—active management by members or relatives of members required
 - Businesses must have a primary purpose of Ag, Hort or Forestry

Active Management Exception for Family Businesses

- If the business is owned solely by family members, then the active management requirement is waived (leasing OK)

Ownership Tenure

- Residence-qualifies immediately
- Non-residence-4 years immediately preceding the date of application
- Exception-land already qualified may continue if the new owner makes application within 60 days of acquisition
 - Continues same use and;
 - Accepts deferred tax lien

Minimum Contiguous Acreage (“Parent Tract”)

- Agriculture—10 acres
- Forestry—20 acres
- Horticulture (Christmas trees)—5 acres

NOTE:

Must be in actual production

The "Farm Unit"

Combining Non-Contiguous Parcels

- Smaller non-contiguous parcels qualify, once the "parent" tract qualifies, if:
 - The parcel is under the same ownership and use
 - Is in the same county or within 50 miles of the parent tract

Sound Management-Ag & Hort

Every acre in actual production must satisfy one of the following:

1. Following an approved farm management plan;
2. Meeting gross income per acre test;
3. Showing positive net income;
4. Following a program of BMP's;
5. Ag/Hort is primary vocation of the owner(s);
6. Verification of an agency that the property is under "sound management".

Sound Management- Forestry

- Written “sound” management plan
 - Landowner objectives
 - Maps, plats, aerial photos
 - Forest/stand inventory/description
 - Forest management prescriptions
 - Harvest dates, methods and regeneration strategies

Forestry Plan

- Must have commercial timber production as a major objective
- Practices must be implemented on a timely basis

NOTE: Up to 20 acres of woodland may be brought under use-value with an ag or hort application without a plan (Buffers)

Gross Income Requirements

- No annual income required for forestry
- Minimum \$1000 per year GROSS income requirement for Ag and Horticulture
- Special “in lieu of income” requirement for Christmas tree operations

NOTE: Income is from crops actually grown and sold from the qualifying property (not rents for leased land)

“In-lieu of income...”

- “Christmas trees” is the only use allowed to benefit from use-value without having met the gross income requirement
- The “trade-off” for this is a different income requirement in recognition of the greater income than normally associated with other ag or horticultural commodities

In-lieu of

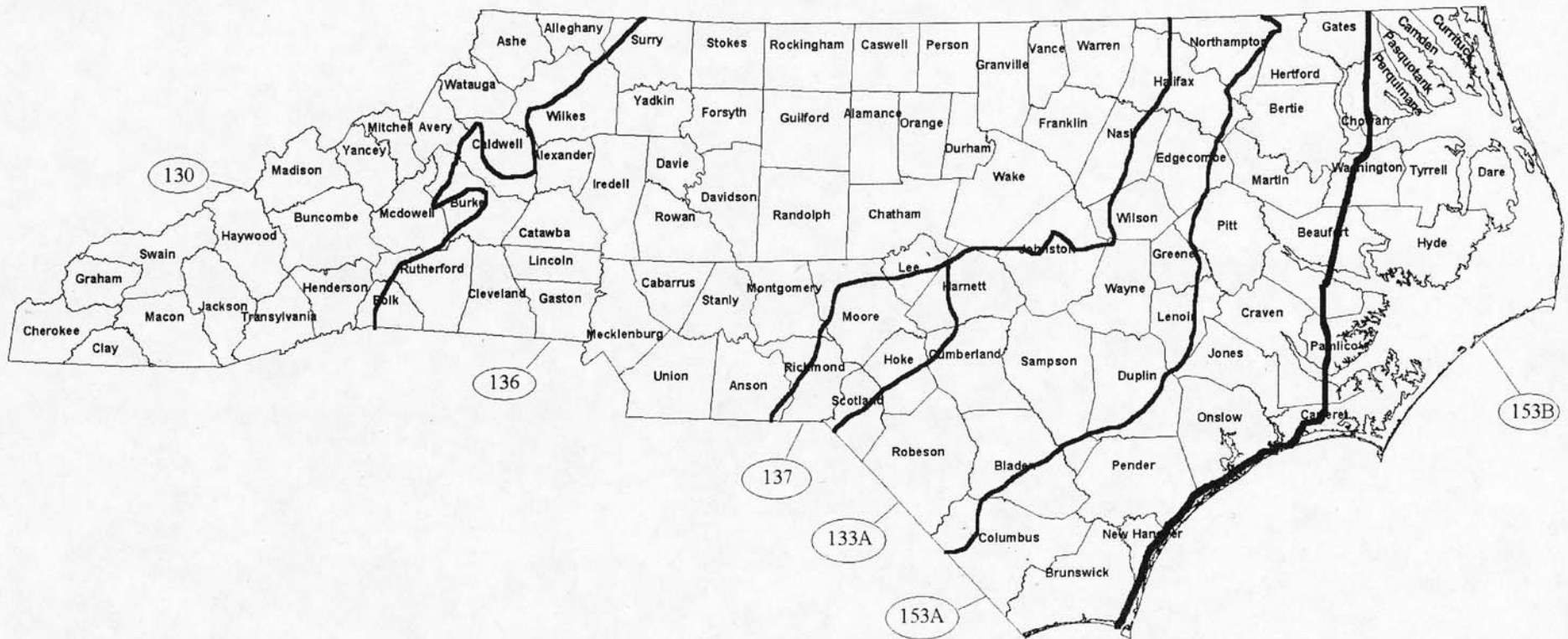
- When already qualified land is converted to Christmas trees, the land continues to qualify, assuming all other use-value requirements are met

“In-lieu of” Income Requirements

- Separate values for MLRA 130 (mountains) and for MLRA's 136, 137, 133A, 153A & 153B (Coastal Plain and Piedmont)
 - MLRA 130 \$2000
 - All other MLRA's \$1500
 - Applies to acres actually being harvested

North Carolina

Major Land Resource Areas



130 Mountains
 133A Upper Coastal Plain
 136 Piedmont

137 Sandhills
 153A Lower Coastal Plain
 153B Tidewater

Example (MLRA 130)

If the total number of acres in Christmas tree production is 6 acres, three of which are undergoing harvest and three of which are not yet mature, then the gross income requirement is \$6000.

Example for other MLRA's

If six acres are in actual production for Christmas trees, three of which are being harvested, while three are not mature, then the gross income requirement is \$4500

Application Procedure

- Landowners must apply
- “Normal” application window is during the regular listing period (January)
- Other window is “within 30 days of receipt of a notice of change in valuation” or;
- Within 60 days of acquisition of already qualified property

Use-Value Schedule of Values

- Developed Annually by Use-Value Advisory Board
 - NCCES
 - NCFS
 - Assessors and Commissioners
 - NCDA
 - NCFB
 - NCFA
 - NCDOR

Schedules

- Agriculture
 - Cash Rent/.065
 - Best
 - Average
 - Fair
 - Wasteland

Schedules

- Forestry
 - Net Annual Income/.09
 - Class 1
 - Class 2
 - Class 3
 - Class 4
 - Class 4
 - Class 5
 - Class 6-Wasteland

Schedules

- Horticulture (including Christmas trees)
 - Mountains Ag X 2.00
 - All other MLRA's Ag X 1.20

Use-Value Manual

- Provided to counties as advice and guidance
- Different values for each MLRA
- All values and rankings keyed to soil series and phases
- Counties may use, abuse or ignore
- For county-specific use value schedules of value, call your county assessor.

Audits and "Rollback"

- Counties will audit use-value properties
- If disqualified:
 - Current year taxes at FMV
 - Past three years deferred taxes must be paid
 - Interest penalty assessed on deferred taxes due

NOTE: It is the owners responsibility to alert the county of change in use or acreage that would disqualify the property...failure to do so equals additional 10% penalty