



PROPERTY TAX EDUCATION PARTNERSHIP




Chapter 1: Introduction to Present-Use Value



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Introduction

- Generally, all property in North Carolina is valued at its market value.
- Present-use value (PUV) is the value of land in its current use as agricultural land, horticultural land, or forestland based solely on its ability to produce income and assuming an average level of management.



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Introduction

- Deferred taxes are the difference in taxes between the market value and the present-use value.



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Classifications

- Agricultural Land
- Horticultural Land
- Forestland
- Note: The Wildlife Conservation Program is not part of the PUV program.



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Four Tests

- Ownership
- Size
- Income
- Sound Management



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Exceptions and Miscellaneous Provisions

- Special provisions or exceptions may apply to:
 - Evergreens intended for use as Christmas trees.
 - Certain land enrolled in the Conservation Reserve Program.
 - Certain conservation easements donated on qualifying PUV land.
 - Exceptions for turkey disease.
 - Annexation of present-use value land.
 - Wildlife conservation land. Separate program.
 - Principal Business.



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Application for Present-Use Value

- Two application scenarios:
 - Initial Applications
 - Applications for Continued Qualification Due to Transfer of Ownership



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Billing of Deferred Taxes Due to Removal from Present-Use Value (or Rollback)

- When a property is removed from the present-use value program, either voluntarily or involuntarily, the deferred taxes for the current year and the three previous years plus interest become immediately due and payable.



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Billing of Deferred Taxes Due to Removal from Present-Use Value (or Rollback)

- There are a few limited exceptions where the deferred taxes are not due when a property is disqualified.
- The term rollback is not used in the present-use value statutes, but it has become the commonly used term to describe the billing of deferred taxes due to removal from the present-use value program.



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Determining Present-Use Value

- Agricultural and horticultural present-use values are based on cash rents for agricultural and horticultural land.
- The Use-Value Advisory Board (UVAB) has currently set the capitalization rate at 6.5% agricultural and horticultural land.



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Determining Present-Use Value

- Forestland present-use values are determined by applying a capitalization rate of 9% to the expected net income of forestland.



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Compliance Reviews

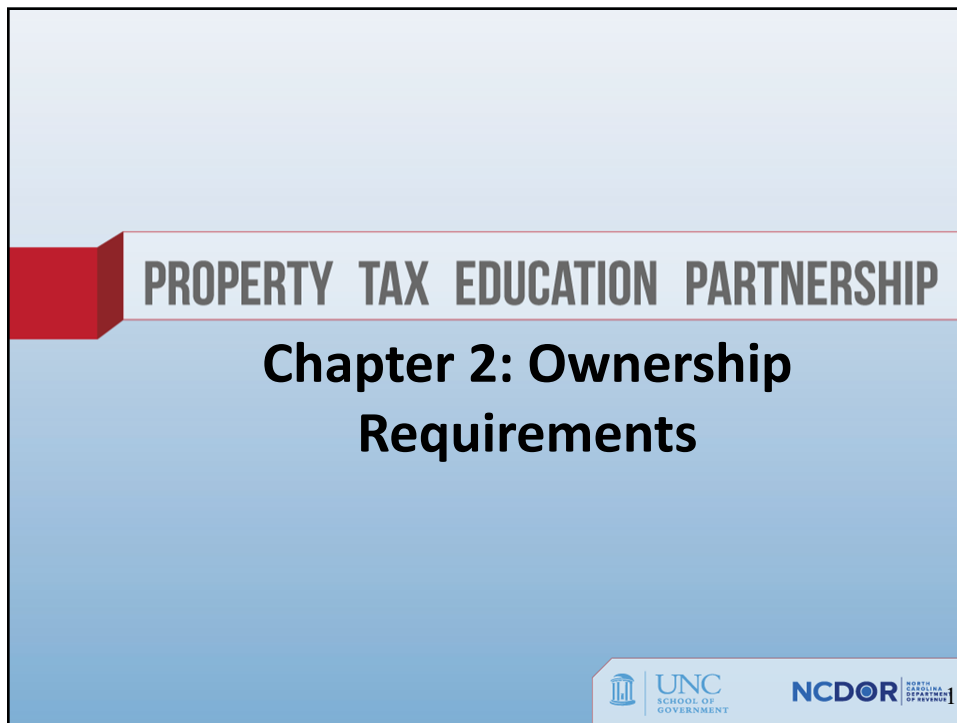
- Each county assessor must annually review one eighth of the parcels that are receiving the benefit of the present-use value classification to verify that these properties continue to qualify for the classification.



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Ownership Requirements

- Ownership requirements can be divided into two main areas.
 - Owners must meet one of the Qualifying Forms of Ownership.
 - These qualifying owners must meet Additional Requirements for Qualifying Owners.

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“Individually Owned”

- All property qualifying for present-use value must be “individually owned.”
- Originally, this meant that only individuals could qualify, but the term has been periodically expanded by the General Assembly to include other forms of ownership, such as business entities and trusts.



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“Individually Owned”

- Because people may incorrectly interpret the requirement that a property be “individually owned” as a requirement that the property be owned by an individual, this presentation will often use the more generic terms “qualifying owners” or “qualifying forms of ownership” as substitutes for the somewhat misleading statutory term “individually owned.”



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Qualifying Forms of Ownership

- There are four categories of qualifying owners:
 - Individuals
 - Certain Business Entities
 -
 - Certain Trusts and Testamentary Trusts
 -
 - Certain Tenants in Common



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Qualifying Forms of Ownership

- Individuals
 - These are properties owned in a person's actual name.
 - Property on which a life estate has been retained is considered owned by the owner of the life estate. [See G.S. 105-302(c)(8).] Qualification for the present-use value program will be based on the qualifications of the owner of the life estate.



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Qualifying Forms of Ownership

- Individuals (cont'd)
 - Properties owned by husband and wife as tenants by the entirety fall into this category.
 - The courts have ruled that property owned by husband and wife as tenants by the entirety is a different ownership than property owned by either the husband or wife separately.



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Qualifying Forms of Ownership

- Individuals (cont'd)
 - Property listed in the name of an “unknown owner” or in the name of an occupant under G.S. 105-302(c)(12) could be individually owned and may qualify if and only if all individual owners can be identified.
 - An occupant is not necessarily an owner.



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Qualifying Forms of Ownership

- Business Entities are:
 - limited liability companies,
 - general partnerships,
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 - limited partnerships, and
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 - corporations.



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Qualifying Forms of Ownership

- Business Entity Requirements
 - A business entity must have agriculture, horticulture, or forestry as its principal business.
 - The principal business requirement applies only to the business entity that owns the land and does not apply to the members of the business entity.



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Qualifying Forms of Ownership

- If the business entity has been approved for classification as qualifying for agriculture, horticulture, or forestry in another county, the assessor must presume that the principal business of the business entity is agriculture, horticulture, or forestry.
- Assessor may rebut with sufficient evidence.



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Qualifying Forms of Ownership

- Business Entity Requirements (cont'd)
 - All members of the business entity must be individuals, either directly or indirectly.
 - Directly or indirectly—All interest in a business entity is ultimately owned by individuals, if you look far enough down the ownership structure. Essentially, you are “looking through” all of the intermediate ownerships to identify the individual level of ownership.



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Qualifying Forms of Ownership

- Business Entity Requirements (cont'd)
 - All individual members must be either actively engaged in the principal business of the entity or be the relative of an individual member who is actively engaged in the principal business of the entity.
 - Once you have identified all of the individuals who own interest in the business entity, either directly or indirectly, you can now apply the actively engaged requirement to those individuals.
 - Note: Some exceptions to “actively engaged” and “principal business” requirements discussed later.



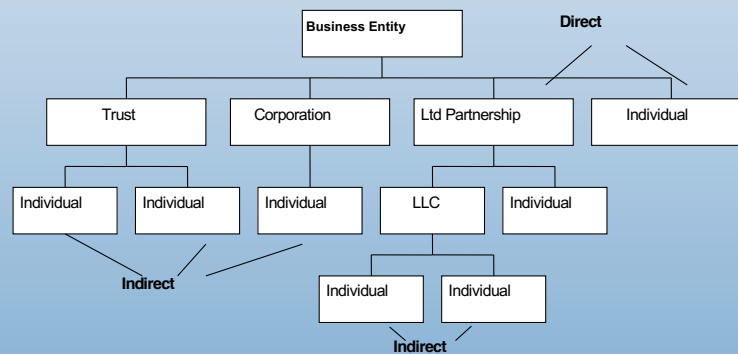
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Qualifying Forms of Ownership

- Business Entity Requirements (cont'd)



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Qualifying Forms of Ownership

- Business Entity Requirements (cont'd)
 - A business entity cannot be a corporation whose shares are publicly traded. Neither can any of its members be corporations whose shares are publicly traded.
 - Note: North Carolina nonprofit corporations, by statute, cannot have members (shareholders); therefore, these corporations cannot be individually owned, and cannot be qualifying owners. Nonprofits formed in another state would typically have the same restrictions, but those applicants should be reviewed on a case-by-case basis.



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Qualifying Forms of Ownership

- Business Entities—Principal Business
 - Principal business is not defined in the statutes but the term implies that some non-farming activity is permissible. It seems reasonable that at least 50% of the business must be farming related, but the statutes do not explicitly make that statement.



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Qualifying Forms of Ownership

- Business Entities—Actively Engaged
 - Actively engaged is not defined in the statutes. The Property Tax Commission did express its opinion in Blue Investment Company vs. Scotland County (1988) that actively engaged certainly includes activities such as operating farming equipment, caring for animals, and cultivating crops, but it may also include other less physical activities such as business management of the operation, supervision of labor, and decisions as to crop investment and capital equipment purchases.



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Qualifying Forms of Ownership

- Business Entities—Exception for Family Business Entities
 - If all members of the business entity are relatives of each other, the business entity may lease the land out to a tenant farmer to farm the land and, by statutory definition, the business entity can meet the principal business and actively engaged requirements. Otherwise, business entities are not allowed to lease the land out to a tenant farmer.



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Qualifying Forms of Ownership

- Business Entities—Exception for Family Business Entities (cont'd)
 - It should be noted that the principal business of the business entity must still be agriculture, horticulture, or forestry. In this exception, the leasing of land can meet the principal business requirement, but it would not preclude disqualification if the family business entity had an actual disqualifying principal business (such as real estate development) despite the fact that it also leased out some of its land for farming purposes.



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Qualifying Forms of Ownership

- Trusts
 - Must be created by an individual who transferred the land to the trust.
 - Therefore, for example, transfers from a business entity to a trust would not qualify, nor would a transfer from one individual to a trust created by another individual. It's important to remember that a wide variety of trusts can exist, but only certain specific types of trusts can qualify for PUV.



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Qualifying Forms of Ownership

- Trusts (cont'd)
 - Each beneficiary must be an individual, either directly or indirectly, who is either the creator of the trust or a relative of the creator of the trust. The “directly or indirectly” principal requires “looking through” all of the intermediate ownerships to identify the individual level of beneficial interest.



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Qualifying Forms of Ownership

- Trusts (cont'd)
 - Once you have identified all of the individuals who are beneficiaries, either directly or indirectly, you can now determine whether they meet the requirement that they must be either the creator of the trust or a relative of the creator.



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Qualifying Forms of Ownership

- Testamentary Trusts
 - Must be created by an individual who transferred the land to the trust.
 - Land must have qualified for classification in the hands of the individual prior to transfer to the trust.
 - At the time of the creator's death, the creator had no relatives.
 - Trust income, less reasonable administrative expenses, is used exclusively for educational, scientific, literary, cultural, charitable, or religious purposes.



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Qualifying Forms of Ownership

- Tenancy in Common
 - Tenants in common is a form of ownership where multiple owners can own undivided interests in real property.
 - A tenancy in common can qualify for present-use value only if each tenant would qualify as an owner if the tenant were the sole owner.



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Qualifying Forms of Ownership

- Tenancy in Common (cont'd)
 - Each tenant must be a qualifying owner.
 - Each tenant must also meet the additional ownership requirements imposed on qualifying owners (i.e. homeplace, length of ownership, etc.) that will be discussed later in this presentation.



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Qualifying Forms of Ownership

- Tenancy in Common—Similar But Not Identical Tenants in Common
 - Each tenancy in common is a separate ownership. Since the listing owner is the tenancy in common, each tenancy in common must list as that specific tenancy in common. Only property owned by the identical tenancy in common can be included in the same farm unit.



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Qualifying Forms of Ownership

- Tenancy in Common—Similar But Not Identical Tenants in Common
 - Each tenancy in common is a separate ownership and one tenancy in common cannot list the property of the other tenancy in common.
 - Also, any change in an existing tenancy in common results in a new listing and therefore a new ownership.



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Qualifying Forms of Ownership

- Tenancy in Common—Splitting Interests
 - Tenants in common may request to have their individual shares treated as owned by them individually [per G.S. 105-302(c)(9)].
 - However, they may only do so if they request that the assessor allow them to list their interests separately and if the assessor grants the request.



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Qualifying Forms of Ownership

- Tenancy in Common—Splitting Interests
 - The assessor is given complete statutory authority and discretion to choose to deny or allow these requests. However, there are some concerns that may arise if these requests are allowed.
 - Given these concerns, it is recommended that assessors deny requests by tenants in common to split their undivided interests into separate listings.



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Requirements for Qualifying Owners

- All tracts owned by qualifying owners must meet either the Standard Ownership Requirements...

OR

- ...meet one of the Two Exceptions to the Standard Ownership Requirements.



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Requirements for Qualifying Owners

- Standard Requirements—Individuals

- If owned by an individual, the property must meet one of these requirements:

- The property is the owner's place of residence as of January 1.



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Requirements for Qualifying Owners

- Standard Requirements—Individuals

- The property has been owned by the current owner or a relative of the current owner for the four full years preceding January 1 of the year for which application is made.



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Requirements for Qualifying Owners

- Standard Requirements—Individuals

- If transferring from a business entity or trust to the current owner (an individual), the property must have been qualified for and receiving PUV at the time of transfer. Additionally, at the time of transfer, the current owner must have been a member of the business entity or a beneficiary of the trust.



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Requirements for Qualifying Owners

- Standard Requirements—Business Entities

- If the current owner is a business entity, the property must have been owned by one or more of the following for the four years immediately preceding January 1 of the year for which application is made:

- The business entity.
- A member of the business entity.
- Another business entity whose members include a member of the business entity that currently owns the land.



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Requirements for Qualifying Owners

- **Continuation of Eligibility for Business Entity Conversions & Mergers**

- When the owner is a business entity, and either **converts** to another business entity form or **merges** with one or more other entities, and these processes are carried out according to statute, the result is not considered a transfer, so no new application, etc. is required.



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Requirements for Qualifying Owners

- **Standard Requirements—Trusts**

- If the current owner is a trust, the property must have been owned by the trust or by one or more of the creators of the trust for the four full years preceding January 1 of the year for which application is made.



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Requirements for Qualifying Owners

- Standard Requirements—Tenancy in Common
 - A qualifying tenancy in common can consist of individuals, business entities, and trusts.
 - However, a tenancy in common can qualify for present-use value only if each tenant would qualify as an owner if the tenant were the sole owner.
 - Therefore, each tenant must be a qualifying owner and meet the applicable standard ownership requirements in the immediately preceding slides.



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Requirements for Qualifying Owners

- Standard Requirements—Tenancy in Common--Transfers and Eligibility
 - As discussed earlier, each combination of tenants forms a different tenancy in common and therefore a different ownership.
 - Remember:
 - A, B, & C = A, B, & C but
 - A, B, & C ≠ A & B or A & C or B & C or A or B or C



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Requirements for Qualifying Owners

- Standard Requirements—Tenancy in Common—Transfers and Eligibility
 - Once a tenancy in common is approved for initial present-use value qualification, any transfer to another tenancy in common can only qualify for continued classification through the Exception for Continued Use (as discussed later in the presentation).



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Requirements for Qualifying Owners

- Standard Requirements—Tenancy in Common—Transfers and Eligibility
 - Any transfer of one tenant's full interest to an existing tenant or any transfer of one tenant's interest (partial or full) to a new tenant creates a new listing ownership for the new tenancy in common.



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Requirements for Qualifying Owners

- Two Exceptions to the Standard Requirements for Qualifying Owners:
 - Exception for Continued Use
 - Exception for Expansion of Existing Unit



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Requirements for Qualifying Owners

- Exception for Continued Use
 - This exception allows a qualifying owner to bypass the Standard Ownership Requirements if all of the following conditions are met:



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Requirements for Qualifying Owners

- Exception for Continued Use (cont'd)
 - The land was appraised at its present-use value at the time title to the land passed to the new owner, **and**
 - The new owner will continue to use the land for the purposes it was classified at and appraised for under present-use value classification for the previous ownership, and



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Requirements for Qualifying Owners

- Exception for Continued Use (cont'd)
 - The land will continue to meet all the applicable size requirements. If the new owner does not own any other land in present-use value, the land must be able to meet the size requirements for an initial qualifying tract. If the new owner already has a qualifying tract of the same classification in use value, the transferred land may be less than the minimum initial required acreage if the land can properly be considered an additional tract of the existing farm unit, and



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Requirements for Qualifying Owners

- Exception for Continued Use (cont'd)
 - The new owner must file an application for present-use value within 60 days of the date of transfer. Untimely applications may be filed and approved under certain conditions, and
 - The new owner certifies that they accept liability for any deferred taxes that exist on the property.



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Requirements for Qualifying Owners

- Exception for Continued Use (cont'd)
 - This exception does apply when the seller has voluntarily paid some, all, or none of the deferred taxes, **but has NOT** requested removal from the present-use value program.
 - This exception does not apply when the seller has voluntarily removed the property from the present-use value program, regardless of whether or not any of the rollback taxes have been paid.
 - Voluntary Removal is irreversible.



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Requirements for Qualifying Owners

- Exception for Continued Use (cont'd)
 - NCDOR strongly recommends that the counties require the owner (seller) or the owner's (seller's) attorney to sign the appropriate form wherein they acknowledge whether they wish to pay some or all of the deferred taxes while remaining in the present-use value program (Form AV-3), whether they are requesting voluntary removal from the present-use value program (Form AV-6), or whether they are only requesting an estimate of the deferred taxes (Form AV-7). This recommendation is for the protection of all parties involved.



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Requirements for Qualifying Owners

- Exception for Expansion of Existing Unit
 - This exception for expansion of an existing farm unit is designed to allow those property owners who already have qualifying property under the present-use value program to expand their farm and immediately qualify for the next year for present-use value classification on the new land without having to meet the Standard Ownership Requirements.



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Requirements for Qualifying Owners

- Exception for Expansion of Existing Unit (cont'd)
 - This exception only applies to property that was **not** appraised at present-use value at the time of transfer. If the property was not in present-use value or the previous owner requested removal from the program, the option for immediate qualification for year of transfer under the Exception for Continued Use will not be an option since the property must be in present-use value at the time of transfer under that exception.



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Requirements for Qualifying Owners

- Exception for Expansion of Existing Unit (cont'd)
 - Under the provisions for Exception for Expansion of Existing Unit, the new owner may still immediately qualify the land for the next year if all of the following conditions are met:



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Requirements for Qualifying Owners

- Exception for Expansion of Existing Unit (cont'd)
 - At the time of transfer, the new owner owned other land already in present-use value.
 - At the time of transfer, the land was not appraised at its present-use value.
 - At the time of transfer, the land being transferred was being used for the same purpose as the land owned by the new owner that is already in present-use value.



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Requirements for Qualifying Owners

- Exception for Expansion of Existing Unit (cont'd)
 - At the time of transfer, the land being transferred was eligible for present-use value with regard to production and sound management requirements. Since this exception applies to the expansion of an existing farm unit only, the initial size requirements would not need to be applied to the additional tract being transferred.



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Requirements for Qualifying Owners

- Exception for Expansion of Existing Unit (cont'd)
 - The new owner must timely file a new application during the next listing period, typically the month of January. Since land under this exception was not already in present-use value at the time of transfer, an initial application of present-use value classification will be required. The initial application for present-use value should be filed during the regular listing period of the next tax year.



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OWNERSHIP EXAMPLES



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1-Q

- Son applies for PUV. Son has owned the property for two years. Prior to transfer to the son, the father had owned the property for 20 years.



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1-A

- The ownership requirement has been met since the son is an individual which is a qualifying form of ownership, and the owner has satisfied the standard ownership requirement that either the owner or the owner's relative must have owned the property for four full years preceding the January 1 of the year for which application is made.



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2-Q

- An individual applies for PUV and has owned the property for three years but moved onto the property last summer as the owner's principal place of residence.



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2-A

- The ownership requirement has been met since an individual is a qualifying form of ownership, and the owner has satisfied the standard ownership requirement by establishing the property as the owner's principal place of residence as of January 1 of the year for which application is made.



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3-Q

- An individual applies for PUV and has owned the property for three years but does not live on the property.



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3-A

- The ownership requirement has not been met. Although an individual is a qualifying form of ownership, the owner has not satisfied the standard ownership requirement by either owning the property for four full years preceding the January 1 of the year for which application is made, or by establishing the property as the owner's principal place of residence as of January 1 of the year for which application is made.



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4-Q

- Father owns tract of land in PUV but transfers the property to his son. Father retains a life estate on the tract. Son is the remainderman.



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4-A

- The owner of the life estate is considered the owner of the real property. Therefore, the father remains the owner of the property and continues to be a qualifying owner.
- The assessor might wish to request that the father file an updated application indicating his status as owner of the life estate, however, the statutes do not require it.



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5-Q

- Business entity applies for PUV. All members are brothers and sisters but only one of the members is actively engaged in the farming operation.



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5-A

- Since all members are relatives, only one member has to be actively engaged. This ownership would qualify.



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6-Q

- Business entity applies for PUV. The five members are not relatives, but four members are actively engaged in the farming operation.



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6-A

- Since the members are not relatives, all members have to be actively engaged. This ownership would not qualify.



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7-Q

- Business entity applies for PUV on a 40-acre agricultural tract. The business entity also owns four convenience stores and a restaurant.



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7-A

- It is unlikely that the business entity can prove that its principal business is agriculture, horticulture, or forestry.



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8-Q

- Business entity applies for PUV on a 40-acre agricultural tract. The business entity owns no other properties. The members of the business entity are not relatives and all of the farming operations are leased out to a tenant farmer.



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8-A

- Since the members of the business entity are not relatives, the exception for the leasing of land would not apply. The business entity would not qualify since its principal business was the leasing of land rather than agriculture, horticulture, or forestry.



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9-Q

- Business entity applies for PUV. Four members of the business entity are individuals and one member is an LLC. The LLC has two members who are individuals.



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9-A

- All members of a business entity must be individuals, directly or indirectly. Here there are four individuals who are directly members and two individuals who are indirectly members.
- This business entity can qualify if the principal business and actively engaged requirements are met. The principal business test would be applied to the business entity but not to any members of the business entity. The actively engaged test would be applied to the six individuals.



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10-Q

- An otherwise qualifying business entity applies for PUV. The business entity has owned the property for the last two years. The property owner for the three years prior to transfer to the business entity was one of the current members of the business entity.



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10-A

- The ownership requirement has been met since the property has been owned by the business entity or by one or more of its members for the four years preceding the January 1 for which application is made.



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11-Q

- Tenancy in common applies for PUV. One of the tenants is a trust.



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11-A

- The tenancy in common may qualify. A tenancy in common can qualify for present-use value only if each tenant would qualify as an owner if the tenant were the sole owner. Each tenant must be a qualifying owner and each tenant's undivided interest in the tenancy in common must meet all the applicable ownership requirements.



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12-Q

- Refer Back to example 8-Q
- Business entity applies for PUV on a 40-acre agricultural tract. The business entity owns no other properties. The members of the business entity are not relatives and all of the farming operations are leased out to a tenant farmer.
 - Suppose the 40-acre agricultural tract is owned by two separate business entities as tenants in common. Each business entity has a single individual member, and the individuals are not relatives. All of the farming operations are leased to a farmer.



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12-A

- Since each tenant in a tenancy in common is evaluated as if it were the sole owner, and the business entities would each qualify separately, this tenancy in common could meet the ownership requirement.
- In contrast, Example 8-Q is a situation showing that a single business entity, owned by multiple owners who are not relatives, could not qualify.



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13-Q

- Tenancy in common applies for PUV. One of the tenants is a business entity whose principal business is agriculture and whose members are all actively engaged in the farming operation.



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13-A

- The tenancy in common may qualify. A tenancy in common can qualify for present-use value only if each tenant would qualify as an owner if the tenant were the sole owner. Each tenant must be a qualifying owner and each tenant's undivided interest in the tenancy in common must meet all the applicable ownership requirements.



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14-Q

- Tenancy in common applies for PUV on two tracts. Upon investigation, tract one is owned by a tenancy in common with tenants A, B, and C. Tract two is owned by a tenancy in common with tenants B, C, and D.



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14-A

- A separate application will be needed for each ownership, and the tract under each ownership will need to qualify on its own merits.
- All tracts in a farm unit must be under the same ownership. Multiple tracts owned as tenants in common must have exactly the same tenants in each tenancy in common. Otherwise the ownership is not the same.



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15-Q

Examples of transfers of interests in/out/between tenants in common. All properties are in PUV at the time of transfer.

- Smith transfers 50% to Jones, thus creating a tenancy in common.
- Smith and Jones own property as tenants in common. Jones transfers his interest to Smith, thus ending the tenancy in common.
- Smith and Jones own property as tenants in common. Jones transfers his interest to his son, thus creating a new tenancy in common and therefore a new listing owner.
- Smith and Jones own property as tenants in common. Jones transfers his interest to Williams, thus creating a new tenancy in common and therefore a new listing owner.



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15-Q (cont'd)

- Smith and Jones own property as tenants in common. Jones transfers his interest to a qualifying LLC of which he is a member, thus creating a new tenancy in common and therefore a new listing owner.
- Smith and Jones own property as tenants in common. Jones transfers his interest to a qualifying LLC of which he is not a member, thus creating a new tenancy in common and therefore a new listing owner.
- Smith and an LLC own property as tenants in common. The LLC transfers its interest to a member of the LLC, thus creating a new tenancy in common and therefore a new listing owner.



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15-A

- All of these situations create a new ownership that will need to file a new application.
- In these examples, if the new ownership wishes for the property to remain in PUV, it must do so under the Exception for Continued Use. A new application will need to be filed within 60 days of the date of transfer and the new owner must accept any existing deferred liability. It is recommended that all tenants of the tenancy in common sign the new application and certify that they accept the deferred liability. Even though only one tenant's interest may have changed ownership, that change created a new tenancy in common and therefore a new listing owner. As such, the new tenancy in common is the owner that is seeking continued qualification by assuming the deferred liability, not just the one tenant's interest that has been transferred.



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16-Q

- Husband owns tract already in PUV. Husband and wife apply for PUV on tract owned by them as tenants by the entirety.



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16-A

- The ownership of the tract owned by the tenancy by the entirety will have to be evaluated separately and cannot be considered as part of the husband's farm unit.
- All tracts in a farm unit must be under the same ownership. Ownership by husband and wife as tenants by the entirety is a different ownership than property owned by them either separately or as tenants in common.



87



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17-Q

- Seller transfers 5 acres of agricultural land to a buyer who is not a relative. All land is in production and the property is in PUV at the time of transfer. Buyer already owns several other qualifying agricultural tracts in the county that are already receiving PUV.



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17-A

- The tract does not have to meet the agricultural minimum size requirements since the owner already has at least one tract in an existing agricultural farm unit that meets the size requirement.
- Under the Exception for Continued Use, the buyer must file an application within 60 days of the date of transfer and must also assume any existing deferred liability.



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18-Q

- Buyer owns several tracts already in horticultural PUV. Buyer purchases a 6-acre tract of horticultural land that is not in PUV. The 6 acres have been in active horticultural production under sound management for at least the three previous years.



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18-A

- Since the property is not in PUV, the buyer cannot qualify for the year of the transfer by using the Exception for Continued Use.
- However, the buyer may apply for PUV on the new tract during the next year's listing period under the Exception for Expansion of Existing Unit.



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19-Q

- Buyer owns several tracts already in horticulture PUV. Buyer purchases a 6-acre tract of horticultural land that was receiving PUV. However, the seller voluntarily removed the property from PUV prior to transfer. The 6 acres have been in active horticultural production under sound management for at least the three previous years.



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19-A

- Since the property is not in PUV, the buyer cannot qualify for the year of the transfer by using the Exception for Continued Use.
- However, the buyer may apply for PUV on the new tract during the next year's listing period under the Exception for Expansion of Existing Unit.



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20-Q

- Smith and Jones own property as tenants in common. Jones transfers his interest to Williams.



94



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20-A

- This transfer creates a new tenancy in common and therefore a new listing owner.
- It is a new ownership that will need to file a new application within 60 days of the date of transfer.



95



95

21-Q

- Buyer, an individual, acquires a working 15-acre farm tract from the Trustee at a mortgage foreclosure sale. The property was in PUV in the hands of the prior owner (the debtor in the mortgage foreclosure).



96



96

21-A

- Even though the Trustee in a mortgage situation holds legal title to the property, the party which transfers title to the Trustee (usually the debtor on the mortgage loan) is considered to be the owner for property tax purposes [G.S. 105-302(c)(1)]. Therefore, the buyer could qualify using the Exception for Continued Use.



97



97

22-Q

- Buyer, an individual, acquires a working 15-acre farm tract from a bankruptcy Trustee. The property was in PUV in the hands of the prior owner (the party in bankruptcy).



98



98

22-A

- Through the operation of federal bankruptcy laws, a bankruptcy Trustee receives the authority to convey the property of the bankrupt party; however, the bankruptcy Trustee does not normally receive title to the property (i.e., by deed). The bankrupt party is still the owner of record. Therefore, the buyer could qualify using the Exception for Continued Use.



99



99

23-Q

- Buyer, an individual, acquires a working 15-acre farm tract from a lending institution, which purchased (“took back”) the property from the Trustee at a mortgage foreclosure sale. The property was in PUV in the hands of the debtor in the mortgage foreclosure.



100



100

23-A

- A bank or other lending institution likely cannot qualify as an owner in PUV, for both “principal business” and “actively engaged” reasons. Therefore, the property could not have properly been in PUV at the time of transfer to the buyer, and the buyer could not qualify using the Exception for Continued Use.



101



101

24-Q

- At 1:35 p.m., a closing attorney records the deed to a lending institution that purchased (“took back”) property from the Trustee at a mortgage foreclosure sale. At 1:36 p.m., the attorney records the deed from the lending institution to Buyer, an individual. The property was in PUV in the hands of the debtor in the mortgage foreclosure.



102



102

24-A

- The duration of the intervening unqualified ownership is irrelevant. For the same reasons given above, Buyer could not qualify using the Exception for Continued Use.



103



103

25-Q

- In June, 2013, Owner purchases a 20-acre tract of wooded land adjoining her 1-acre homesite, which includes her residence. The land was not in PUV at the time of transfer, the seller was not a relative, and she has no other land in PUV. In January of 2014, she applies for forestry PUV, including an appropriate forest management plan.



104



104

25-A

- Because the additional 20 acres have effectively become part of the same tract of land as Owner's place of residence, the additional land meets the standard ownership requirements.



105



105

26-Q

- In June, 2013, Owner purchases a 20-acre tract of wooded land adjoining his 18-acre tract of wooded land, which he has owned and managed for commercial timber production for 45 years. The land purchased was not in PUV at the time of transfer, the seller was not a relative, and Owner has no other land in PUV. In January of 2014, he applies for forestry PUV on the entire 38 acres, including an appropriate forest management plan.



106



106

26-A

- Because the 18-acre tract is not large enough to qualify for PUV (see next chapter), and because he has not owned the 20-acre tract for a full four years, none of the 38 acres can qualify for PUV until January of 2018.



107



107

27-Q

- A business entity receiving agriculture present-use value in County A makes an application for agriculture present-use value in County B. The Assessor in County B requires proof from the applicant that the principal business of the business entity is Agriculture.



108



108

27-A

- The assessor must accept the application in County B without additional information from the taxpayer since the principal business of the business entity was determined to be agriculture in County A, unless the assessor in County B has evidence that the principal business of the entity is not agriculture.



PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 3: Size Requirements



1

Overview of Size Requirements

- Initial qualifying tracts must meet a minimum size requirement
- Qualifying tracts may contain other categories of land which differ from the acreage required to be in production for that specific classification.
- A farm unit may contain additional tracts other than the initial qualifying tract. These additional tracts are not subject to the minimum size requirements, although other important restrictions apply.



2

Minimum Size Requirements

- Agricultural Land 10 Acres
- Horticultural Land 5 Acres
- Forestland 20 Acres
- * In actual production



3

Size Requirements

- At least one **tract** must meet the following minimum acreage requirements:
- **Agriculture**—10 acres in actual production (actively engaged in the commercial production or growing of crops, plants, or animals)
- **Horticulture**—5 acres in actual production (actively engaged in the commercial production or growing of fruits and vegetables or nursery and floral products)
- **Forestry**—20 acres in actual production (actively engaged in the commercial growing of trees)



4

Land in Production

- For agriculture and horticulture, land under improvements used in the farming operation is considered to be land in production.
 - “Improvements” could include barns, sheds, or other outbuildings, along with a reasonable area of land around the building(s) which permits their convenient use. Ponds could also be considered improvements, but should be reviewed on a case-by-case basis to determine whether there is a reasonable connection between the pond and the commodities being produced.



5

Land in Production

- For **Agriculture**: open land, along with a relatively small amount of thinly wooded land, may be used in the actual production of livestock. It might be reasonable to allow some amount of wooded acreage to be classified as agricultural land if it can be shown that this land is a necessary part of the production operation. In these situations, the wooded land must still be actively used for the commercial production of agricultural products in order to be considered as being in actual agricultural production



6

Land Not in Production

- Land not in production cannot be used to meet the minimum acreage in production.
 - Except for land enrolled in the Conservation Reserve Program—See Chapter 7.
- While payments from non-CRP soil conservation programs, land retirement programs, and the Tobacco Buyout can be used to meet the income requirement, the acres involved in these programs cannot be used to meet the size requirement for classification unless the acres are in actual production.



7

Land Not in Production Homesites

- Homesites are not acreage in production and should be valued at market value.
- While most counties initially establish homesites as one acre in size, there is no statutory requirement that a homesite must be one acre. While it is a standard and acceptable practice to initially estimate and allow one acre for a homesite, it is completely warranted to allow less (or more) than one acre if it is shown that the homesite is actually less (or more) than initially estimated.



8

Land Not in Production Fallow Land

- Although it is increasingly rare and unnecessary, it may be prudent to occasionally let land lie fallow and unfarmed for a year to allow the land to replenish its nutrients.
- The amount of acreage allowed to lie fallow and the length of time the land is allowed to lie fallow must be reasonable, based on sound management practices for the type of land and the crops being produced from the land. Excessive amounts of acreage allowed to lie fallow for more than a year should be carefully examined.



9

Land Not in Production Fallow Land

- However, the farm unit must still meet the minimum size and income requirements on a continuing basis. The owner may rotate the crops and allow a certain amount of acreage to lie fallow each year, but the farm unit must still meet the size and income requirements.



10

Special Provision for Aquatic Species

- Agricultural land used as a farm for aquatic species may qualify for the present-use value program under certain circumstances.
- “Aquatic species” is defined as any species of finfish, mollusk, crustacean, or other aquatic invertebrate, amphibian, reptile, or aquatic plant, and including, but not limited to, “fishes” which is defined as all marine mammals, all shellfish, all crustaceans, and all other fishes.



11

Special Provision for Aquatic Species

- The tract must consist of at least 5 acres in actual production or produce at least 20,000 pounds of aquatic species for commercial sale annually, regardless of acreage.
- The tract must also meet the income requirements for agricultural land.



12

Special Provision for Certain Horticultural Land

- Certain horticultural land can be considered as agricultural land in either of these two situations:
 1. Horticultural crops and agricultural crops are grown on a rotating basis.
 2. The horticultural crop is set out or planted and harvested within one growing season.



13

Special Provision for Certain Horticultural Land

- However, it must also be shown that there is no significant difference between the cash rental rates for agricultural and horticultural land.
- Also, if the owner elects to treat the land as agricultural land, the size requirements for agricultural land (minimum 10 acres in production) must be met instead of the size requirements for horticultural land (minimum 5 acres in production).



14

Tract vs. Parcel - Chester Case

- Is tract synonymous with parcel?
- The present-use value statutes consistently use the term “tract” except for G.S. 105-296(j) which uses the term “parcel.”
- Additionally, tax offices consistently refer to property as tax “parcels,” although the term “tract” is sometimes used in a more general sense when discussing a property.



15

Tract vs. Parcel - Chester Case

- Based on the PTC decision in the Chester case, NCDOR recommends the position that tract and parcel are not synonymous serve as the guide for counties in determining size qualification for present-use value.
- Therefore, contiguous tax parcels could be used to meet the minimum acreage in production requirement for the initial qualifying tract.



16

Tract vs. Parcel

- Contiguous parcels divided by County lines can be considered as one tract.
- It is recommended that the assessors in both counties make note on the property record card that additional acreage making up the initial tract is in the other county.



17

The “Farm Unit” Concept

- Additional tracts (other than the initial qualifying tract) must meet the following requirements:
 - Must be under the same ownership.
 - Must be the same classification.
 - Must be in the same county or within 50 miles of a qualifying tract if in a different county than the qualifying tract, and have a rational relationship.
 - Must be in active production and under sound management.



18

Specifying the Farm Unit

- There may be situations where the owner wishes to specify that certain parts of the tracts are to receive present-use value classification while other parts of the tracts are to remain at market value.
- The statutes do not seem to prohibit such a request. Therefore, it does not appear that the assessor has the right to refuse the request on the basis that the owner does not have a legal right to make the request.



19

Specifying the Farm Unit

- However, the owner will have to specifically identify by map or other means, to the assessor's satisfaction, the acreage that is to receive present-use value treatment. If the owner cannot meet the assessor's requirements for identification of the acreage, the assessor has a right to deny the request for that reason.
- A property owner may elect to define the specific acreage that is in or out of the farm unit but may not specify multiple farm units for the same ownership and classification.



20

Other Acreage as Part of the Farm Unit

- Agricultural tracts can include woodland and wasteland.
- Horticultural tracts can include woodland and wasteland.
- Forestland tracts can include wasteland, but **not** agricultural or horticultural land. Of course, the agricultural or horticultural land may receive PUV if it qualifies on its own merits.



21

Woodland Less Than 20 Acres

- If an agricultural or horticultural tract contains less than 20 acres of woodland, the woodland is not required to be under a sound forestry management plan.



22

Woodland More Than 20 Acres

- If an agricultural or horticultural tract contains more than 20 acres of woodland, the woodland is required to be under a sound forestry management plan, unless:
 - See exceptions on next slide.



23

Woodland More Than 20 Acres

- Exception:
 - For agricultural tracts: The highest and best use of the woodland is to diminish wind erosion of adjacent agricultural land, protect water quality of adjacent agricultural land, or serve as buffers for adjacent livestock or poultry operations.
 - For horticultural tracts: The highest and best use of the woodland is to diminish wind erosion of adjacent horticultural land or protect water quality of adjacent horticultural land.



24

Woodland More Than 20 Acres

- Exception (cont'd)
- Highest and Best Use
 - We would recommend that counties seek the advice of an independent agriculture/horticulture expert (Cooperative Extension, Farm Service Agency, Department of Agriculture, etc.) to determine whether these purposes represent the highest and best of a particular woodland area.



25

25

Size Requirements Summary

- The initial qualifying tract for agricultural classification must have 10 acres in actual production for the commercial production or growing of crops, plants, or animals.
- The initial qualifying tract for horticultural classification must have 5 acres in actual production for the commercial production or growing of fruits, vegetables, nursery products, or floral products.



26

26

Size Requirements Summary

- The initial qualifying tract for forestry classification must have 20 acres in actual production for the commercial growing of trees.
- Qualifying agricultural and horticultural tracts can also include woodland and wasteland. Generally, if the woodland is 20 acres or more, the woodland is required to be under a sound management program for forestry.



27

Size Requirements Summary

- Qualifying forestland tracts can also include wasteland.
- A farm unit must include at least one tract that meets the minimum size requirement, but it can include other tracts that do not meet the minimum size requirement, if additional statutory requirements are met.



28

SIZE EXAMPLES



29

29

1-Q

- Owner applies for agricultural PUV on a 15-acre tract of which 8 acres are planted in corn. The remaining 7 acres are woodland.



30

30

1-A

- Tract does not meet the size requirement because it does not have at least 10 acres in agricultural production.



31

31

2-Q

- Owner applies for agricultural PUV on a 35-acre tract of which 25 acres are producing soybeans. The remaining 10 acres are woodland.



32

32

2-A

- This tract meets the minimum size requirement for agricultural PUV because there is at least one tract with at least 10 acres in agricultural production. The remaining 10 acres also receives PUV classification with no additional requirements since the woodland is less than 20 acres.



33

33

3-Q

- Owner applies for agricultural PUV on 10.75 acre tract which is being 100% farmed except for the homesite. The assessor typically allows 1.00 acre for a homesite. Analysis of the property indicates that 10.25 acres are in production and the remaining .50 acre is the homesite.



34

34

3-A

- This tract may qualify when it can be shown that at least 10 acres are in production. While it is a standard and acceptable practice to initially estimate and allow 1.00 acre for a homesite, it is completely warranted to allow less than 1.00 acre if it is shown that the homesite is actually less than initially estimated. There is no statutory requirement that a homesite should be 1.00 acres.



35

35

4-Q

- Owner applies for agricultural PUV on a 35-acre tract, of which 9 acres are pasture for beef cattle. The remaining 26 acres are woodland. However, 2 acres of the woodland adjoining the pasture have been included in the fencing around the pasture. The cattle freely roam over the entire 11 fenced acres.



36

36

4-A

- In this example, if the taxpayer has shown that the 2 acres of wooded acreage are necessary for the cattle operation, then the tract has 11 acres in agricultural production. This meets the minimum size requirement for agricultural classification because there is at least one tract with a minimum of 10 acres in production.
- Given that the wooded acreage is fenced, if the cattle are able to move freely through the wooded acreage, it could be considered in production, unless the total circumstances indicate otherwise.
- The remaining 24 acres of woodland must be under a sound forestry plan since it is greater than 20 acres.



37

5-Q

- Owner applies for agricultural PUV on two contiguous tax parcels: one parcel having 6 acres in production, the other parcel having 7 acres in production.



38

5-A

- In Chester vs. Carteret (1990), the North Carolina Property Tax Commission concluded that contiguous tax parcels can be considered one tract and therefore the tract (singular) would qualify if the contiguous tax parcels had enough acreage in production to meet the size requirement (neither had enough acreage in production to qualify on its own merits).
- In this example, two contiguous tax parcels constitute one tract of 13 acres, all of which are in production. Therefore, the tract does meet the size requirement since it does have at least 10 acres in agricultural production.



39

39

6-Q

- Owner applies for agricultural PUV on two tracts: one tract meets all requirements but the other tract is a 5-acre wooded tract located 40 miles away in an adjacent county.



40

40

6-A

- The 5-acre tract will not qualify for PUV classification. Although other tracts in the farm unit do not have to meet the size requirements (as long as at least one tract does), all tracts must be the same classification. Since the qualifying tract is agriculture, the smaller non-contiguous tract must also be agriculture. In this case, the 5-acre tract is all wooded and therefore cannot be considered agriculture.



41

41

7-Q

- Owner applies for agricultural PUV on two tracts: one tract meets all requirements but the other tract is a 5-acre agricultural tract located 60 miles away in an adjacent county.



42

42

7-A

- The 5-acre tract will not qualify since it must be in the same county as a qualifying or within 50 miles of a qualifying tract if located in a different county.



43

43

8-Q

- Owner applies for agricultural PUV and submits the following income from the three past years: \$2,500 from sale of crops and \$800 in soil conservation program payments. The tract is 13 acres with 9 acres planted in tobacco and 4 acres enrolled in a soil conservation program (not CRP) that prohibits production on the land.



44

44

8-A

- The property will meet the income requirements since the average gross income is \$1,100. Soil conservation program payments can be used to meet the income requirement.
- However, the 4 acres enrolled in the non-CRP soil conservation program are not considered to be in production. Therefore, the property only has 9 acres in production and will not meet the size requirement for PUV.



45

45

9-Q

- Owner applies for horticultural PUV on a 9-acre tract, of which 5 acres are consistently planted in horticultural crops. The remaining 4 acres are open land that is mowed each year but no crop is grown on the acreage. The 4 acres are not enrolled in the Conservation Reserve Program.



46

46

9-A

- The 5 acres that are planted in horticultural crops can receive PUV classification, however, the remaining 4 acres cannot.
- Horticultural PUV is only for: (1) horticultural land actively engaged in the commercial production of horticultural crops, (2) woodland under certain limitations, and (3) wasteland.
- There is no provision for unused open land to lay uncultivated for unspecified periods of time and receive PUV classification (except for land enrolled in the Conservation Reserve Program).



47

47

10-Q

- Owner applies for agricultural PUV on a 55-acre tract of which 25 acres are producing soybeans. The remaining 30 acres are woodland, of which 12 acres have a highest and best use to diminish wind erosion for the adjacent agricultural land.



48

48

10-A

- This tract meets the minimum size requirement for agricultural PUV because there is at least one tract with a minimum of 10 acres in agricultural production. The 12 acres of woodland that have a highest and best use to diminish wind erosion for the adjacent agricultural land receive PUV classification as woodland and are not subject to any commercial forestry sound management requirements. The remaining 18 acres of woodland also are not required to be under a sound forestry management plan for the commercial production of timber to receive PUV classification since the woodland acreage is less than 20 acres.



49

49

11-Q

- Owner applies for forestry PUV on a 50-acre tract of which 44 acres are under a sound management plan for the commercial production of timber. The remaining 6 acres are planted in agricultural crops.



50

50

11-A

- The 44 acres of woodland can receive PUV but the 6 acres of agricultural crops cannot. Forestry cannot bring open land into PUV and any open land in production must qualify on its own merits as agricultural or horticultural land, including satisfying the size requirement for that classification.



51

12-Q

- Owner applies for agricultural PUV on a 12-acre tract. The primary use of the tract is to provide natural forage for a 30-hive honey-producing operation



52

12-A

- We are not aware of any generally-accepted rule for hive spacing, but it is not expected that 12 acres would be necessary to provide adequate spacing even for hundreds of hives. Allowing bees to find natural forage on the tract is probably not sufficient use of the land to consider it as being in production. Under these circumstances, the land would probably not qualify for PUV.
- If, instead, the owner actually planted the tract with commercial crops (which may or may not be used by the bees for forage) the land would then qualify for PUV, at least from a production standpoint. Income from honey production could also be used to supplement income from the crops in order to meet the income requirement.



53

13-Q

- Owner, a sheep farmer, has 20 acres of land in agricultural PUV. Owner leases 15 of his acres to Suntastic, a solar farm development firm. Suntastic installs a photovoltaic solar array system on the 15 acres, thereby generating electricity which is sold to Duke Energy. The terms of the lease permit Owner to graze his sheep among the solar panels, which also reduces landscape maintenance costs for Suntastic. The remaining 5 acres continue to be used for agricultural purposes.



54

13-A

- It is conceivable that some animals would be compatible with some solar array systems. Cattle would typically be too large, although we have seen unusual high-panel installations meant to accommodate cattle. Goats seem to be too destructive to work well in these situations. We are aware, however, of several situations where grazing sheep mesh well with solar array systems which are sufficiently elevated to permit the sheep to graze more or less freely beneath the panels and framework. In these situations, the affected acreage could be considered as being in production.



55

13-A cont'd

- Situations where panels are fenced off or too low to the ground could normally not be considered as acreage in production, because the land has effectively been removed from the animal operation by physical barrier.
- There may be other situations where livestock are compatible with solar panels. We would recommend that all similar situations be evaluated on a case-by-case basis.



56

14-Q

- Property owner has owned and farmed 14 acres of property for the last 5 years. The 14 acre tract consists of a 7 acre parcel in County A and a 7 acre parcel in County B. The parcels are contiguous.



57

14-A

- This situation may qualify as long as all other requirements are met. Tracts can consist of multiple parcels under the same ownership. There are no provisions stating that tracts must be made up of parcels within the same county.



58

14-A cont'd

- Application should be made in both counties and flagged on the property record card in both counties to avoid any confusion as to meeting the size requirements, during compliance reviews or other reviews or eligibility issues such as transfer of property and exception for continued use. In this situation, the assessor in each county involved would need to approve the application in regards to all other requirements.



59

PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 4: Income Requirements



1

Initial Qualifying Tract

- Agricultural Land Income Requirement:
 - The farm unit must have at least one tract that has 10 acres in actual production that has...
 - Produced average gross income of at least \$1,000 for previous three years preceding the January 1st of year for which benefit is claimed.



2

Initial Qualifying Tract

- Agricultural Land Income Requirement (cont'd):
 - While agricultural land used for as a farm for aquatic species receives an exception to the 10-acre rule and has its own size requirements as discussed in Chapter 3, the initial qualifying tract must still meet the \$1,000 income requirement as all other agricultural land.



3

Initial Qualifying Tract

- Horticultural Land Income Requirement:
 - The farm unit must have at least one tract that has at least 5 acres in actual production that has...
 - Produced an average gross income of at least \$1,000 per year for the three years preceding the January 1 for which present-use value is requested.
 - Evergreens intended for use as Christmas Trees will be discussed in another section.



4

Initial Qualifying Tract

- Forestland Income Requirement
 - Forestland has no income requirement.



5

Gross Income

- Gross Income
 - The income requirement is a **gross** income requirement and should be understood as income derived from the allowed activities and allowed sources before deduction of any expenses.



6

Average Gross Income

- The gross income is **averaged** over the preceding three years in an effort to account for variations in the income stream.
- Averaging will mitigate most moderately adverse conditions, but additional discretion may be needed in case of severe adverse climatic and weather forces the owner has no control (drought, flooding, etc.)



7

Income Requirement for Tracts Other Than Initial Qualifying Tract

- The income requirement only specifically requires that a farm unit have at least one tract that meets the minimum average gross income requirement. Technically, if one tract meets the three-year \$1,000 average gross income requirement, no other tract in the farm unit has to meet the requirement. However....



8

Income Requirement for Tracts Other Than Initial Qualifying Tract

- It would be incorrect to assume that no other tracts other than the initial qualifying tract are required to produce income.
- Land must be actively engaged in commercial production under sound management.
- Commercial production clearly indicates that the land has been put to an income-producing use.
- Sound management seeks to maximize the return from the land.



9

Income Requirement for Tracts Other Than Initial Qualifying Tract

- The land must be actively engaged in commercial production under sound management. Therefore, it is only logical to expect income production from the land, regardless of whether the land is required to meet the 3-year average \$1,000 gross income requirement described in this presentation.



10

Sources of Income

- The income must be from one of these sources:
 - The sale of products or animals produced from the land, including grazing fees and the sale of bees or bee products other than honey.
 - Any payments received under a government soil conservation or land retirement program.
 - For agricultural land only, income from the Tobacco Buyout of 2004.



11

Sources of Income

- Products Grown and Consumed
 - For products grown and consumed as part of an overall operation, there will be no direct income from the sale of the product. While not specifically allowed by statute, the assessor may allow the owner to report the quantity of products grown. The assessor may then use market rates to determine an income that would be realistic if the product had been sold rather than consumed. However, there is no requirement that the assessor allow this procedure.



12

Invalid Sources of Income

- Examples of invalid sources of income:
 - Rental income from the leasing of the land cannot be used.
 - Stud fees and boarding fees.
 - Training or showing of animals for judging or show.



13

Invalid Sources of Income

- Invalid sources of income (cont'd)
 - Leasing of hunting rights.
 - Sale of firewood, pine cones, pine straw, etc.
 - Fees for services such as plowing, mowing, baling, hauling, drying, curing or other similar operations.



14

Income and Compliance Reviews

- G.S. 105-296(j) states that the period of the review process is based on the average of the preceding three year's data. Therefore, the county may ask for the income received for the three preceding years as part of the compliance review process.
- The income requirement is not a requirement that must only be met at the time of initial application. The farm unit must continue to meet the income requirement on a continuing basis.



15

Security of Income Information

- Income information is confidential information and should be kept under lock and key.
- Requests to view or copy an application or associated document should be honored, but the income information should be marked through or otherwise protected, such as using a protective template to make copies for the public.



16

Conversion to a Different Classification

- The present-use value statutes do not address the conversion from one classification to another (i.e. from agriculture to horticulture, etc.). Therefore this area is open to some interpretation but the following guidance seems to be as consistent with the statutes as possible, given the lack of statutory direction.



17

Conversion to a Different Classification

- From Agriculture or Horticulture to Forestry
 - A qualifying agricultural or horticultural tract that is being converted to forestry should likely be allowed to continue in present-use value.
 - The converted acreage will have to be at least 20 acres to meet the size requirement.
 - The conversion should be done quickly and should not take more than one agricultural or horticultural growing season.



18

Conversion to a Different Classification

- From Horticulture to Agriculture
 - Conversion to agricultural classification from horticultural classification will likely always qualify if the tract has at least 10 acres in production. The horticultural tract was already satisfying the income requirement and therefore was in production for at least the last 3 years. Additionally, the new agricultural crops will immediately begin producing income, thus continuing to meet the income requirement.



19

Conversion to a Different Classification

- From Agriculture to Horticulture (Annual Crops)
 - Conversion to annual horticultural crops from agricultural classification will likely always qualify. The agricultural tract was already satisfying the income requirement, and therefore was in production for at least the last 3 years. Additionally, the new annual horticultural crops will immediately begin producing income, thus continuing to meet the income requirement. The size requirement will already be met.



20

Conversion to a Different Classification

- From Agriculture to Horticulture (Perennial Crops)
 - Conversion to perennial horticultural crops (orchards, vineyards, etc.) from agricultural classification should likely not qualify.
 - The new perennial horticultural crops will not begin producing income for a number of years, thus failing to meet the income requirement.
 - It may seem questionable to remove the owner from PUV when the land is still being farmed, but equity requires it due to the prolonged lack of income.



21

Conversion to a Different Classification

- From Forestry to Agriculture or Horticulture (Annual Crops)
 - This is the most difficult scenario. With a quick conversion, income production is immediate but the tract will fail to meet the 3-year income production requirement.
 - The assessor will have to make a judgment call if ever presented with this particular situation.



22

INCOME REQUIREMENT EXAMPLES



23

23

1-Q

- Owner applies for agricultural PUV on a 15-acre tract of land, all growing hay. The owner submits gross income for the three prior years as \$1,200, \$800 and \$1,000. Expenses for the three years total \$3,500.



24

24

1-A

- The property will meet the income requirement since the average gross income over the previous three years was at least \$3,000.
- Expenses are not a criteria in determining whether a property qualifies under the income requirement.



25

25

2-Q

- Owner applies for agricultural PUV on a 15-acre tract of land, all growing hay. The owner submits gross income for the three prior years as \$1,100, \$700, and \$1,000.
-



26

26

2-A

- The property does not meet the income requirement of an average of \$1,000 for the previous three years.



27

27

3-Q

- Owner applies for agricultural PUV on a 15-acre tract of land, all growing hay. The owner submits rental income for the three prior years as \$1,200, \$800 and \$1,000.



28

28

3-A

- Rental income is not a valid source of income for PUV classification. The owner will need to ascertain from the tenant farmer the gross income produced from the land.



29

29

4-Q

- Owner applies for agricultural PUV and submits the following income from the past three years: \$2,500 from sale of crops, \$800 in tobacco buyout payments.



30

30

4-A

- The property will qualify as the sale of crops and income from the tobacco buyout are both valid sources of income, and the average gross income is greater than \$1,000 per year.



31

31

5-Q

- Owner applies for agricultural PUV and submits the following income from the past three years: \$2,500 from sale of crops and \$800 in soil conservation program payments. The tract is 13 acres with 9 acres planted in tobacco and 4 acres are enrolled in a soil conservation program (not CRP) that prohibits production on the land.



32

32

5-A

- The property will meet the income requirements since the average gross income is \$1,100. Soil conservation program payments can be used to meet the income requirement. The 4 acres are not considered to be in production and will not receive PUV. Therefore, the property only has 9 acres in production and will not meet the size requirement for PUV.



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6-Q

- Owner applies for agricultural PUV and submits the following income from the past three years: \$2,500 from sales of crops and \$800 from leasing of hunting rights.



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6-A

- The property does NOT meet the income requirements as income from the leasing of hunting rights is not a valid source of income.



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7-Q

- Owner owns and operates a 20-acre apple orchard. Apples harvested from the orchard are converted on site to apple cider and other apple related products as part of the owner's overall operation. Owner applies for horticultural PUV.



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36

7-A

- There is no direct income from the sale of the apples, but this is clearly a legitimate horticultural operation that could have sold the apples to a processor instead. In this instance, the assessor may allow the owner to report the quantity of crops grown. Then the assessor may use market rates to determine an income that would be realistic if the product had been sold rather than consumed.



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8-Q

- During a compliance review, an owner reports no income for last year but reports an income of \$1,200 for each of the two previous years. Owner reports that a hail storm completely destroyed the crop last year.



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8-A

- Even though the owner only averaged gross income of \$800 over the last three years, it is recommended that the assessor use discretion when natural disasters significantly affect the farming operation. In this example, the property should be allowed to remain in PUV as long as the owner was meeting the requirements prior to the natural disaster and is working towards a quick return to commercial productivity.



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9-Q

- Owner applies for PUV on 15 acres that includes a four stall horse barn. The remaining acreage is in pasture. The owner's sole purpose is boarding horses and the owner rents the four stalls for \$200.00 a month for each stall. An annual income of \$9,600 is received from the operation. In addition, the pasture is included in the stall fee and is used by the boarders for riding and grazing of the horses. Owner does not produce any income from the sale, growing or training of horses. The only income produced is from the boarding of horses.



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9-A

- Rental income from boarding is not a valid source of income for PUV classification. The owner will need to produce gross income from the sale of products produced from the land.



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10-Q

- Owner applies for PUV on 15 acres that include a horse barn with eight stalls. The owner has four brood mares that have produced four foals each for the last three years. In each prior year, the owner sold three of the four foals for \$2,000 each for a total of \$6,000 annually. The owner kept the remaining foals on the farm for training and breeding purposes.



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42

10-A

- Income from the sale of products produced by the land is a valid source of income for PUV classification.



43

PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 5: Sound Management



1

1

Sound Management Defined

- Sound management is a program of production designed to obtain the greatest net return from the land consistent with its conservation and long-term improvement.



2

2

Sound Management Defined

- Sound management requires land to be used for the production of agricultural, horticultural, or forest products in a manner that maximizes the return from the land. If this is not the objective of the owner, it should be questioned whether the land is being used for commercial production as required by the statutes.



3

Sound Management for Forestry

- If the owner of forestland demonstrates that the forestland complies with a written sound forest management plan for the commercial production and sale of forest products, then the forestland is operated under a sound management plan.



4

Sound Management for Forestry

- Forestland must be in compliance with the written sound forest management plan as of January 1 of the year for which the present-use value classification is requested. A copy of the forestry management plan must be submitted with the application.



5

Sound Management for Forestry

- Forestry management plans can be prepared by:
 - An independent forestry consultant,
 - A forester with the North Carolina Forestry Service, or
 - The property owner.



6

Sound Management for Forestry

- If the property owner prepares the plan, the owner must have the necessary forestry management and analysis skills to prepare a plan comparable to a plan prepared by a qualified forester.



7

Sound Management for Forestry

- Key elements in a written plan for a sound forestry management program.
 - **Management and Landowner Objectives Statement.** Long range and short range objectives of owner(s).
 - **Location.** Include a map or aerial photo to locate the property and describe each stand referenced in the “Forestry Stand(s) Description/Inventory and Stand Recommendations”.



8

Sound Management for Forestry

- **Forest Stand Description / Inventory and Stand Management Recommendations.** This should include a detailed description of various stands within the forestry unit. Each stand description should detail the acreage, age, size, condition, topography, soils and productivity information. Also, stand-specific forest management practices needed to sustain productivity.



9

Sound Management for Forestry

- **Regeneration-Harvest Methods and Dates.** For each stand, establish a target timetable for harvest of crop trees, specifying the type of regeneration-harvest (clear cut, seed tree, shelter wood, or selection regeneration systems).
- **Regeneration Technique.** Should include a sound proposed regeneration plan for each stand when harvest of final crop trees is done. Specify intent to naturally regenerate or plant trees.



10

Sound Management for Forestry

- A forest management plan should be updated as forest conditions significantly change.
 - Storm damage
 - Insect or disease attack
 - Timber harvest
 - Thinning
 - Wildfire
 - Change in product class mix as the stand ages and grows



11

Sound Management for Forestry

- Forest management plans should not be open-ended and should include a timetable for re-evaluating the forestry management plan, especially in the early growth of a forestry unit.
- The primary objective of the management plan must be the commercial production of timber, and any secondary objectives such as improving wildlife habitat and enhancing recreation must not significantly detract from the primary objective.



12

Sound Management for Agriculture and Horticulture

- For agricultural and horticultural land, if the property owner demonstrates any one of the following factors, then the land is operated under a sound management program.
 - **Enrollment in and compliance with an agency-administered and approved farm management plan.** It is unclear which agencies and which programs were intended by this statute making this test difficult to evaluate and administer.



13

Sound Management for Agriculture and Horticulture

2. **Compliance with a set of best management practices for the commercial production of agricultural or horticultural products.** BMPs generally deal with managing an ongoing operation in an environmentally conscious manner. This test should be straightforward as long as the BMPs provide the ability to meet the statutory definition of sound management.



14

Sound Management for Agriculture and Horticulture

- 3. Compliance with a minimum gross income per acre test.** This is determined by dividing the total gross income from production by the total acres in production. The result is compared to a minimum gross income per acre benchmark determined by the county. If the county uses this test, the benchmark used by the county should be accessible to the public. If the owner wants to use this test, the county must have adopted some standard as to the minimum acceptable gross income per acre. The owner should not set the standard.



15

Sound Management for Agriculture and Horticulture

- 4. Evidence of net income from the farming operation.** Net income requires that the farming operation achieved a positive financial return from operations. (Revenues exceed expenses.)



16

Sound Management for Agriculture and Horticulture

- 5. Evidence that farming is the farm operator's principal source of income.** Compare all of the operator's income in relation to the income attributable to the farming operations. Typically, more than 50 percent of the farm operator's income should come from the farming operations. The statutes do not state whether the income should be gross or net income.



17

Sound Management for Agriculture and Horticulture

- 6. Certification by a recognized agricultural or horticultural agency within the county that the land is operated under a sound management program.** At this time, no agencies are known to provide this certification. Also, it is unclear who determines whether an agency is a recognized agricultural or horticultural agency if this issue is disputed.



18

Sound Management for Agriculture and Horticulture

- The statutes also provide that sound management can be demonstrated by evidence of other similar factors. This provision is vague and without any guidelines.
- If a property owner cannot meet one of the six tests mentioned above, it is unlikely that there will be any other similar factors they can provide that will prove sound management. However, the statutes do provide the opportunity for the property owner to make the argument.



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Sound Management Summary

- Sound management is a program of production designed to obtain the greatest net return from the land consistent with its conservation and long term improvement.
- Land that is required to be in commercial production is also required to be under sound management.



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Sound Management Summary

- Sound management for forestry has different requirements than agricultural or horticulture.
- If the owner of forestland demonstrates that the forestland complies with a written sound management plan for the commercial production and sale of forest products, then the forestland is under a sound management program.
- For agricultural or horticultural land the property owner must show that the land meets any one of the six factors to be under sound management.



21

SOUND MANAGEMENT EXAMPLES



22

1-Q

- Owner applies for forestry PUV on a 300-acre tract of woodland and submits a management plan that emphasizes wildlife protection and aesthetic qualities. The plan calls for the removal of dead and diseased trees but does not allow for the harvesting of timber for sale.



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1-A

- Forestland classification is only for land that is actively engaged in the commercial growing of trees under a sound management program. The tract is not engaged in the commercial growing of trees and will not qualify.



24

24

2-Q

- Owner applies for forestry PUV and submits a management plan that the owner has prepared.

2-A

- Forestry plans can be prepared by the property owner. However, if the owner prepares the plan, the owner must have the appropriate forestry management skills and analysis skills to properly prepare a plan comparable to a plan prepared by a qualified forester. The owner prepared plan should not be held to a lesser standard just because the owner prepared it. If the owner is not capable of producing an adequate plan, then a professional forester should be retained to provide a plan.

3-Q

- Owner applies for agricultural PUV and submits income information that indicates a gross income per acre of \$50. The county has adopted a minimum gross income per acre of \$65.



27

3-A

- The assessor should deny the application on the grounds that the property did not meet the county's sound management test. However, the assessor should inform the owner that the application may be approved if the owner can prove sound management under one of the other statutorily mandated criteria for sound management.



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4-Q

- Owner submits \$3,900 in gross income from the farm but shows expenses of \$4,200.



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4-A

- The owner will not be able to show sound management under the net income test since the farm has a negative net income of \$300. The owner may be able to show sound management under another test.




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Forestry Plans and More

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1



4

Sound Management is....

- greatest net return from the land consistent with its conservation and long-term improvement.

Sound Management Requires

- Land for the production of forest products
 - in a manner that maximizes the return from the land.
- Commercial production required by the statutes.

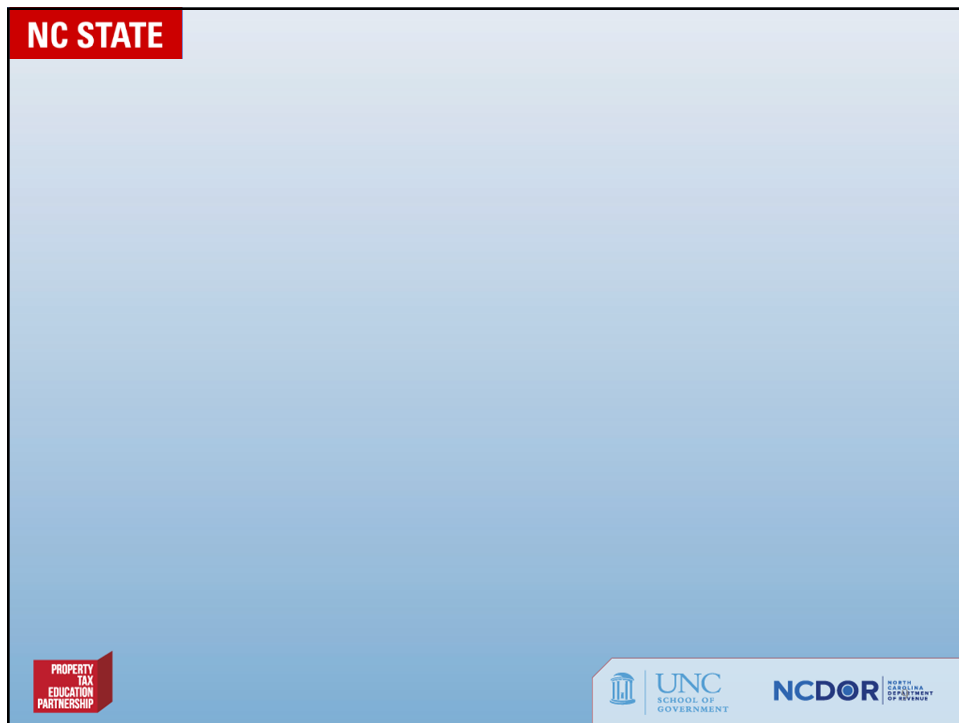
Forestry Management Plans

- Forestland must be in :
 - compliance with the written sound forest management plan.
- As of January 1 of the year PUV is requested.
- A copy must submitted with the application.

Forest Management Plan

Can be prepared by:

- An independent consulting forester
- A forester with the NC Forestry Service
- The property owner



9

This slide is titled "NC STATE" in a red box at the top left. The background is a light blue gradient. The main content is titled "Forest Management Plan" in a large black font. Below it, the text "Plan prepared by property owner:" is followed by a bulleted list of three requirements. At the bottom, there are three logos: "PROPERTY TAX EDUCATION PARTNERSHIP" on the left, "UNC SCHOOL OF GOVERNMENT" in the center, and "NCDOR NORTH CAROLINA DEPARTMENT OF REVENUE" on the right.

Forest Management Plan

Plan prepared by property owner:

- Must have the necessary forestry management and analysis skills.
- Must contain all the required elements.
- Judged on same standards as professional consultant or forestry service.

10

Key Elements

- Management and Landowner Objectives
 - Long and short range objectives
- Location
 - Map or aerial photo to locate and describe the:
 - Forest stand(s)
 - Description/inventory
 - Stand Management Recommendations

Key Elements Cont.

- Forest Stand(s), Description/Inventory, and Stand Management Recommendations
 - Detailed description of various stands within the forestry unit.
 - Each stand description should detail the:
 - Acreage, species, age, size, condition, topography, soils and site index or productivity information.
 - Stand-specific forest management practices needed to sustain productivity, health, and vigor.

Key Elements Cont.

- Regeneration-Harvest Methods and Dates
 - Establish a target timetable for harvest of crop trees.
 - i.e. clear cut, seed-tree, shelterwood, or selection regeneration systems
- Regeneration Technique
 - A sound proposed regeneration plan for each stand when harvest of final crop trees is done.
 - Specify intent to naturally regenerate or plant trees.



Forest Management Plans

- Should be updated as forest conditions change:
 - Insect or disease attack (Last image)
 - Storm damage (Next image)
 - Timber harvest
 - Thinning
 - Wildfire
 - Change in product class mix as the stand ages and grows

15



16

A Proper Forest Management Plan

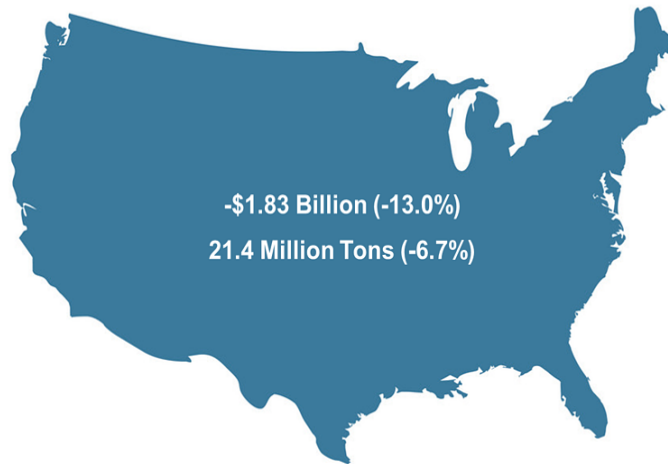
- Not open-ended
- Includes a timetable for re-evaluation
 - Especially in the early growth of a forestry unit

A Proper Forest Management Plan

- Primary objective:
 - Commercial production of timber
 - Secondary objectives:
 - Must not detract from the primary objective
- Ex. Improving wildlife habitat, recreation, WQ.

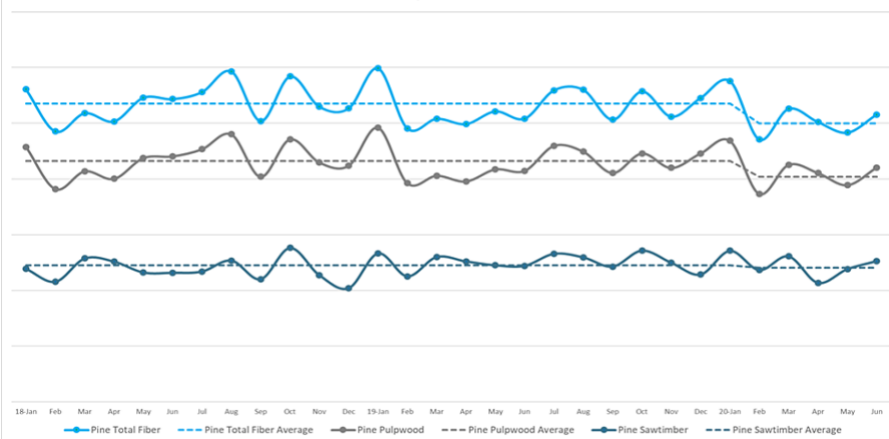
Economic Down Turn

COVID-19 Impacts to Delivered Wood Raw Material



US South Pine Consumption

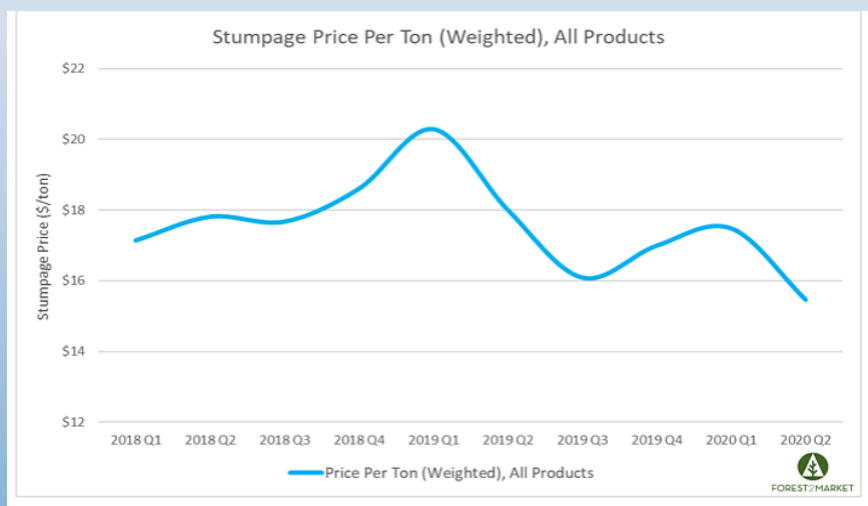
US South Pine Consumption by Type
January 2018 to June 2020



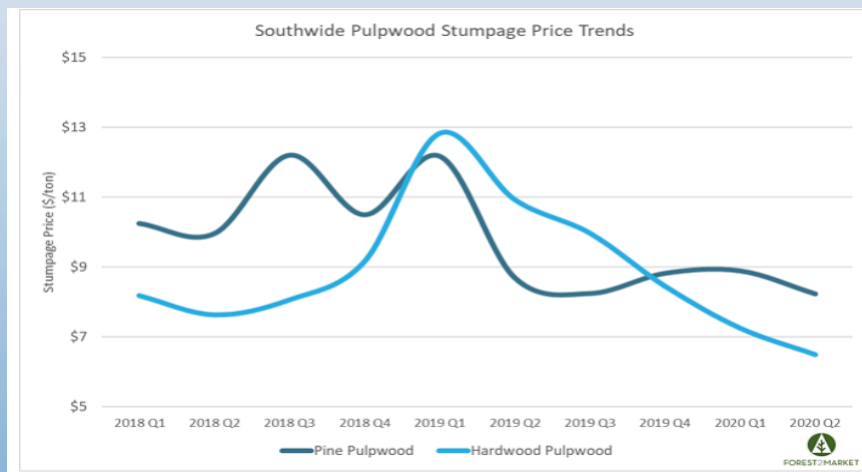
What to expect??

- **High lumber prices** continue to drive lumber production and consumption of sawlogs that has remained largely unchanged since early 1Q.
- This could result in some **supply issues** if the imbalance between pine pulpwood consumption and log consumption continues.

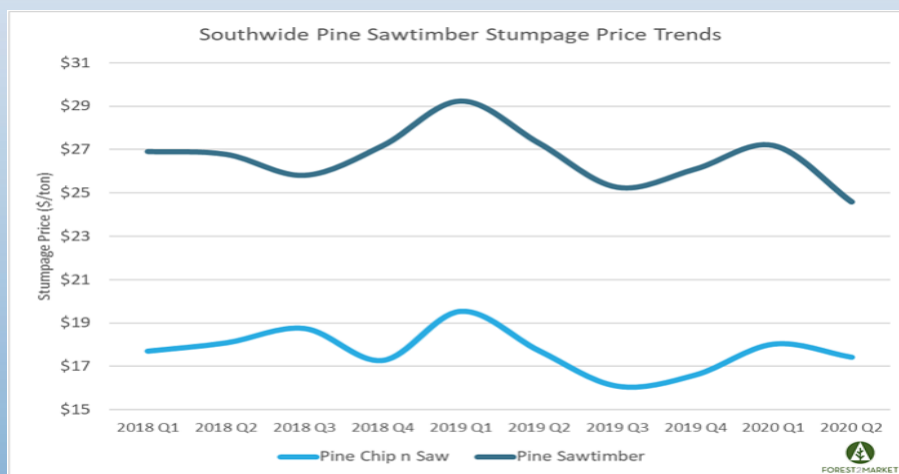
Pocket Book Trend (Stumpage)



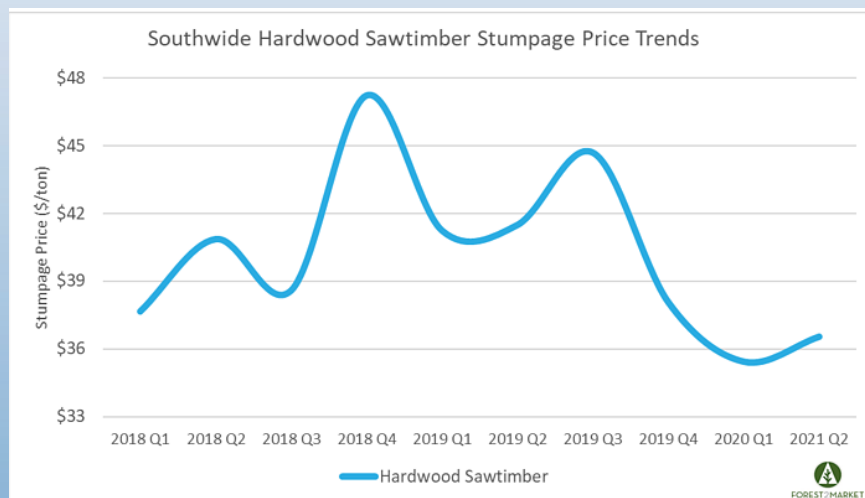
Pulpwood Trends (stumpage)



Pine Sawtimber Trends (stumpage)



Hardwood Sawtimber (stumpage)



Outlook

- Real gross domestic product (GDP) plummeted -31.7 percent in 2Q2020, according to the “second” estimate released by the Bureau of Economic Analysis

NC STATE

Brightside

- Total industrial production rose 5.4 percent in June; manufacturing output: +7.2 percent
- Non-farm employers added 1.763 million jobs in July, and the unemployment rate receded to 10.2 percent under a combination of employment gains (+1.35 million employed) and contraction in the labor force (-62,000)



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Brightside take 2

- July total housing starts jumped by 22.6 percent, to 1.496 million units; permits: +2.1 percent, to 1.241 million units
- New-home sales rallied by 13.8 percent, to 0.776 million units; resales: +20.7 percent, to 4.72 million units



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NC STATE

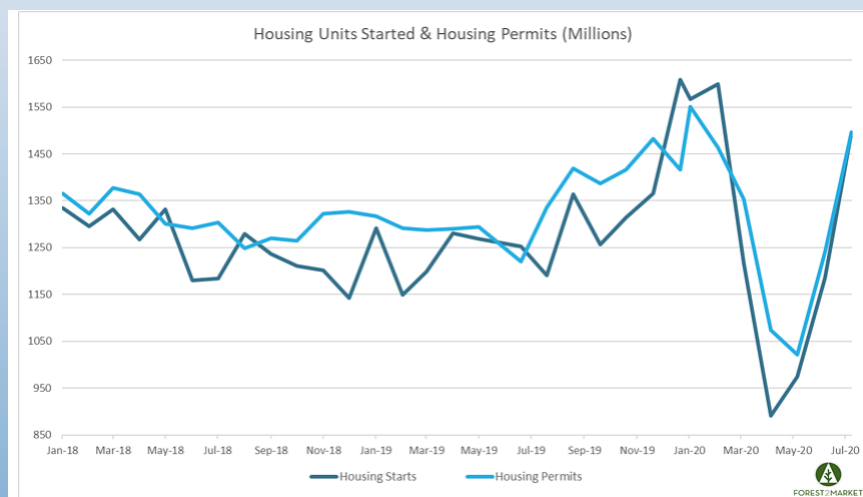
- Despite some of the positive economic signals, **stumpage prices** across the South are now **climbing back** out of the hole after a dismal 2Q, when demand dropped in tandem with the economic shutdown.
- **Forest2Market's 3Q data is incomplete at this point, but prices are sharply trending back up.**



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NC STATE

Housing Permits



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Housing Explanation

- **An uneven recession.** 55 percent of households earning less than \$35,000 per year lost employment income versus only 40 percent of those earning at least \$75,000.
- **Record low interest rates.** Mortgage rates reached a new record low in mid-July. Average monthly mortgage payments have declined by \$80/month relative to this time last year due to those lower rates.

Housing Explanation

- **Lean pre-crisis inventory.** Inventory was low, home equity was high and debt levels manageable.
- **Pandemic-related relocations.** Moving to the suburbs appears to be a real phenomenon..

NC STATE

Bright future?



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33

NC STATE

MANY THANKS!!!!!!!

QUESTIONS ??

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34

PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 6: Evergreens Intended For Use As Christmas Trees



1

Size Requirement

- Evergreens intended for use as Christmas trees are part of the horticultural classification. Therefore, the minimum acreage for classification is 5 acres of land actively engaged in the commercial production of evergreens.
-



2

Income Requirements

- Instead of the standard income requirement for other horticultural land, the General Assembly requires that the North Carolina Department of Revenue establish an “in lieu of gross income” requirement until the evergreens are harvested.



3

Income Requirements

- NCDOR is also required to establish a gross income requirement for this type of horticultural land that differs from other horticultural land. This separate gross income requirement will be applied when the evergreens are harvested from the land. Until that time, the property must meet the standards established in the “in lieu of gross income” requirement.



4

In Lieu of Gross Income Requirement

- While Christmas tree farms are generally associated with the mountains, there are a number of Christmas tree farms located throughout the state. NCDOR establishes one “in lieu of gross income” requirement and one gross income requirement for the mountains (Major Land Resource Area 130). NCDOR also establishes a second “in lieu of gross income” requirement and a second gross income requirement for the rest of the state (Major Land Resource Areas 133A, 136, 137, 153A, and 153B).



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In Lieu of Gross Income Requirement

- The “in lieu of gross income” requirement is that the trees must be managed under a sound management program until they are harvested. While the recommended numbers (spacing, harvest cycle, etc.) differ between the two regions, the principles of the sound management program are the same:



6

In Lieu of Gross Income Requirement

- Sound Management Practices
 - Proper site preparation, controlling problem weeds and saplings, taking soil samples, and applying fertilizer and lime as appropriate.
 - Proper tree spacing.
 - A program for insect and weed control.
 - An appropriate harvest cycle.



7

- Gross Income Requirement
 - At the date of this publication, the gross income requirement for acres undergoing Christmas tree harvest is \$2,000 per acre for the mountains (MLRA 130) and \$1,500 per acre for the rest of the state (all other MLRAs). Once the specific acres are harvested, the acres revert to the “in lieu of gross income” requirement until it is time to harvest once more.



8

UVAB Use-Value Manual

- The Christmas tree requirements are published annually by NCDOR in the UVAB Use-Value Manual.



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9

CHRISTMAS TREE EXAMPLES



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1-Q

- Owner applies for horticultural PUV on an 8-acre tract recently planted in Christmas trees. The owner has no income to report for the tract.



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1-A

- There is no gross income requirement for this tract until the trees are being harvested. Instead the tract must meet the “in lieu of gross income” requirement for the years preceding the harvest years, which basically details the sound management practices for Christmas tree production in the geographic region.
-



12

2-Q

- A 9-acre tract planted in Christmas trees is currently receiving present-use value. The trees are entering the harvest cycle and it will take 3 years to harvest the entire tract. There are 4 acres undergoing harvest this year. The tract is located in MLRA 130 Mountains.

-
-



13

2-A

- The gross income requirement for acres undergoing Christmas tree harvest in MLRA 130 Mountains is \$2,000 per acre. Since 4 acres are undergoing harvest this year, the tract needs to produce a minimum of \$8,000 gross income for the year.
- Once the harvest is completed on the 4 acres, the requirement for those acres will revert to the “in-lieu of income” requirement.



14

3-Q

- A 9-acre tract planted in Christmas trees is currently receiving present-use value. The trees are entering the harvest cycle and it will take 3 years to harvest the entire tract. There are 4 acres undergoing harvest this year. The tract is located in MLRA 136 Piedmont.
-
-



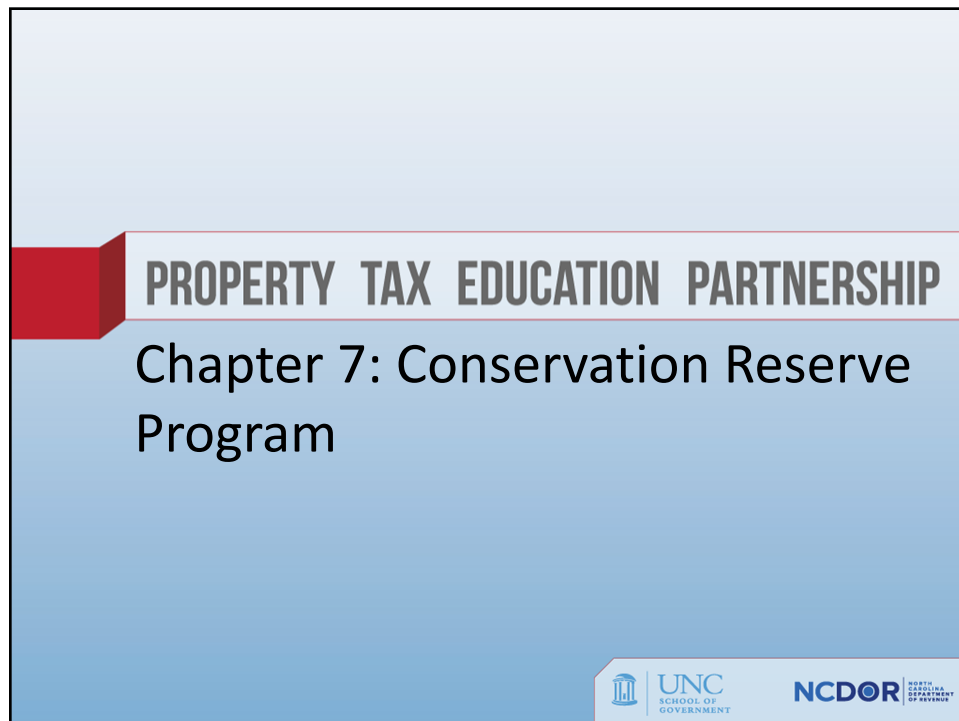
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3-A

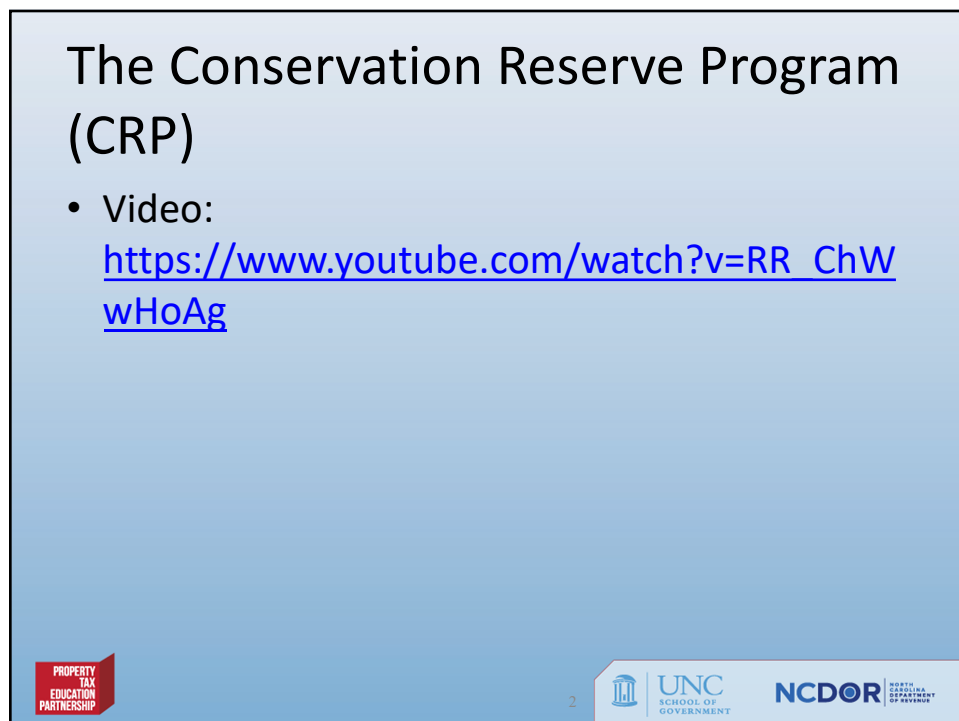
- The gross income requirement for acres undergoing Christmas tree harvest in MLRA 136 Piedmont is \$1,500 per acre. Since 4 acres are undergoing harvest this year, the tract must produce a minimum of \$6,000 gross income for the year.
- Once the harvest is completed on the 4 acres, the requirement for those acres will revert to the “in-lieu of income” requirement.



16



1



2

The Conservation Reserve Program (CRP)

- Administration of CRP
 - The provisions of G.S. 105-277.3(d) apply only to land enrolled in the federal Conservation Reserve Program authorized by 16 U.S.C. Chapter 58.



3



3

The Conservation Reserve Program (CRP)

- Administration of CRP
 - 16 U.S.C. Chapter 58 includes many programs other than CRP, but the statutes provide the preferential treatment only to the portion of 16 U.S.C. Chapter 58 which authorizes the Conservation Reserve Program.



4



4

The Conservation Reserve Program (CRP)

- Administration of CRP
 - CRP is administered by the Farm Service Agency (FSA) of the United States Department of Agriculture.
 - Not every program administered by FSA is part of CRP.



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The Conservation Reserve Program (CRP)

- Sign-up for CRP
 - There are two sign-up options for CRP:
 - Periodic Sign-ups
 - Continuous Sign-ups



6



6

The Conservation Reserve Program (CRP)

- Sign-up for CRP
 - All participants must enter the CRP program through one of these two sign-up methods, and the participant should be able to show to the tax office that application was made and that acceptance into a CRP program was granted through this sign-up process.



7



7

The Conservation Reserve Program (CRP)

- Components of CRP
 - There are currently several components of CRP:
 - Conservation Reserve Program (CRP)
 - Conservation Reserve Enhancement Program (CREP)



8



8

The Conservation Reserve Program (CRP)

- Components of CRP
 - Farmable Wetlands Program (FWP)
 - Bottomland Timber Establishment on Wetlands
 - Northern Bobwhite Quail Habitat Initiative (also known as Upland Bird Habitat Buffer)



9



9

The Conservation Reserve Program (CRP)

- Components of CRP
 - Wetlands Restoration Initiative
 - Longleaf Pine Initiative
 - State Acres for Wildlife Enhancement (SAFE)
 - CRP is a flexible program and there may be other existing programs or new programs approved under the authority of CRP in the future.



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CRP and Present-Use Value

- CRP Land Is Considered to Be in Actual Production
 - By statute, land enrolled in CRP is considered to be in actual production.



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11

CRP and Present-Use Value

- CRP Land Is Considered to Be in Actual Production
 - CRP land must be assessed as:
 - Agricultural land if it is planted in vegetation other than trees.
 - Forestland if it is planted in trees.



12



12

CRP and Present-Use Value

- CRP Land Is Considered to Be in Actual Production
 - Any combination of CRP land and non-CRP land in production may be used to meet the minimum acreage in production requirement for agriculture or forestry, whichever is appropriate.



13



13

CRP and Present-Use Value

- CRP Land Is Considered to Be in Actual Production
 - CRP land planted in trees must be assessed as forestland and cannot be used to meet the minimum size requirement for agricultural classification.



14



14

CRP and Present-Use Value

- CRP Land Is Considered to Be in Actual Production
 - CRP land planted in vegetation other than trees must be assessed as agricultural land and cannot be used to meet the minimum size requirement for forestry classification.



15



15

CRP and Present-Use Value

- Treatment of CRP Income
 - Income received from CRP can be used to meet the three-year \$1,000 minimum average gross income requirement for agricultural classification, either separately or in combination with income from actual production.



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16

CRP and Present-Use Value

- Treatment of CRP Income
 - CRP payments are generally less than \$100 per acre.
 - Therefore, it is unlikely that only 10 acres of CRP land would meet the income requirement even though it may meet, by statutory definition, the requirement that at least 10 acres be in actual production.



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CRP and Present-Use Value

- Treatment of CRP Income
 - CRP income can be used to supplement income for land in actual production.



18



18

CRP and Present-Use Value

- When Enrollment in CRP Results in Loss of PUV Eligibility
 - G.S. 105-277.4(d)(1) states that deferred taxes are not due and the lien for deferred taxes is extinguished if the property loses its eligibility for PUV solely due to a change in income caused by enrollment of the property in CRP.



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19

CRP and Present-Use Value

- When Enrollment in CRP Results in Loss of PUV Eligibility
 - Despite the preferential treatment given to land enrolled in CRP, it is still possible for enrollment in CRP to cause some tracts to lose their eligibility for PUV.
 - This would primarily occur in two situations:



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CRP and Present-Use Value

- When Enrollment in CRP Results in Loss of PUV Eligibility
 - 1. The enrollment results in a lower income that fails to meet the minimum gross income requirement. While the property will lose present-use value status, the deferred taxes are not due.



21



21

CRP and Present-Use Value

- When Enrollment in CRP Results in Loss of PUV Eligibility
 - 2. The CRP agreement may require that the land be converted to a use that is different than the use under which the tract is currently qualified for PUV, and the conversion to a different use lowers the amount of land in qualified use below the minimum requirement. It appears that deferred taxes would be due since the disqualification is due to a change in use and for failure to meet the size requirements.



22



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CONSERVATION RESERVE PROGRAM EXAMPLES



23



23

Additional Considerations

- CRP contracts entered into are generally 10 to 15 year contracts.
- Exception
 - Conservation Priority areas which expire after 5 years.
- These contracts may be extended.
- Important to review contracts and conduct periodic compliance reviews.



24



24

1-Q

- Property is a 20-acre tract, all in agricultural production, and is currently in PUV. Owner enrolls all 20 acres in the Conservation Reserve Program and the 20 acres are required to be planted in vegetation other than trees. The owner will receive \$60 per acre.



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1-A

- Total agricultural acreage in production is 20 acres. Average gross income is \$1,200 per year.
- The tract meets the size requirements since it has at least 10 acres in agricultural production. The tract meets the average gross income requirement since it will average at least \$1,000 gross income per year.



26



26

2-Q

- Property is a 12-acre tract, all in agricultural production, and is currently in PUV. Owner enrolls all 12 acres in the Conservation Reserve Program and the 12 acres are required to be planted in vegetation other than trees. The owner will receive \$60 per acre.



27



27

2-A

- Total agricultural acreage in production is 12 acres. Average gross income is \$720 per year.
- The tract does not meet the average gross income requirement since it will not average at least \$1,000 gross income per year.



28



28

2-A (cont'd)

- Enrollment in CRP will result in removal from the present-use value program. However, since the removal is solely due to a change in income caused by enrollment in CRP, no deferred taxes are due as a result of the disqualification.



29



29

3-Q

- Property is a 12-acre tract, all in agricultural production, and is currently in PUV. Owner enrolls 9 acres in the Conservation Reserve Program and the 9 acres are required to be planted in vegetation other than trees. The owner will receive \$60 per acre yearly for the CRP land. The 3 acres in actual production average \$150 per year in gross income.



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3-A

- Total agricultural acreage in production is 12 acres. Average gross income is \$690 per year.
- The tract does not meet the average gross income requirement since it will not average at least \$1,000 gross income per year.



31



31

3-A (cont'd)

- Enrollment in CRP will result in removal from the present-use value program. However, since the removal is solely due to a change in income caused by enrollment in CRP, no deferred taxes are due as a result of the disqualification.



32



32

4-Q

- Property is a 20-acre tract, with 15 acres in trees and 5 acres in agricultural production. The property is not in PUV. Owner enrolls all 20 acres in the Conservation Reserve Program. The 15 acres are required to remain planted in trees and the 5 acres are required to be planted in vegetation other than trees. The owner will receive \$60 per acre. Owner applies for PUV as either agriculture or forestry.



33



33

4-A

- Total forestland in production is 15 acres and total agricultural acreage in production is 5 acres. Average gross income is \$1,200 per year.
- The tract does not meet the size requirement since it does not have at least 10 acres in agricultural production or at least 20 acres in forestry production.



34



34

5-Q

- Property is a 20-acre tract, with 15 acres in trees and 5 acres in agricultural production. The property is not in PUV. Owner enrolls all 20 acres in the Conservation Reserve Program. The 15 acres are required to remain planted in trees and the 5 acres are required to be planted in trees. The owner will receive \$60 per acre. The owner plants the 5 acres in trees before January 1 and then applies for forestry PUV.



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5-A

- Total forestland in production is 20 acres.
- The tract meets the size requirement since it has at least 20 acres in forestry production. There is no income requirement for forestland.



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6-Q

- A 15-acre tract has 5 acres in production for corn, 3 acres in CRP, and 7 acres not in production due to participation in a non-CRP soil conservation program. The 5 acres of corn generates \$300 per year. The 3 acres in CRP will generate \$180 per year. The 7 acres in the other soil conservation program will generate \$600 per year.



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6-A

- All three sources of income can be used to meet the income requirement, and will produce an average gross income of \$1,080. This amount will be sufficient to meet the \$1,000 average gross income requirement.



38




38

6-A (cont'd)



- However, the 7 acres in the non-CRP soil conservation program are not considered to be in actual production. Only acreage in CRP is considered to be in actual production when it is, in fact, not in production. Therefore, the 5 acres of corn and the 3 acres of CRP are in production. Since the tract has only 8 acres in production, the tract will not qualify for PUV since it fails to meet the agricultural size requirement.





PROPERTY TAX EDUCATION PARTNERSHIP




Chapter 8: Conservation Easements

1

Conservation Easements

- Conservation easements come in varying forms and restrict property rights based on the particular desires of the person granting the easement.
- It is possible for a property owner to convey a restrictive conservation easement and still qualify for present-use value, **without any special provisions, if the easement allows the owner to continue to farm or timber the land for commercial production under a sound management program designed to obtain the greatest net return from the land.**

2

2

Conservation Easements

- However, if the easement restricts farming or forestry to the point that the land cannot be managed for commercial production, the land will no longer qualify for PUV, unless the land meets the requirements under the special provision for certain qualifying easements as described in this presentation.



3



3

Exception for Qualifying Easements

- Effective for the 2014 tax year, the General Assembly revised the original special provision (effective January 1, 2003) that allows present-use value properties encumbered with certain qualifying conservation easements to continue in present-use value without regard to actual production or income requirements. The following are the requirements effective as of January 1, 2014:



4



4

Requirements

1. The property must be in present-use value at the time qualification for this provision is being determined.
2. The property must be legitimately receiving present-use value. If the property is receiving present-use value at the time qualification for this provision is being determined but does not actually qualify for present-use value, the property should be disqualified. Therefore, the special provisions described in this presentation would not apply.



5



5

Requirements

3. The easement must meet the requirements for the Conservation Grant Fund created in G.S. 113A-232.
4. Effective January 1, 2010, the taxpayer may not have received more than 75% of the fair market value of the donated property interest in compensation. In other words, the taxpayer must have donated at least 25% of the market value of the easement.



6



6

Requirements

5. The easement can have been donated at any time in the past but must meet the requirements of the law in place at the time qualification for this provision is being determined. Example: A property on which an easement was at least 25% donated in 1998 can qualify for this provision in 2014 as long as it is has a qualifying conservation easement that meets the requirements of the Conservation Grant Fund. The property is legitimately in PUV at the time in 2014 that the determination is being made. If the 1998 easement prohibited commercial ag, hort, or forestry production, or if the property was taken out of production, the property cannot qualify in 2014 for this provision because it should have already been disqualified.



7



7

Special Provisions

- If the property and the conservation easement meet all of the above requirements, the following special provisions apply to that part of the property **that is subject to the easement:**



8



8

Special Provisions

1. The property will remain in present-use value and no deferred taxes are due.
2. The property is no longer subject to production requirements.



9



9

Special Provisions

3. The property is no longer subject to income requirements.
4. The property is probably no longer subject to the size requirements. This provision is not stated in the statutes but seems to be consistent with the intent.



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Special Provisions

5. If the property is transferred, the additional ownership requirements on the conditions of the transfer do not apply. For instance, the property does not have to transfer to a relative, or be the owner's place of residence, or transfer to a member of the business entity if transferring from a business entity.



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Special Provisions

6. However, the provision in #5 above does not remove the requirement that the property be owned by a **qualifying owner**. It only means that a new qualifying owner does not have to meet the additional ownership requirements in G.S. 105-277.3(b) and (b1). The new owner must still be an owner that meets the definition of individually owned in G.S. 105-277.2(4).



12



12

Special Provisions

7. If transferred to a new owner, a new application would need to be filed by the new owner stating their desire for the property to remain in present-use value. The application must be filed within 60 days of the date of transfer or the property will become disqualified. Present-use value is a voluntary program and the tax office cannot make the participation decision for the new owner.



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13

Overlapping Provisions

- If a conservation easement meets all of the above requirements but does not restrict farming or forestry, the property owner may not need these special provisions if the owner continues to farm the property. However, the provisions are available if the owner should subsequently desire to stop production on the easement acreage.



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Additional Points

- These special provisions apply only to the part of the property that is subject to the easement.



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Additional Points

- The qualifying easement land is not required to be in production, but the easement land is also not considered to be in actual production and does not count toward the minimum size requirement for classification of non-easement land. Only land enrolled in the Conservation Reserve Program can be considered in actual production when it is actually not in production.



16



16

Additional Points

- The remainder of the tract that is not subject to the easement must continue to meet all of the requirements for present-use value classification. Failure to do so will result in the disqualification of the non-easement land and the deferred taxes on the non-easement land will become due and payable.



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17

Additional Points

- How is the market value of the property effected by the conservation easement?
- What portion of the bundle of rights, if any, have been taken from the use of the land?



18



18

CONSERVATION EASEMENT EXAMPLES



19



19

1-Q

- Owner has a 30-acre tract in agricultural PUV and all acreage is planted in crops. The owner received 100% compensation for a conservation easement placed on the property, and the easement prohibits all development but allows all forms of commercial agriculture.



20



20

1-A

- Property will continue to qualify for PUV if the owner continues to farm the property. Since the owner received 100% compensation for the easement, the owner will have to continue to farm the property to retain PUV. The owner is not eligible for the additional provisions for certain conservation easement property because the owner did not donate at least 25% of the fair market value of the easement.



21



21

2-Q

- Owner has a 30-acre tract in agricultural PUV and all acreage is planted in crops. Conservation easement is fully donated on the property, and the easement prohibits all development but allows all forms of commercial agriculture. The easement meets the property eligibility requirements of the Conservation Grant Fund.



22



22

2-A

- Property will continue to qualify for PUV. Since the owner donated at least 25% of the fair market value of the easement, the owner may continue to farm the property or may elect to cease farming. The owner is eligible for the additional provisions for certain conservation easement property because the easement was at least 25% donated and meets the requirements of the Conservation Grant Fund. Therefore, the owner may chose to discontinue farming and will still qualify for PUV.



23



23

3-Q

- Owner has a 30-acre tract in agricultural PUV and all acreage is planted in crops. The owner received 100% compensation for a conservation easement placed on the property, and the easement prohibits all development and also prohibits all forms of commercial agriculture.



24



24

3-A

- Property will be disqualified from PUV. The owner cannot continue to farm the property and therefore cannot qualify under the standard commercial production criteria. Additionally, the owner is not eligible for the additional provisions for certain conservation easement property because the owner did not donate at least 25% of the fair market value of the easement.



25



25

4-Q

- Owner has a 30-acre tract in agricultural PUV and all acreage is planted in crops. Conservation easement is fully donated on the property, and the easement prohibits all development and also prohibits all forms of commercial agriculture. The easement meets the eligibility requirements of the Conservation Grant Fund.



26



26

4-A

- Property will continue to qualify for PUV. The owner cannot continue to farm the property and therefore cannot qualify under the standard commercial production criteria. However, since the easement was at least 25% donated and meets the property eligibility requirements of the Conservation Grant Fund, the owner is eligible for the additional provisions for certain conservation easement property. The owner does not have to continue to farm the property.



27



27

5-Q

- Owner has a 30-acre tract that is not in agricultural PUV and all acreage is planted in crops. Conservation easement is fully donated on the property and the easement prohibits all development and also prohibits all forms of commercial agriculture. The easement qualifies for the conservation tax credit.



28



28

5-A

- Property will not be able to qualify for PUV. The owner cannot continue to farm the property and therefore cannot qualify under the standard commercial production criteria. Additionally, the owner is not eligible for the additional provisions for certain conservation easement property because the property must be in PUV at the time the easement was donated.



29



29

6-Q

- Property has been subjected to a fully donated conservation easement that meets the eligibility requirements for the Conservation Grant Fund. The land is no longer required to be in actual production. The owner transfers the property to an individual.



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30

6-A

- The property must continue to be “individually owned”. Since an individual meets the definition of “individually owned”, the individual can take ownership without being subject to the standard ownership requirements (such as length of ownership, transfer to relative, and place of residence) or to the exceptions to the standard ownership requirements (such as Continued Use).



PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 9: Exception for Turkey Disease



1

Exception for Turkey Disease

- As a result of some previous issues with the turkey disease, Poultry Enteritis Mortality Syndrome, the General Assembly made special provisions for this situation.
- Agricultural land is considered to be in actual production and to meet the minimum gross income requirements if it meets all of the following conditions.



2



2

Exception for Turkey Disease

1. The land was in actual production for turkey growing within the preceding two years and qualified for present-use value while it was in actual production.
2. The land was taken out of actual production for turkey growing solely for health and safety considerations due to the presence of Poult Enteritis Mortality Syndrome among turkeys in the same county or a neighboring county.
3. The land is otherwise eligible for present-use value.



3



3

TURKEY DISEASE EXAMPLES



4



4

1-Q

- Owner is currently receiving agricultural PUV for turkey production. The turkey disease, Poult Enteritis Mortality Syndrome, is discovered among the owner's turkey population. The owner ceases turkey production immediately and therefore has no income to report. The owner resumes turkey production in two years and again is able to generate sufficient income to meet the income requirement.



5



5

1-A

- The property will continue to qualify for PUV during the two years that production has been halted. By statutory direction, the land is considered to be in actual production and to meet the minimum gross income requirement.



6



6

2-Q

- Owner is currently receiving agricultural PUV for turkey production. The turkey disease, Poult Enteritis Mortality Syndrome, is discovered among the turkey population in a neighboring county. The owner ceases turkey production immediately and therefore has no income to report. The owner resumes turkey production in two years and again is able to generate sufficient income to meet the income requirement.



7



7

2-A

- The property will continue to qualify for PUV during the two years that production has been halted. By statutory direction, the land is considered to be in actual production and to meet the minimum gross income requirement. The statutes allow the owner to halt production and still qualify if the disease is found in a “neighboring” county. This may not necessarily be the same as an “adjacent” county. It seems that, if the disease is located close enough that it is prudent to halt production, then it is not necessary that the disease be located in an “adjacent” county.



8



8

PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 10: Annexation of Present-Use Value Land



1

Annexation Reform

- “Annexation Reform” legislation enacted in 2011 brought substantial changes both to the process of annexation and to its interaction with the PUV program.
- Now, annexation and PUV are separate issues—PUV property can be annexed, and taxes, deferrals, and rollbacks are handled just as with the county.
- The only major connection now is that owners of PUV property must consent to being annexed.



2



2

I. Involuntary Annexation - Background

- Annexation, of contiguous properties, initiated by a municipality (city, town, or village)
- Previously, PUV property could be annexed, but owners did not pay taxes until property came out of PUV
- Municipalities could still use PUV properties as a bridge to other properties



3



3

I. Involuntary Annexation - Consent

- As a result of 2011 legislation, a municipality cannot annex property used for “bona fide farm purposes” without written consent of the owner.
- Enrollment in PUV is evidence of property being used for bona fide farm purposes.
- If the PUV property is not annexed (for lack of consent), the municipality can’t “bridge” to annex the neighboring property, either.



4



4

I. Involuntary Annexation – Consent, cont'd.

There are other forms of evidence that establish bona fide farm purposes [G.S. 153A-340(b)(2)(a)]:

- A farm sales tax exemption certificate issued by the Department of Revenue.
- A copy of the property tax listing showing that the property is eligible for participation in the present use value program pursuant to G.S. 105-277.3.
- A copy of the farm owner's or operator's Schedule F from the owner's or operator's most recent federal income tax return.
- A forest management plan.
- A Farm Identification Number issued by the United States Department of Agriculture Farm Service Agency.



5



5

I. Involuntary Annexation – Consent, cont'd.

NOTE

- These items are not to be used for purposes of determining whether a property is eligible for participating in the PUV program.
- For property tax purposes, they are relevant only for determining whether a property which loses PUV status will automatically become subject to annexation and municipal taxation.



6



6

I. Involuntary Annexation – Effective Date

- All involuntary annexations initiated on or after July 1, 2011 must establish the effective date as June 30 (of whatever year is appropriate).
- This means no more prorating taxes to the municipality for partial fiscal years! At least, for involuntary annexations...



7



7

II. Voluntary Annexation

- These occur when property owners petition to become annexed into a municipality.
- Because these are not forced annexations,
 - consent is not an issue
 - the annexed properties don't have to be contiguous with the municipality, and
 - any effective date can be specified



8



8

ANNEXATION EXAMPLES



9



9

1-Q

- Property is currently in PUV and is not in the city limits. City proposes annexing several properties, including the PUV tract.



10



10

1-A

- The PUV tract will be annexed into the city only with the written consent of the owner.



11



11

2-Q

- Property is currently in PUV and is not in the city limits. City proposes annexing several properties, including the PUV tract. The owner decides that it wishes to pay city taxes and receive city services.



12



12

2-A

- With the owner's written consent, the property will be annexed without requiring removal from the PUV program.
- The annexation becomes effective on June 30 of the year specified in the annexation ordinance.
- As of the effective date, the owner becomes both liable for city property taxes and eligible for city services.



13



13

3-Q

- A city proposes annexing several properties, including a large PUV tract with a valuable house. The owner refuses to consent to annexation. The city requests that the assessor split the property to create a separate tax parcel for the homesite. This would allow the city to tax the homesite parcel, since the house and its homesite acreage could not qualify for PUV or, presumably, for any other "bona fide farm purpose."



14



14

3-A

- The assessor should deny this request by the city. There is no provision in the statutes that allow an assessor to arbitrarily create a separate tax parcel to facilitate favorable tax situations for the city.
- If there is a publicly recorded document (plat, deed, etc.) that justifies the separate parcel, the assessor may do so.
- Still, it would likely be difficult for the city to establish that the owner's consent was not required as to the house, since the statutory forms of evidence establishing use for bona fide farm purposes are not necessarily tied to a specific tax parcel.



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15

4-Q

- A landowner with property in PUV joins with other area property owners in a petition to be annexed into a nearby municipality.



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16

4-A

- Except in certain situations, the municipality is not required to grant the petition.
- If granted, however, the effective date of the annexation can be set at any date desired by the municipality, and the municipality tax bill which results from the annexation will have to be prorated if the effective date is anything other than June 30.



17



17

5-Q

- A municipality adopts an annexation ordinance. An affected landowner with property in PUV refuses consent to annexation. Several years later, the landowner requests to be annexed and to receive services from the municipality.



18



18

5-A

- If the annexation request is granted, the property will be annexed without requiring removal from the PUV program.
- The annexation becomes effective when the request is granted.
- As of the effective date, the owner becomes both liable for city property taxes (based on the reduced present-use value), and eligible for city services.
- The municipality tax bill which results from the annexation will have to be prorated if the effective date is anything other than June 30.



PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 11: Application for Present-Use Value

1



1

Application for PUV

- The present-use value program is a **voluntary** program that provides the owner with preferential tax treatment if the owner and the property meet the eligibility requirements.
- Acceptance into the program also requires that the owner and the property continue to meet the requirements, and failure to do so is generally subject to financial consequences.



2



2

Application for PUV

- Therefore, every owner who wishes to claim the benefits of present-use value must file a **proper** and **timely** application with the tax assessor's office.
- Under limited conditions, an untimely application may be filed.



3



3

Requirements for a Proper Application

- A proper application must:
 - Clearly show that the property comes within one of the three present-use value classifications.
 - Contain any other relevant information required by the assessor to properly appraise the property at its present-use value.
 - Be filed in the county in which the property is located.



4



4

Two Major Categories of Applications

- Initial applications are required when the property was not in present-use value at the time of the transfer of the property, or when the property was removed from present-use value as a result of the transfer.
- Applications are required due to a transfer of a property already in present-use value when the new owner seeks continued and immediate classification.



5



5

Initial Application

- An initial application is needed when the property is not currently in present-use value. This may occur when:
 - The property has never been in present-use value.
 - The transfer to the current owner resulted in removal from the present-use value program.



6



6

Initial Application--Timely

- Initial applications must be filed during one of the two following time periods to be timely:
 - Regular listing period.
 - Within 30 days of a notice of change in value.



7



7

Application Required Due to Transfer of Property in PUV

- There are several situations where a transfer of property already in present-use value can occur that will not necessarily result in the disqualification of the property from present-use value.
- Examples of some of those situations are:



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8

Application Required Due to Transfer of Property in PUV

- Transfer to a relative.
- Transfers between combinations of husband and wife ownerships.
- Transfer from a business entity to one or more of its members.
- Transfer from a member of a qualifying business entity to the business entity.



9



9

Application Required Due to Transfer of Property in PUV

- Transfer from a trust to a beneficiary of the trust.
- Transfer from a creator of a qualifying trust to the trust.
- Transfer to a party who is not a relative but where the new ownership is a qualifying form of ownership and the new owner meets the requirements for Continued Use.



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10

Application Required Due to Transfer of Property in PUV--Timely

- An application required due to the transfer of the land must be filed within 60 days of the date of the property's transfer.
- If the new owner does not file a new application within 60 days of the property's transfer, the property will be removed from the present-use value program for failure to file a timely application.



11



11

Application Required Due to Transfer of Property in PUV

- If the previous owner chose to remove the property from present-use value prior to the transfer, the new owner will have to file an initial application for the following year during the next listing period. The new owner will have to meet all the requirements for initial qualification, and may or may not be immediately eligible for that year depending on the specifics of the situation.



12



12

Initial Application--Untimely

- An initial application is untimely if it is filed after the listing period of the year for which the benefit is requested, or if it is filed more than 30 days after a notice of a change in value.

Initial Application--Untimely

- Untimely applications may be approved:
 - By the Board of Equalization and Review, or, if that board is not in session, by the Board of County Commissioners, and
 - If the applicant can show good cause for failure to file a timely application.

Initial Application--Untimely

- Untimely applications apply only to property taxes levied in the calendar year in which the untimely application is filed.
- Therefore, untimely initial applications must be filed before the end of the same calendar year in which the timely application should have been filed.



15



15

Application Required Due to Transfer of Property in PUV--Untimely

- An application for continued eligibility for property already in present-use value is untimely if it is filed more than 60 days after the date of the property's transfer.



16



16

Application Required Due to Transfer of Property in PUV--Untimely

- Whenever a rollback of deferred taxes is billed in any calendar year, the taxes are considered levied in that calendar year.
- Therefore, untimely applications required due to transfer of property already in present-use value may be filed in any calendar year in which a rollback is billed and may apply to the years included in the rollback.



17



17

Signing the Application

- The present-use value program is a voluntary program that imposes specific requirements on the owner, as well as specific financial consequences if those requirements are not met. Therefore, it is vital that all owners sign the application for present-use value.
- The following are guidelines for who should sign the application:



18



18

Signing the Application

- Tenancy in Common—All tenants should sign the application.
-
- Husband and Wife as Tenants in Common—Both the husband and wife should sign the application.
- Husband and Wife as Tenants by the Entirety—Either the husband or wife may sign the application. It is preferred that both husband and wife sign so that both are aware that the property is receiving preferential tax treatment with resulting responsibilities on the owner.



19



19

Signing the Application

- Corporations—Application should be signed by an officer of the corporation who has authority to make financial decisions for the corporation.
- Limited Liability Companies—Application should be signed by an officer of the company who has authority to make financial decisions for the corporation.



20



20

Signing the Application

- Partnerships—All partners, both general and limited, should sign the application.
- Trusts—Application should be signed by the trustee for the trust.



21



21

APPLICATION EXAMPLES



22



22

1-Q

- Owner has owned the property for 10 years and the property has never been in PUV. Owner filed an application for PUV on January 15 of this year. What type of application has the owner filed? Has the application been timely filed?



23



23

1-A

- This is an initial application. They are considered timely if filed during the regular listing period. The regular listing period runs from January 1 through January 31, at a minimum.
- Owner has timely filed the application for PUV for the current year.



24



24

2-Q

- Owner has owned the property for 10 years and the property has never been in PUV. Owner filed an application for PUV on February 20 of this year. The county has granted the owner an individual extension of the listing period until the end of February. Has the application been timely filed?



25



25

2-A

- Initial applications are timely if filed during the regular listing period. The regular listing period includes any individual extensions of the listing period.
- Owner has timely filed the application for PUV for the current year



26



26

3-Q

- Owner has owned the property for 10 years and the property has never been in PUV. The county conducted a reappraisal of all real property in the county effective January 1 of this year. The reappraisal notices were sent out on February 15 of this year. Owner filed an application for PUV on March 10 of this year. There have been no general extensions of the listing period and the owner did not request an individual extension of the listing period. Has the application been timely filed?



27



27

3-A

- If the tax assessor sends a notice of change in value on a property not currently in use value, the owner has 30 days from the date shown on the notice of change in value to timely file an initial application. The notice may be due to a countywide reappraisal or a specific change to the property in a non-reappraisal year. The notice may be due to a change in land values or building values. Each of these notices will open a 30-day time period for the owner to timely file an initial application for present-use value.
- Owner filed the application within 30 days of the date of notice of change in value and has timely filed the application for PUV for the current year.



28



28

4-Q

- Owner purchased the property last year but the prior owner voluntarily removed the property from PUV prior to transfer. The deferred taxes were paid at closing. The owner established the property as his place of residence prior to January 1 of this year. Can the owner qualify for PUV this year?



29



29

4-A

- The new owner may be immediately eligible for PUV this year if certain requirements are met. A timely application should be filed during the regular listing period following the year of removal from PUV.



30



30

5-Q

- Owner purchased the property last year but the prior owner voluntarily removed the property from PUV prior to the transfer. The deferred taxes were paid at closing. The owner owns other property in the county already in PUV under the same classification and ownership as the purchased property. What type of application is required? When should it be filed?



31



31

5-A

- Since the property is no longer in PUV, the new owner must file an initial application during the regular listing period following the year of disqualification and may qualify under the Exception for Expansion of Existing Unit.
- In this case, the owner has been granted immediate eligibility rights, because of the pre-existing ownership of other PUV tracts, which can be claimed by filing an initial application during the regular listing period following the year of disqualification.



32



32

6-Q

- Property is in PUV and transfers from a business entity to one of its members on May 20 of this year. Member files a new application on June 30 of this year. Is this a qualifying transfer? Has the application been timely filed?



33



33

6-A

- This transfer is a qualifying transfer per G.S. 105-277.3(b)(3) but a new application is required to maintain PUV status. New applications required due to transfer of the land must be submitted within 60 days of the date of the property's transfer to be considered timely.
- Member timely filed the new application.



34



34

7-Q

- Property is in PUV and transfers from an individual to a business entity on May 20 of this year. The individual is a member of the business entity. Business entity files a new application on June 30 of this year. Is this a qualifying transfer? Has the application been timely filed?



35



35

7-A

- This transfer is a qualifying transfer per G.S. 105-277.3(b1) but a new application is required to maintain PUV status. New applications required due to transfer of the land must be submitted within 60 days of the date of the property's transfer to be considered timely.
-
- Business entity timely filed the new application.



36



36

8-Q

- Property is in PUV and transfers from an individual to a qualifying trust on May 20 of this year. The individual is the creator of the trust. Trustee of the trust files a new application on June 30 of this year. Is this a qualifying transfer? Has the application been timely filed?



37



37

8-A

- This transfer is a qualifying transfer per G.S. 105-277.3(b1) but a new application is required to maintain PUV status. New applications required due to transfer of the land must be submitted within 60 days of the date of the property's transfer to be considered timely.
-
- Trustee of the trust timely filed the new application.



38



38

9-Q

- Property is in PUV and transfers from husband and wife (as tenants by the entirety) to the wife on May 20 of this year. Wife files a new application on June 30 of this year. Is this a qualifying transfer? Has the application been timely filed?



39



39

9-A

- This transfer is a qualifying transfer per G.S. 105-277.3(b)(2) but a new application is required to maintain PUV status. Ownership by husband and wife as tenants by the entirety is a separate ownership than ownership by either the husband or wife separately. New applications required due to transfer of the land must be submitted within 60 days of the date of the property's transfer to be considered timely.
-
- Wife timely filed the new application.



40



40

10-Q

- Property is in PUV and transfers to a new owner who wishes to immediately qualify using the Exception for Continued Use. Property transfers on January 5 of this year. The new owner files a new application on February 1 of this year. Is this a qualifying transfer? Has the application been timely filed?



41



41

10-A

- This transfer is a qualifying transfer per G.S. 105-277.3(b2)(1) but a new application is required to maintain PUV status. New applications required due to transfer of the land must be submitted within 60 days of the date of the property's transfer to be considered timely.
- The new owner timely filed the new application.



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11-Q

- Father owns tract of land in PUV but transfers the property to his son. Father retains a life estate on the tract. Son is the remainderman. Is an application required in this situation?



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11-A

- The owner of the life estate is considered the owner of the real property. Therefore, the father remains the owner of the property and the property continues to qualify. The assessor might wish to request that the father file an updated application indicating his status as owner of the life estate, however, the statutes do not require it.



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12-Q

- Owner has owned property for 10 years and the property has never been in PUV. Owner filed an application for PUV on January 15 of this year and requested PUV classification for last year. Should you allow an untimely application for last year?



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12-A

- Untimely applications apply only to property taxes levied in the calendar year in which the untimely application is filed. The application cannot be considered since last year's taxes were not levied in this calendar year.



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13-Q

- Property in PUV transfers from father to son on May 1 of this year. Son fails to file a new application within 60 days of the date of transfer. The assessor notices the failure to file a new application and bills the deferred taxes resulting from the disqualification. The deferred taxes are billed on October 8 of this year. Can the son file an untimely application in this year?



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13-A

- Untimely applications apply only to property taxes levied in the calendar year in which the untimely application is filed.
- Whenever a rollback of deferred taxes is done in any calendar year, the taxes are considered levied in that calendar year. Therefore, untimely applications required due to transfer of property already in present-use value may be filed in any calendar year in which a rollback is done and may apply to the years included in the rollback.
- Son has until the end of the current calendar year to file an untimely application.



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14-Q

- Property transfers from father to son on August 25 of last year. Son fails to file a new application within 60 days of the date of transfer. This year the assessor notices the failure to file a new application and bills the deferred taxes resulting from the disqualification. The deferred taxes are billed on July 6 of this year. Can the son file an untimely application?



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14-A

- Son has until the end of the current calendar year to file an untimely application. The application will apply to the years covered by the billed deferred taxes since those deferred taxes were levied in this calendar year.



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15-Q

- Property transfers from father to son on August 25 of two years ago. Son fails to file a new application within 60 days of the date of transfer. The assessor has not yet noticed the failure to file a new application and the property is still receiving PUV. Can an untimely application be filed?



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15-A

- Untimely applications apply only to property taxes levied in the calendar year in which the untimely application is filed. The assessor has not yet levied the deferred taxes and the time limit for the untimely application will not be established until the deferred taxes are billed.
-
- The son currently has an undetermined final deadline to file an untimely application. Until the assessor bills (levies) the deferred taxes, the son may file an untimely application at any time. Once the assessor bills (levies) the deferred taxes, the son has until the end of the calendar year in which the deferred taxes are billed to file an untimely application.



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16-Q

- Property transfers from father to son on August 25 of last year. Son fails to file a new application within 60 days of the date of transfer. On December 3 of last year, the assessor notices the failure to file a new application and sends notice to the taxpayer of pending disqualification from PUV. However, the assessor bills the deferred taxes on January 15 of this year. Can the son file an untimely application this year?



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16-A

- Whenever a rollback of deferred taxes is done in any calendar year, the taxes are considered levied in that calendar year. **Notice of removal** from PUV does not suffice in establishing the levy of the taxes; it is necessary to **actually bill the deferred taxes to create the levy.**
- Son has until the end of the current calendar year to file an untimely application



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PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 12: Calculation of Present-Use Value



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Calculation of Present-Use Value

- Each property that qualifies for present-use value classification will be appraised at both its market value and its present-use value.



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Market Value

- **Market value** is the estimated price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the property.



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Present-Use Value

- **Present-use value** is the value of land in its current use as agricultural land, horticultural land, or forestland based solely on its ability to produce income and assuming an average level of management.



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Calculation of Present-Use Value

- Present-use value is usually much less than market value, and the difference between the market value and the present-use value is maintained in the tax assessment records as **deferred taxes**. When land becomes disqualified from present-use value, the deferred taxes for the current year and the three previous years with interest will usually become due and payable.



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The Schedule of Values

- Counties must develop a schedule of values for reappraisal of real property as required by statute. Separate schedules are developed for valuing property at its market value and for valuing property at its present-use value.
- The two schedules may be adopted on the same timeline but they should be adopted by separate votes with separate orders of adoption in case there is a challenge to either schedule.



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Market Value Schedules

- Since market value is dependent on many factors such as location and zoning, the market schedule of values usually specifies a range that the elements which comprise market value should fall within, but does not indicate specific values for specific properties. The assessor must appraise the market values within the ranges provided in the schedule of values.
- Improvements are not eligible for present-use value and must be appraised at market value.



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Present-Use Value Schedules

- Present-use value is based solely on the value of land in its current use as agricultural land, horticultural land, or forestland and its ability to produce income in that use. Therefore, the present-use value of land is not affected as much by factors such as location and zoning.



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Present-Use Value Schedules

- More important to present-use value is the productivity of the land for either agricultural, horticultural, or forestry production, and the land's productivity is very closely tied to soil types. As a result, the present-use schedule of values is usually more specific than the market schedule of values, and often adopts actual rates for specific soil types, rather than a range of rates.



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Present-Use Value Schedules

- In determining present-use value, the statutes require that :
 - Qualifying properties must be valued at present-use value.
 - Present-use value must be the value of land in its current use as agricultural land, horticultural land, or forestland, based solely on its ability to produce income and assuming an average level of management.
 - Forestland values must be based on its expected net income.



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Present-Use Value Schedules

- A rate of nine percent (9%) must be used to capitalize the expected net income of forestland.
- The capitalization rate for agricultural land and horticultural land must be determined by the Use-Value Advisory Board. The rate must be no less than six percent (6%) and no more than seven percent (7%). The current rate is six and one-half percent (6.5%).



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Present-Use Value Schedules

- The Use-Value Advisory Board must annually submit a recommended use-value manual to the North Carolina Department of Revenue.
- The North Carolina Department of Revenue must annually prepare and distribute to each assessor the recommended manual, as developed by the Use-Value Advisory Board, that establishes the cash rental rates for agricultural lands and horticultural lands and the net income ranges for forestland.



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Present-Use Value Schedules

- The assessor is ultimately responsible for establishing the present-use values for the county, but the General Assembly provides the resources to assist in that effort by requiring that a set of recommended values be developed each year. The assessor **must** use the capitalization rates established by statute and **may choose** to adopt the recommended present-use values from the Use-Value Advisory Board.



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Present-Use Value Schedules

- Since present-use value is based on a limited portion of the elements of market value, present-use value will likely always be less than market value for any particular property. It is recommended that a statement be included in the present-use value schedules which states that the present-use value will not exceed the market value should the specific circumstance arise where the adopted present-use value rate might actually exceed the market value rate.



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Use-Value Advisory Board

- The Use-Value Advisory Board (UVAB) is established under the supervision of the Agricultural Extension Service of North Carolina State University and is comprised of the following members:



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Use-Value Advisory Board

- Director of the NCSU Agricultural Extension Service (serves as Chair)
- Representative of the Department of Agriculture and Consumer Services
- Representative of the North Carolina Forest Service,
- Representative of the NC A&T Agriculture Extension Service



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Use-Value Advisory Board

- Representative of the North Carolina Farm Bureau Federation, Inc.
- Representative of the North Carolina Association of Assessing Officers
- Director of the NCDOR Local Government Division Property Tax Section,
- Representative of the North Carolina Association of County Commissioners
- Representative of the North Carolina Forestry Association
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UVAB Recommended Use-Value Manual

- The Use-Value Advisory Board must annually submit a recommended use-value manual to the North Carolina Department of Revenue, which then prepares and distributes the final version to the county assessors.



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UVAB Recommended Use-Value Manual

- The UVAB Manual addresses three major areas:
 - Agricultural and Horticultural Values and Capitalization Rates
 - Forestland Values
 - Evergreens Intended For Use As Christmas Trees



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Agricultural and Horticultural Values and Capitalization Rates

- Agricultural and horticultural land values are based on the capitalization of the estimated cash rental rates for the various classes of soils found in the state.



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Agricultural and Horticultural Values and Capitalization Rates

- The North Carolina Department of Revenue, in conjunction with the North Carolina Department of Agriculture, will periodically conduct studies of the cash rents for agricultural and horticultural land. The results are provided to the UVAB to use in establishing the recommend present-use value rates.



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Agricultural and Horticultural Values and Capitalization Rates

- The cash rental rates are analyzed with respect to geographic location and soil productivity. As a result, a cash rental rate will be determined for each soil classification.



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Agricultural and Horticultural Values and Capitalization Rates

- The soils will be divided into four categories (three productive soils categories and one unproductive soils category). On a larger scale, the soils are grouped by geographic region as determined by the Major Land Resource Area delineations.



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Agricultural and Horticultural Values and Capitalization Rates

- The last step is to divide the cash rental rate by the capitalization rate to determine the present-use value. The General Assembly has mandated that the capitalization rate for agricultural and horticultural land must be no less than six percent (6%) and no more than seven percent (7%) but has delegated to the UVAB the authority for setting the actual rate.



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Agricultural and Horticultural Values and Capitalization Rates

- The current rate for agricultural and horticultural lands, as set by the UVAB, is six and one-half percent (6.5%).
-
- Agricultural present-use value rates cannot exceed \$1,200 as mandated by the General Assembly.
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Forestland Values

- Forestland values are determined by capitalizing the net income ranges for forestland. A five-year rolling average is used to offset any abrupt changes in the market.



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Forestland Values

- Differing somewhat from agriculture and horticulture, the soils are divided into six categories (five productive soils categories and one unproductive soils category). On a larger scale, the soils are grouped by geographic region as determined by the Major Land Resource Area delineations.



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Forestland Values

- The last step is to divide the net income by the capitalization rate to determine the present-use value. The General Assembly has mandated that the capitalization rate for forestland must be nine percent (9%).



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1-Q

- The assessor has developed the Schedule of Values in preparation for the next reappraisal. Separate schedules have been prepared for market value and for present-use value. The county commissioners will be voting on the adoption of the schedules at their next meeting. Can they issue one order of adoption?



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1-A

- The county commissioners may consider both schedules at the same meeting. However, they should vote on each schedule separately and issue separate orders adopting each schedule. If a taxpayer should choose to appeal the adoption of either schedule, the remaining schedule will not be affected by the appeal and can be used without concern for future adjustment by adverse court decisions.



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2-Q

- In preparing the PUV Schedule of Values, the assessor has analyzed the market and believes that the proper capitalization rate for forestry is 8%.



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2-A

- The assessor must use the statutorily mandated capitalization rate of 9% for forestry.



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3-Q

- In preparing the PUV Schedule of Values, the assessor has analyzed the market and believes that the proper capitalization rate for agriculture and horticulture is 5%.
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3-A

- The General Assembly has established that the capitalization rate for agriculture and horticulture must be no less than 6% and no more than 7%. The General Assembly also requires that the Use-Value Advisory Board must set the actual rate, within the statutory limits. The UVAB has set the current rate at 6.5%.



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3-A (cont'd)

- Even though the current rate is published in the recommended use-value manual, the rate itself is mandated and is not a recommendation.
- The assessor must use the statutorily mandated capitalization rate, as currently set for agriculture and horticulture at 6.5% by the UVAB.



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4-Q

- The assessor is preparing the PUV schedule of values and has analyzed the local market for agricultural land. The assessor has reviewed the UVAB recommended cash rents for the county but feels that his analysis of the local market is more accurate.



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4-A

- The assessor is not required to use the UVAB recommended cash rents if the assessor believes the local market data can support different cash rents. Indeed, the assessor does not even have to use cash rents (although it is recommended) if the assessor instead chooses to do an analysis of net income by some other method.
- However, the assessor must capitalize the rents or net income at the rate established by the UVAB, currently set at 6.5%.



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5-Q

- The assessor is preparing the PUV schedule of values and has analyzed the local market for agricultural land. The assessor has reviewed the UVAB recommended cash rents for his county and believes that most of the numbers are accurate. However, the county contains some very productive agricultural land which the assessor believes should have a present-use value of at least \$1,500.



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5-A

- While the assessor is not required to use the values derived from the capitalized cash rents as recommended by the UVAB, the statutes state that agricultural land present-use values cannot exceed \$1,200.

PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 13: Disqualification and Removal from Present-Use Value (or Rollback)



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Disqualification and Removal

- Present-use value is a voluntary program that requires compliance with certain rules by the owner in exchange for preferential tax treatment.
- Failure to meet the requirements will result in removal from the program, and, in most instances, the billing of the deferred taxes for the year of disqualification and the three previous years with interest.



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Disqualification and Removal

- **NOTE:** Refunds made within the context of G.S. 105-296(j) reviews are the only circumstance where PUV rollback refunds are specifically authorized under the Machinery Act.
- Any request made outside of the context of G.S. 105-296(j), should be denied if it is not covered under 105-381.



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How Disqualification Occurs

- The deferred taxes become **due and payable** when the property loses its eligibility for deferral as a result of a disqualifying event.
- A **disqualifying event** occurs when the land fails to meet any condition or requirement for classification or when an application is not approved.
- The deferred taxes are **delinquent** on the date that a disqualifying event occurs.



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How Disqualification Occurs

- The property must continue to meet the requirements for classification on a continuing basis, not just at the time of application. Whenever a question arises as to continued eligibility, it will be necessary to review all of the conditions and requirements needed for initial and on-going classification.



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Notice of Change in Use

- The owner has the responsibility and duty to notify the assessor of any change which would disqualify all or a part of a tract of land receiving present-use value.



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Notice of Change in Use

- Any property owner who fails to notify the assessor of potential disqualifying changes will be subject to a penalty of ten percent (10%) of the total amount of the deferred taxes and interest thereon for each listing period for which the failure to report continues.



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Notice of Change in Use

- While the assessor has every legal right to impose the penalty as provided by the statute, very few assessors, if any, actually impose the penalty. Previous decisions by the assessor to disregard the penalty do not prevent the imposition of the penalty in the future. However, if the assessor does seek to impose the penalty, it should be applied consistently and in compliance with the statutes.



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Disqualifying Events

- The statutes do not provide a specific list of the disqualifying events or circumstances. Listed below is a partial and illustrative list of many of the reasons why a disqualification may occur.
 1. Request by the owner for voluntary removal from the program.
 2. Failure to have an application approved (generally).



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Disqualifying Events

- Transfer to a non-relative who does not qualify for the Exception for Continued Use.
- Transfer to a new owner who may qualify for the Exception for Continued Use but fails to file an application or accept the deferred liability.
- Transfer to a relative who fails to file an application.



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Disqualifying Events

6. Failure to maintain sufficient acreage in production to meet the minimum size requirements.
7. A split and transfer of a portion of the acreage reduces the acreage in production below the minimum size requirements.



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Disqualifying Events

8. Failure to meet the minimum average gross income requirement (agriculture and horticulture only).
9. Failure to provide a sound forestry management plan (when required).
10. Failure to meet sound management requirements for the property.



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Disqualifying Events

11. Conservation easement is placed on the property which prohibits commercial production of crops, and the conservation easement does not qualify for the conservation tax credit.



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Exception for Wildlife Conservation Land

- When an owner of land classified under the present-use value program does not transfer the land and the land becomes eligible for classification as wildlife conservation land, no deferred taxes are due. The deferred taxes remain a lien on the property and the rules of the wildlife conservation program now apply to the land.



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Billing of Deferred Taxes

- Two main steps are involved in determining the taxes due when a **disqualifying event** occurs:
 1. Year of Disqualification—The tax for the fiscal year that begins in the calendar year in which the disqualification occurred is computed as if the land had not been classified for that year [G.S. 105-277.1F (b)].



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Billing of Deferred Taxes

2. Previous Three Years—The deferred taxes for the preceding three fiscal years are immediately **due and payable** together with interest on the date of the disqualifying event [G.S. 105-277.4(c)]. Interest accrues on the deferred taxes as if they had been payable on the dates on which they originally became due.
 - The deferred taxes are also **delinquent** on the date that a disqualifying event occurs.



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Billing of Deferred Taxes

- If only a part of the qualifying tract of land fails to meet a condition or requirement for classification, the assessor must determine the amount of deferred taxes applicable to that part and that amount becomes due and payable with interest as provided above.



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Billing of Deferred Taxes

- Upon the payment of the deferred taxes for the three years immediately preceding a disqualification, all liens arising under this statute are extinguished.



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Rollback Example

Disqualifying event occurs in November 2020

Year	Amt of Deferred Value	Tax Rate	Taxes Before Interest	Initial January 2% Int.	# Months of % Interest	Total % Interest	Total Taxes Due
2020	\$100,000	0.70	\$700.00	\$0.00	0	\$0.00	\$700.00
2019	\$100,000	0.68	\$680.00	\$13.60	10	\$51.00	\$744.60
2018	\$75,000	0.68	\$510.00	\$10.20	22	\$84.15	\$604.35
2017	\$75,000	0.69	\$517.50	\$10.35	34	\$131.96	\$659.81



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Voluntary Payment of Deferred Taxes

- All or part of the deferred taxes that are not yet due and payable may be paid to the tax collector at any time without affecting the property's eligibility for deferral. A partial payment is applied first to accrued interest.
- Payment of all or part of the deferred taxes is not considered a request for voluntary removal from present-use value and should not result in disqualification.



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Voluntary Payment of Deferred Taxes

- However, a request for **voluntary removal** will result in disqualification and the billing of deferred taxes.
- If the taxpayer only wishes to voluntarily pay deferred taxes without disqualification, it is strongly recommended that the counties require the owner or the owner's attorney to submit and sign Form AV-3: Voluntary Payment of Deferred Taxes Without Requesting Disqualification.



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Voluntary Removal From PUV

- If the taxpayer wishes to voluntarily remove the property from present-use value, it is strongly recommended that the counties require the owner or the owner's attorney to submit and sign Form AV-6: Request for Voluntary Disqualification from Present-Use Value Classification.



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Voluntary Removal From PUV

- Once *Form AV-6* has been signed and filed with the tax assessor, the request cannot be rescinded or reversed. The filing of the form results in disqualification. The deferred taxes become due and payable as of the date of disqualification.
- The date of disqualification is the date that the form is filed with the tax assessor.



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Voluntary Removal From PUV

- There is no statutory provision for releasing or refunding a tax imposed due to voluntary disqualification, even if voluntary disqualification was requested in error by the owner.
- Therefore, the assessor should only accept *Form AV-6* from the current owner of the property.



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Date of Disqualification

- Instances can arise where a property clearly failed to meet a condition or requirement for classification in a prior year but was only recognized by the assessor in the current year.



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Date of Disqualification

- The statutes require that the year in which the property failed to meet a condition or requirement for classification be billed as if the property was not in present-use value for that year, and the three prior years deferred taxes with interest are due and payable.



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Date of Disqualification

- The statutes do not set the determining date for the year of the disqualification to be the year in which the assessor **notices** the failure of the property to meet a condition or requirement for classification.



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Date of Disqualification

- However, caution should be used when the rollback is executed for a prior year of disqualification. The assessor should be able to conclusively prove that the prior year was actually the year in which the property failed to meet a condition or requirement for classification (i.e. transfers, etc.).



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Date of Disqualification

- In subjective areas such as sound management, where it may be difficult to prove exactly when the property failed to meet a condition or requirement for classification, it may be advisable to determine that the current year is the year of disqualification, not an inconclusive prior year.



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Exception When Deferred Taxes Are Not Due

- If property loses its eligibility for present use value classification **solely** due to one of the following reasons, no deferred taxes are due and the lien for the deferred taxes is extinguished:
 - There is a change in income caused by enrollment of the property in the federal Conservation Reserve Program.



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Exception When Deferred Taxes Are Not Due

- The property is conveyed by gift, or is sold at or below Present-use value to a nonprofit organization and qualifies for exclusion from the tax base pursuant to G.S. 105-275(12) or G.S. 105-275(29).
- The property is conveyed by gift, or is sold at or below Present-use value to the State, a political subdivision of the State, or the United States.



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Partial Payment of Deferred Taxes

- **105-277.4(d1) (Effective for taxes imposed for taxable years beginning on or after July 1, 2016)**
Variable Exception. - Notwithstanding the provisions of subsection (c) of this section, if property loses its eligibility for present-use value classification because the property is conveyed to a nonprofit organization and qualifies for exclusion from the tax base pursuant to G.S. 105-275(12) or G.S. 105-275(29) or to the State, a political subdivision of the State, or the United States, then deferred taxes are due as follows:



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Partial Payment of Deferred Taxes

- If the property is conveyed for more than present-use value, then a portion of the deferred taxes for the preceding three fiscal years is due and payable in accordance with G.S. 105-277.1F. The portion due is equal to the lesser of the amount of the deferred taxes or the deferred taxes multiplied by a fraction, the numerator of which is the sale price of the property minus the present-use value of the property and the denominator of which is the true value of the property minus the present-use value of the property.



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Special Provision for Condemned Property

- Under the provisions of G.S. 40A-6 and G.S. 136-121.1, if present-use value property is taken by a condemnor exercising the power of eminent domain, the property owner is entitled to reimbursement from the condemnor for all deferred taxes paid by the owner as a result of the condemnation if both of the following conditions are met:



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Special Provision for Condemned Property

1. The owner is a natural person whose property is taken in fee simple by a condemnor exercising the power of eminent domain.
2. The owner also owns agricultural land, horticultural land, or forestland that is contiguous to the condemned property and that is in active production.



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Special Provision for Condemned Property

- The following points need to be emphasized with regards to this special provision:
 - The statutes establish a relationship between the condemnor and the property owner, and do not involve the tax assessor.
 - The tax assessor should bill the deferred taxes and pursue appropriate collection procedures when needed.



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Special Provision for Condemned Property

- The owner must be a natural person and cannot be a business entity or trust.
- The statutes require the condemnor to reimburse the taxes paid by the property owner. The property owner is responsible for payment of the taxes.
- The taking of the property must be in fee simple where the owner retains no rights to the property. This provision does not apply to easements since the taking is not in fee simple.



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Special Provision for Condemned Property

- The owner must also own agricultural land, horticultural land, or forestland that is contiguous to the condemned property and that is in active production. So it appears that the condemnor will not be responsible for reimbursement if the condemnation leaves no contiguous agricultural, horticultural, or forestland that is in actual production.



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Special Provision for Condemned Property

- If the condemnation does leave contiguous agricultural, horticultural, or forestland that is in actual production, but does not leave enough acreage in production to meet the minimum size requirements, the assessor should also bill deferred taxes on the portion that was not condemned (unless there is another tract in the farm unit with the same classification that does meet the minimum size requirement).



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Special Provision for Condemned Property

- Governmental condemning agencies that seek to acquire property by gift or purchase must give the property owner written notice of these reimbursement provisions. This seems to imply that reimbursement does not apply when the property owner, under the expectation of possible condemnation, agrees to transfer the property. However, since this is not directly a property tax issue, the owner should consult with the condemning agency to discuss this issue.



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DISQUALIFICATION EXAMPLES



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1-Q

- Property will be transferred next week. The seller, or the seller's attorney, submits Form AV-6 to the assessor and requests that the property be voluntarily removed from the present-use value program. After further discussion with the buyer, the seller asks that the property be placed back in present-use value and that the rollback of deferred taxes be reversed.



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42

1-A

- Once Form AV-6 has been signed and filed with the tax assessor, the request cannot be rescinded or reversed. The filing of the form results in disqualification. The deferred taxes become due and payable as of the date of disqualification.
- The date of disqualification is the date that the form is filed with the tax assessor.



43



43

2-Q

- Property will be transferred next week. The buyer, or the buyer's attorney, requests that the property be removed from present-use value and the deferred taxes be billed.



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44

2-A

- The assessor should deny the request. The buyer does not yet own the property and has no authority to request that the seller's property be removed from the present-use value program.
- The assessor may provide an estimate (Form AV-7) of the amount of taxes that would be due if the property were removed from the program, but any such statement should clearly indicate that it is for informational purposes only.



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3-Q

- Property transfers to a buyer. No removal from the present-use value program was requested by the seller. The buyer does not file a new application within 60 days of the date of transfer.



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46

3-A

- The property should be disqualified and deferred taxes should be billed for the current year and three previous years. Under certain conditions the buyer may then file an untimely application.



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4-Q

- Property is transferred from one individual to another individual who is not a relative. The buyer does not own any other property in PUV and does not assume the liability for deferred taxes.



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4-A

- Property should be disqualified. Buyer fails to meet either the standard ownership requirements or the exceptions to the standard ownership requirements.



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5-Q

- Property is transferred from a business entity to an individual. The individual is not a member of the business entity. The buyer does not own any other property in PUV and does not assume the liability for deferred taxes under the Exception for Continued Use.



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5-A

- Property should be disqualified. Buyer fails to meet either the standard ownership requirements or the exceptions to the standard ownership requirements. The new owner must have been a member of the business entity when the entity transferred ownership, or the new owner must meet the requirements of the Exception for Continued Use.



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6-Q

- Property transfers from an individual to a business entity. The principal business of the business entity is construction.



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6-A

- Property should be disqualified. The principal business of the business entity must be agriculture, horticulture, or forestry. The buyer is not a qualifying owner since the new owner fails to meet the requirements for business entities.



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7-Q

- Property transfers from an individual to a business entity. The members of the business entity are not relatives. The land is leased to a tenant farmer who is allowed to farm the property as desired.



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7-A

- Property should be disqualified. Unless all members of the business entity are relatives, leasing the land out to someone else to farm is not allowed. The buyer is not a qualifying owner since the new owner fails to meet the requirements for business entities.



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8-Q

- Property is owned by two tenants in common. One tenant transfers its interest to a LLC whose principal business is manufacturing.



56



56

8-A

- A qualifying tenancy in common can consist of individuals, business entities, and trusts. However, a tenancy in common can qualify for present-use value only if each tenant would qualify as an owner if the tenant were the sole owner.
- The LLC is not a qualifying owner since its principal business is not agriculture, horticulture, or forestry. Since all tenants do not qualify, the entire property will be disqualified and the deferred taxes will be billed.



57



57

9-Q

- A father owns a 25-acre tract in PUV and splits out 1 acre to his son for a homesite.



58



58

9-A

- The 1-acre split should be disqualified and deferred taxes should be billed for the current year and three previous years. Even though it is a transfer to a relative, the land must still meet all other PUV requirements.



59



59

10-Q

- A father has a 15-acre tract in agricultural PUV and splits out 8 acres to his son. The father does not own any other PUV property. The son already has other agricultural tracts in PUV.



60



60

10-A

- The split leaves the original tract with only 7 acres, which is insufficient to meet the size requirements. The remaining 7-acre tract should be disqualified and deferred taxes should be billed for the current year and three previous years with interest.



61



61

10-A (cont'd)

- Since this is a transfer to a relative, the son meets the Standard Ownership Requirements. Although the tract is too small to meet the size requirements on its own, it may qualify as an additional tract in the son's existing farm unit. If so, the son should file a new application within 60 days of the transfer to request continued present-use eligibility for the property.



62



62

11-Q

- Property is in horticultural PUV and averages \$800 per year in gross income.



63



63

11-A

- The property does not meet the income requirements. The property should be disqualified and deferred taxes should be billed.



64



64

12-Q

- Property has been in forestry PUV for 20 years but the owner has never submitted a forestry management plan. Since the law now requires one, the assessor asks the owner to submit a plan. The owner refuses.



65



65

12-A

- The property does not meet the sound management requirements. The property should be disqualified and deferred taxes should be billed.



66



66

13-Q

- Property is 25 acres in agricultural PUV. The owner has historically farmed 17 acres of the tract and the remaining 8 acres are wooded. After the tobacco buyout, the owner reduced the acreage in agricultural production to 9 acres.



67



67

13-A

- The property no longer meets the size requirements. The property should be disqualified and deferred taxes should be billed.



68



68

14-Q

- Property is transferred to the State of North Carolina. The seller gifts the property to the State and receives no compensation. The transfer occurs in November of the current year.



69



69

14-A

- Since the property was gifted to the State, no deferred taxes are due and the lien for the deferred taxes is extinguished, including the taxes that have already been deferred for the current year.



70



70

15-Q

- Property is a 12-acre tract, all in agricultural production, and is currently in PUV. Owner enrolls all 12 acres in the Conservation Reserve Program and the 12 acres are required to be planted in vegetation other than trees. The owner will receive \$60 per acre.



71



71

15-A

- The tract meets the size requirements since it has at least 10 acres in agricultural production. The tract does not meet the average gross income requirement since it will not average at least \$1,000 gross income per year.
- In this example, enrollment in CRP will result in removal from the present-use value program. However, since the removal is solely due to a change in income caused by enrollment in CRP, no deferred taxes are due as a result of the disqualification.



72



72

16-Q

- Property is a 15-acre tract in agricultural PUV. All acres are planted in crops. DOT condemns and takes 4 acres for a highway project. The assessor does the rollback on the 4 acres and bills the deferred taxes. The owner tells the assessor that no taxes are due because DOT is responsible for loss in PUV.



73



73

16-A

- The rollback should stand and the deferred taxes are due as billed. The owner is responsible for payment of the deferred taxes but may be eligible for reimbursement from DOT.



74



74

17-Q

- A 25 acre tract is in the present-use value program. The assessed market value of the property is \$100,000 and the present-use value of the property is \$25,000. The property is sold to a non-profit qualifying under 105-275(12). The property is sold to a non-profit qualifying under 105-275(12) for \$60,000.



75



75

17-A

- A portion of the deferred taxes would be due in this instance; however, since the property sold for more than present-use value, but less than the assessed market value, the deferred taxes due would be based on the following fraction:



76



76

17-A Cont'd

- 60,000-25,000 or 35,000 or .467
100,000-25,000 75,000



77



77

18-Q

- **13-28** A 25 acre tract is in the present-use value program. The assessed market value of the property is \$100,000 and the present-use value of the property is \$25,000. The property is sold to a non-profit qualifying under 105-275(12) for \$25,000.



78



78

18-A

- No deferred taxes are due and the lien for the deferred taxes is extinguished since the property sold at or below present-use value.



79



PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 14: Compliance Reviews

1



1

Compliance Review Period

- Tax assessors must review at least one-eighth of all properties classified under PUV annually in order to determine if they continue to qualify.
 - A number of counties with more frequent reappraisal cycles have chosen to review more frequently.
 - The review period is based on the average of the preceding three years data.
 -



2



2

Compliance Review Form

- Since a property generally needs to meet the same requirements for continued classification as it met for initial classification, the assessor may ask for information that is very similar to the information requested on an initial application.



3



3

Compliance Review Form

- Technically, the assessor cannot ask for a new application as part of a compliance review, but there is nothing wrong with asking for the same information on a compliance review form.



4



4

Compliance Review Form

- Types of information that may be requested:
 - Sound management plans for forestland.
 - Documentation of compliance with any forestry management practices whose recommended implementation dates have passed.
 - Income info for last three years.
 - IRS Schedule F for farm income.



5



5

Compliance Review Form

- Types of information that may be requested:
 - Acreage in production broken down by acres per product.
 - Business entity owners—evidence of principal business. (Including income/expense information).
 - Business entity owner—proof of members participation in farming.
 - Proof of sound management.



6



6

Compliance Review Form

- Types of information that may be requested:
 - Evidence of compliance with conservation easements if applicable under G.S. 105-277.3(d1).
 - Documentation of weather conditions that may have affected production.
 - Assessor may request assistance from the Farm Service Agency, the Cooperative Extension Service, the North Carolina Forest Service, and other similar organizations.



7



7

Compliance Review Process

- There are two types of compliance reviews:
 - Assessor determines whether property still qualifies based upon currently available information.
 - Assessor requests further information to determine whether the property still qualifies.



8



8

Determination without Requesting Additional Information

- Examples where no additional information may be needed from the property owner:
 - Property transferred to non-qualifying owner.
 - Field review shows no active production for several years.
 - Due to transfer of portion of property, tract has fallen below minimum acreage requirement.



9



9

Determination without Requesting Additional Information

- Notification and appeal procedures:
 - Assessor sends notice that tract no longer qualifies.
 - Taxpayer has 60 days to appeal to local board.
 - Taxpayer has no additional time to submit any additional info to assessor, only to county board.
 -



10



10

Determination When Additional Information Is Requested

- Notification and appeal procedures:
 - Assessor sends out questionnaire or specific request for information in order to determine eligibility.
 - Owner has 60 days to provide requested info.
 - If the assessor requests additional information after initial information is returned, owner has additional 60 days.



11



11

Determination When Additional Information Is Requested

- If owner submits information and assessor determines property is not eligible:
 - Property loses PUV classification and deferred taxes are due and payable.
 - Owner has 60 days to appeal to the local board.
 - Owner can submit new info only to local board.



12



12

Determination When Additional Information Is Requested

- If owner has not submitted information and assessor determines property is not eligible:
 - Loses PUV classification and deferred taxes are due and payable.
 - Owner has 60 days from the date of the notice to appeal to local board.
 - However, if owner submits the previously requested information within 60 days of notice....



13



13

Determination When Additional Information Is Requested

- If owner submits the previously requested information within 60 days of notice:
 - Assessor must consider the information and render a new decision.
 - Owner then has an additional 60 days to appeal to local board.
 - If the information shows the property is still eligible, the assessor must reinstate classification to date when property was taken out and must refund any deferred taxes that have been paid.



14



14

Refunds Due to Compliance Review

- Refunds made within the context of G.S. 105-296(j) , compliance reviews, are the only circumstance where PUV rollback refunds are specifically authorized under the Machinery Act.
- **Note:** Any request made outside of the context of G.S. 105-296(j), should be denied if it is not covered under 105-381.

COMPLIANCE REVIEW EXAMPLES

1-Q

- Assessor is conducting compliance reviews and notices that a tract in forestry PUV has less than 20 acres in forestry. The owner owns no other tracts in PUV. The assessor has not sent a questionnaire to property owner. The assessor notifies the owner that the property has been disqualified and the deferred taxes are billed.



17



17

1-A

- The assessor may disqualify the property without requesting additional information if the assessor believes no further information is needed.
- If the owner wishes to submit information, the owner must appeal the decision of the assessor to the local board within 60 days and the information can be submitted with the appeal. Because the assessor never requested any additional information, the owner does not have the mandated additional 60 days to provide the assessor with additional information. The local board may consider the information as part of the appeal.



18



18

2-Q

- Assessor is conducting compliance reviews and sends questionnaires to a number of PUV properties. Owner returns the completed questionnaire. The assessor requests additional information which the owner then provides. The assessor determines that the property no longer qualifies. Notice is sent to the owner and deferred taxes are billed. The owner now wishes to submit unrequested additional information for the assessor to consider.



19



19

2-A

- Since the owner has provided the requested information, the owner must appeal the decision of the assessor within 60 days. If the owner wishes to submit unrequested additional information, the owner does not have the mandated additional 60 days to provide the assessor with additional information. The local board can consider the unrequested information as part of the appeal.



20



20

PROPERTY TAX EDUCATION PARTNERSHIP

Chapter 15: Appeal Process

1



1

Venue for Hearing of Appeals

- Decisions regarding the qualification or appraisal of property may be appealed to the county board of equalization and review or, if that board is not in session, to the board of county commissioners.



2



2

BER or County Commissioners?

- However, the statutes allow the board of equalization and review to continue to meet after it has adjourned from its regular session to hear certain types of appeals.

BER or County Commissioners?

- Appeals resulting from the compliance review process fall into this category. However, it is up to the individual county to decide whether it wishes for these appeals to be heard by the board of county commissioners or by the board of equalization and review. It is recommended that the counties adopt an updated resolution for the board of equalization and review setting forth which board should hear the appeals when the jurisdictions of the two boards overlap.

BER or County Commissioners?

- Appeals resulting from adverse decisions on **timely** applications where the decisions of the assessor were made after the board of equalization and review has adjourned from its regular session do not fall into the category of appeals that the board of equalization and review may continue to sit and hear. The board of county commissioners should hear these appeals if the board of equalization and review has adjourned from its regular session.



5



5

BER or County Commissioners?

- Appeals resulting from adverse decisions on **untimely** applications for present-use value classification must be heard by the county board of equalization and review or, if that board is not in session, by the board of county commissioners. Assessors do not have the authority to approve untimely applications.



6



6

Time Limits for Appeals

- An appeal must be filed within 60 days after the decision of the assessor.
-
- The decision should be in writing and should contain the date the notice was mailed. This date should be used to determine whether the appeal was filed within 60 days after the decision of the assessor.



7



7

Time Limits for Appeals

- If the owner submits additional information to the assessor as part of the compliance review process, the appeal must be filed within 60 days after the assessor's new decision, as based on the additional information.



8



8

Appeals from the County Board

- Decisions of the county board of equalization and review or the board of county commissioners may be appealed to the North Carolina Property Tax Commission.
-
- Appeals to the Property Tax Commission must be made in writing within 30 days after the date the county board mailed a notice of its decision to the owner.



9



9

Appeals from the County Board

- Exception: If a taxpayer has filed a request for refund or release under the provisions of G.S. 105-381, the taxpayer must contest the decision of the county commissioners by filing suit in Superior Court. The appeal does not proceed to the North Carolina Property Tax Commission.



10



10

APPEAL PROCESS EXAMPLES

11

1-Q

- Owner has filed a late application before the board of equalization and review has adjourned from its duties under G.S. 105-322(g)(1) and (g)(2).

12

1-A

- The board of equalization and review has the responsibility to decide on the late application if the board is still in session.



13



13

2-Q

- Owner has filed a late application after the board of equalization and review has adjourned following completion of its duties under G.S. 105-322(g)(1) and (g)(2). The county commissioners prefer that the board of equalization and review decide whether to approve the late application.
-



14



14

2-A

- Once the board of equalization and review has adjourned, the board of county commissioners must decide on the late application. The board of equalization and review has not been given this authority by the General Assembly.



15



15

3-Q

- Owner has filed a late application. The assessor decides that the taxpayer has provided good cause for failure to timely file the application and approves the late application.



16



16

3-A

- The assessor does not have the authority to approve a late application. The applicant should be scheduled for a hearing before the board of equalization and review, or if that board is not in session, before the board of county commissioners.



17



17

4-Q

- Owner files a timely application. The assessor denies the application after the board of equalization and review has adjourned.



18



18

4-A

- The appeal must be heard by the county commissioners.



19



19

5-Q

- The assessor disqualifies a property as part of the periodic compliance review of PUV properties. The board of equalization and review is still in session.



20



20

5-A

- The appeal should be heard by the board of equalization and review



21



21

6-Q

- The assessor disqualifies a property as part of the periodic compliance review of PUV properties. The board of equalization and review has adjourned from its duties under G.S. 105-322(g)(1) and (g)(2).
-



22



22

6-A

- The board of equalization and review has the authority to hear the appeal. However, the board of county commissioners also has the authority to hear the appeal.
- It is up to the individual county to decide whether it wishes for these compliance review appeals to be heard by the board of county commissioners or by the board of equalization and review. It is recommended that the counties adopt an updated resolution for the board of equalization and review setting forth which board should hear the appeals when the jurisdictions of the two boards overlap.



23



23

7-Q

- Owner files a timely application. The assessor denies the application and mails the notice of decision on May 1 of this year. The owner notifies the assessor on August 10 of this year that he wishes to appeal the decision of the assessor.



24



24

7-A

- An appeal must be filed within 60 days after the decision of the assessor. The owner has failed to timely file an appeal and has lost the avenue for appeal.

Wildlife Conservation Lands Program

EVIN STANFORD

NCWRC PRIVATE LANDS PROGRAM

COASTAL REGION SUPERVISOR



Wildlife Conservation Lands Program (WCLP)

Legislation that recognizes wildlife conservation land as a special class of property that must be assessed at a reduced value

Signed into law 2008, effective Jan 1, 2010

- Created Criteria 1 & 2

New version signed into law in 2018

- Created Criterion 3

Administered by NCWRC



Provides tax deferment to landowners who want to manage for priority wildlife species or habitats, or to manage “wildlife reserve land”

Wildlife Conservation Lands Program

- Modeled after Present Use Value programs

- But is not one of them
- Carries the same penalties for non-compliance
 - 3 years rollback taxes + compounded interest
- Can transfer to new owner if land is sold
 - Sign WHCA and update county within 60 days

- Tax is assessed at the Ag PUV rate

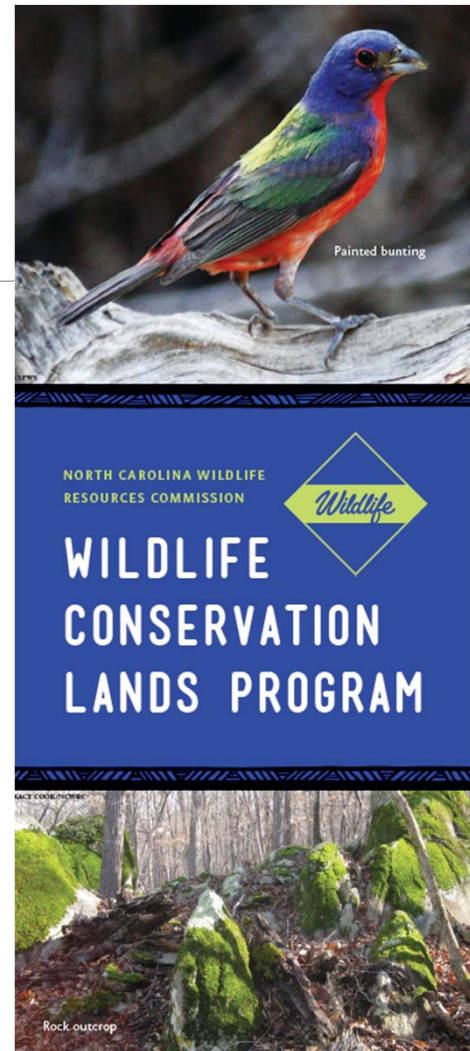
- Varies with soil type
- Capped at \$1200 per acre valuation
- Generally higher valuation than Forestry PUV



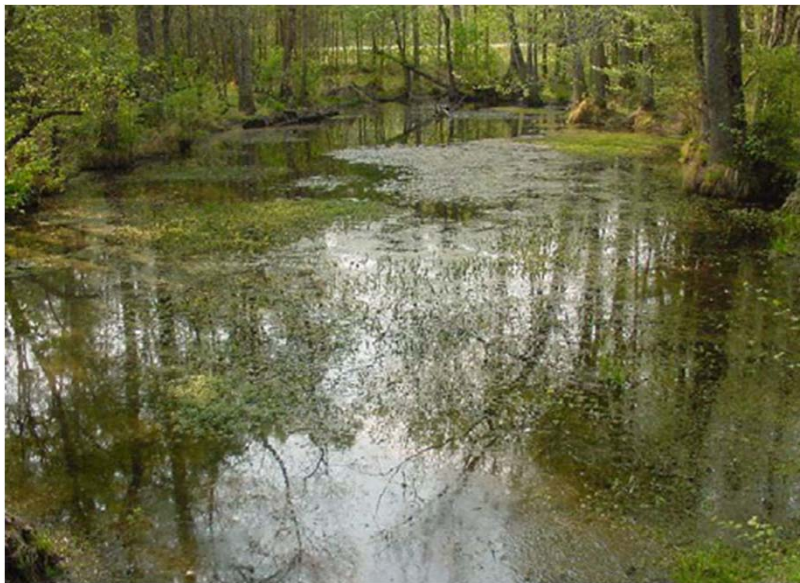
Wildlife Conservation Lands Program

REQUIREMENTS:

- 20-100 acres for Criteria 1 & 2, 20-800 acres for Criterion 3
 - Contiguous qualifying habitat, can be separated by road or county line
- Ownership
 - 5+ year ownership history
 - Individual (Including Husband+Wife), Family Trust, or Family Business
 - Tenancy in common DOES NOT qualify for WCLP
- Signed “Wildlife Habitat Conservation Agreement” (WHCA)
 - Defines management practices for the WCLP acreage
 - Subject to periodic audits



Qualifying for WCLP



Three Options:

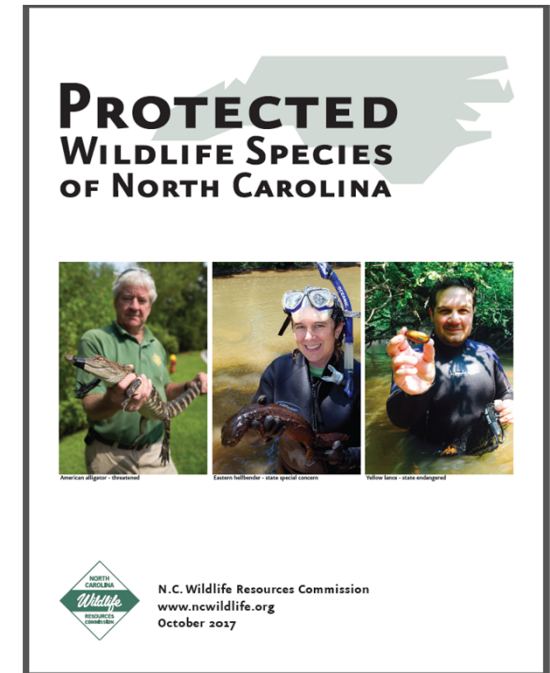
- Criterion 1: Protected Animal Species
 - From list
 - 20-100 acres per county
- Criterion 2: Priority Habitat
 - 6 types
 - 20-100 acres per county
- Criterion 3: Wildlife Reserve Land
 - 7 activities, must implement at least 3
 - 20-800 acres per county



Qualifying for WCLP: Criterion 1 - Species

Any **animal** species that is state or federally listed as:

- Endangered
- Threatened
- Species of Special Concern
- Presence must be documented!!



Qualifying for WCLP: Criterion 2 - Habitat

Longleaf Pine



Qualifying for WCLP: Criterion 2 - Habitat

Longleaf Pine



Qualifying for WCLP: Criterion 2- Habitat

Bat Cave

- Typically rock shelter or boulder caves
- Abandoned mines?
 - Only if they resemble natural caves in temperature, structure, and humidity



Qualifying for WCLP: Criterion 2 - Habitat

Rock Outcroppings

- Bigger is better
- More crevices/complexity the better
- Proximity to other rocks



Qualifying for WCLP: Criterion 2 - Habitat



Qualifying for WCLP: Criterion 2 - Habitat

Rock Outcroppings



Qualifying for WCLP: Criterion 2 - Habitat

Early Successional

- “Old Field”
- Quality vegetation:
 - Mostly forbs and native grasses
 - Small amount of trees is ok
- Fescue hayfield does not qualify



Qualifying for WCLP: Criterion 2 - Habitat

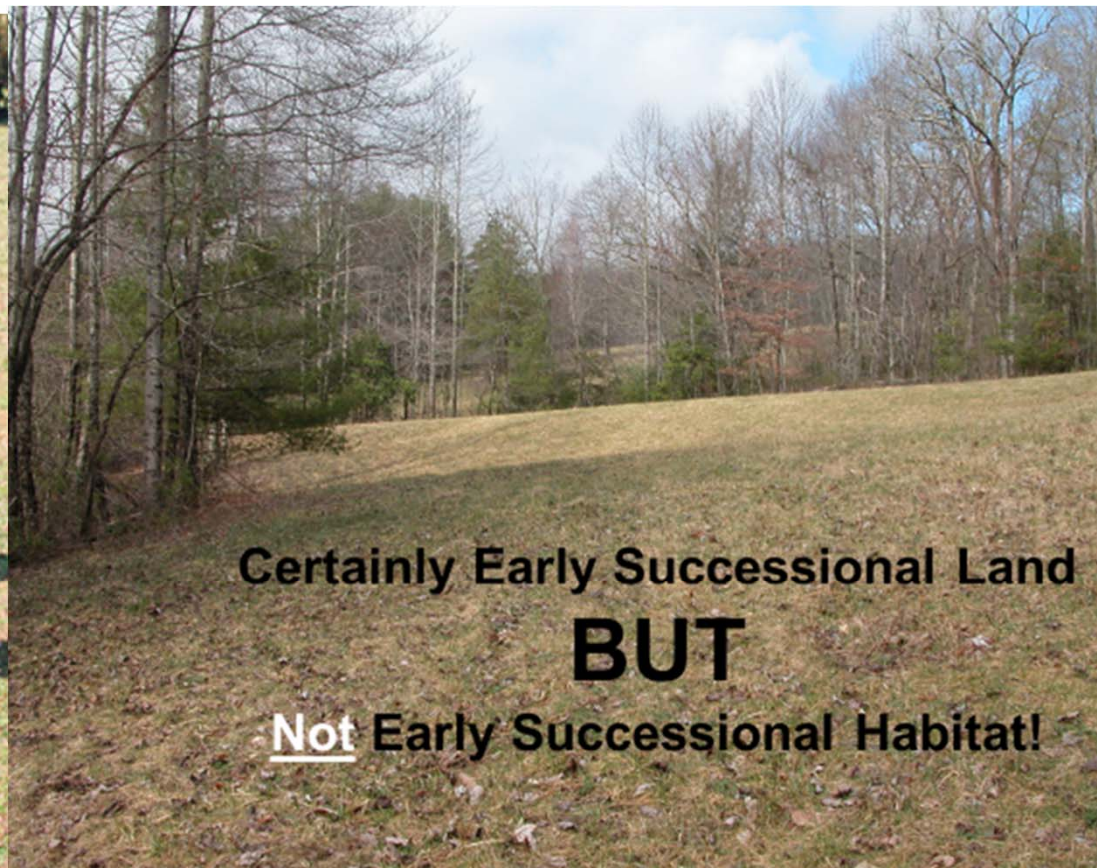


Qualifying for WCLP: Criterion 2 - Habitat

Maintenance Required!!!!!!



Qualifying for WCLP: Criterion 2 - Habitat



Qualifying for WCLP: Criterion 2 - Habitat



Stream & Riparian Zone

- Perennial streams
- Large or small

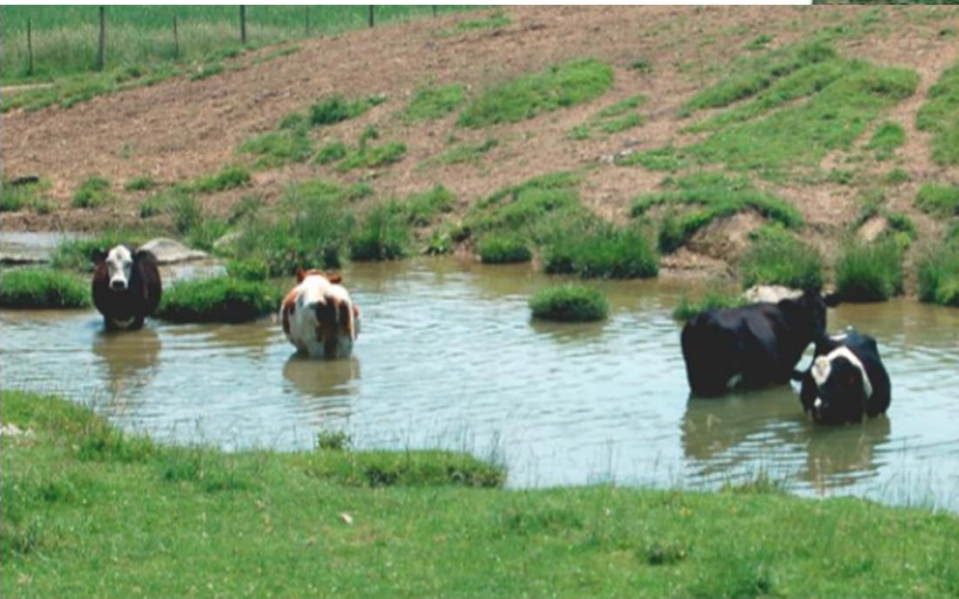


Qualifying for WCLP: Criterion 2 - Habitat



Qualifying for WCLP: Criterion 2 - Habitat

NOT Stream and Riparian Habitat!



Qualifying for WCLP: Criterion 2 - Habitat

Small Wetland

- Bog
- Seep
- Small pond
- Beaver pond
- Ephemeral (temporary) pools



Qualifying for WCLP: Criterion 2 - Habitat



Qualifying for WCLP: Species vs. Habitat

Early Successional or
Golden-winged Warbler



Small Wetland or Bog Turtle



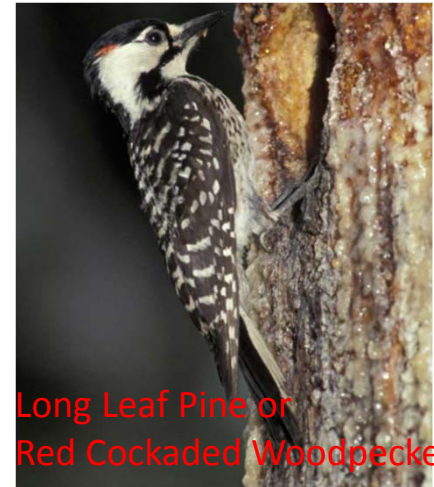
Stream & Riparian or
Eastern Hellbender



Rock Outcrop or
Green Salamander



Long Leaf Pine or
Red Cockaded Woodpecker



Bat Cave or Gray Bat



Qualifying for WCLP: Criterion 3

"§ 105-277.15. Taxation of wildlife conservation land.

3. Create and actively and regularly use as a reserve for hunting, fishing, shooting, wildlife observation, or wildlife activities, provided that the land is inspected by a certified wildlife biologist at least quintennially to ensure that at least three of the seven activities listed in this sub-sub-subdivision are maintained to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation. The Commission shall adopt rules needed to administer the inspection requirements of and activities mandated by this sub-sub-subdivision.

- I. Supplemental food.
- II. Supplemental water.
- III. Supplemental shelter.
- IV. Habitat control.
- V. Erosion control.
- VI. Predator control.
- VII. Census of animal population on the land.



- Texas model
- More inclusive
- Increased acreage cap
- 5-year checkups
- Activities defined to have conservation merit

Qualifying for WCLP: Criterion 3 - Activities

Supplemental Food



Qualifying for WCLP: Criterion 3 - Activities

Supplemental Water



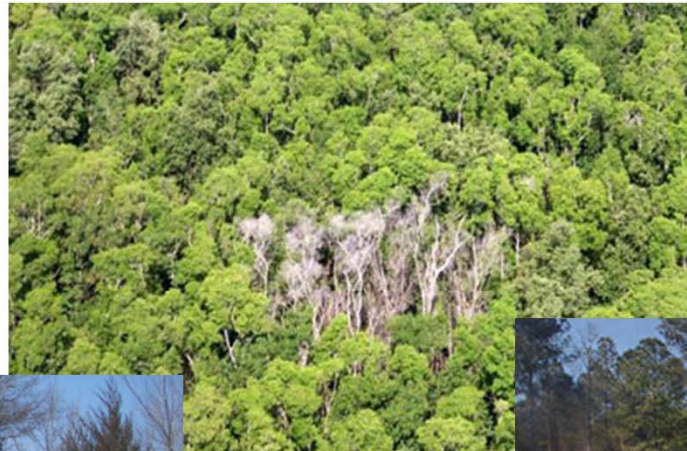
Qualifying for WCLP: Criterion 3 - Activities

Supplemental Shelter



Qualifying for WCLP: Criterion 3 - Activities

Habitat Control



Qualifying for WCLP: Criterion 3 - Activities

Erosion Control



Qualifying for WCLP: Criterion 3 - Activities

Predator Control



Qualifying for WCLP: Criterion 3 - Activities

Animal Population Census



Census / Survey efforts

- ☐ [NC WRC Deer Hunter Observation Survey](#)
- ☐ [NC WRC Turkey Brood Survey](#)
- ☐ [NC WRC Avid Grouse, Quail, Rabbit Hunter Survey](#)
- ☐ [NC WRC Deer Management Assistance Program](#)
- ☐ [North Carolina's Candid Critters](#)
- ☐ [Dragonfly Pond Watch Program](#)
- ☐ [Bumble Bee Watch](#)
- ☐ [Native Buzz](#)
- ☐ [The Great Sunflower Project](#)
- ☐ [The Great Backyard Bird Count](#)
- ☐ [Christmas Bird Count](#)
- ☐ [Hummingbirds at Home](#)
- ☐ [NestWatch](#)
- ☐ [FrogWatch USA](#)
- ☐ [Osprey Watch](#)
- ☐ [eBird](#)
- ☐ [iNaturalist](#)
- ☐ [Project FeederWatch](#)
- ☐ [US Nightjar Survey Network](#)
- ☐ [North American Breeding Bird Survey](#)
- ☐ [Calling Amphibian Survey Program](#)
- ☐ Other (attach description for approval by NCWRC staff):

Qualifying for WCLP: Criterion 3 - Summary

Some practices make more sense than others

- Supplemental shelter, supplemental water
- Habitat control/management, erosion control
- Texas

Much more inclusive than Criteria 1 & 2

- (Almost) any open/wild land 20+ acres can be made to qualify if landowner is willing
- More acres will be conserved



WCLP: Enrollment Processes

Step 1: NCWRC receives notification of interest

- Previous landowner contact
- Referral from county tax office
 - Land is in Forestry PUV but landowner doesn't want to follow FMP
- Word of mouth
- Application online

Step 2: Contact landowner

- Phone conversation
 - Give additional information about WCLP
 - Determine if they may qualify based on land use, ownership structure, and history
 - Schedule site visit



WCLP: Enrollment Processes

Step 3: Site visit

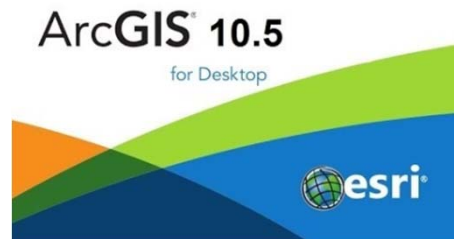
- Listen to landowner objectives
- Educate landowner about their land and possible management opportunities
 - (Technical Guidance / Habitat Management)
- Educate landowner about potential cost-share opportunities
 - (Technical Guidance / Farm Bill Programs)
- Get your exercise
 - Look for habitat features and species
 - Observe forest development and health
 - Take notes



WCLP: Enrollment Processes

Step 4: Develop Map

- Parcel boundaries
- Streams and other features
- Management areas
- Acreage IN vs. OUT



Step 5: Develop Wildlife Habitat Conservation Agreement (WHCA)

- Required management for each habitat or activity
 - Early Successional → active
 - Stream and Riparian → hands-off
- Acreage totals



WCLP: Enrollment Processes

Step 6: Supervisor Approval

- Regional supervisor, then division chief

Step 7: Landowner Sign-off

- WHCA must be signed by Dec 31 to be valid for the following tax year

Step 8: Landowner is responsible for taking to the county tax office

- Fill out “Application for Wildlife Conservation Program” (Form AV-56)
- County assessor determines eligibility for tax deferment

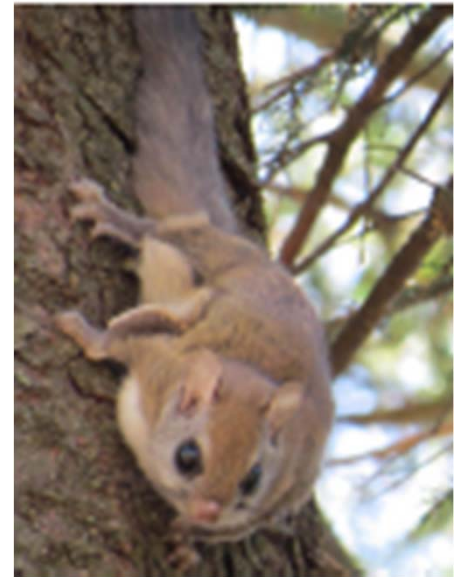


WCLP: Program Follow-ups



Reoccurring Audits

- Ensure compliance with WHCA
- WRC staff performs site visit to verify compliance
- At request of county tax office
- Generally every 8 years for Criteria 1 and 2
 - Varies by county
- Every 5 years for Criterion 3



WCLP: Outcomes

Conservation of acreage

- Lowered development pressure due to reduced property taxes
- Keeping open land open and wild areas wild

Species conservation through habitat protection

- Both animal and plant communities

Active wildlife habitat management

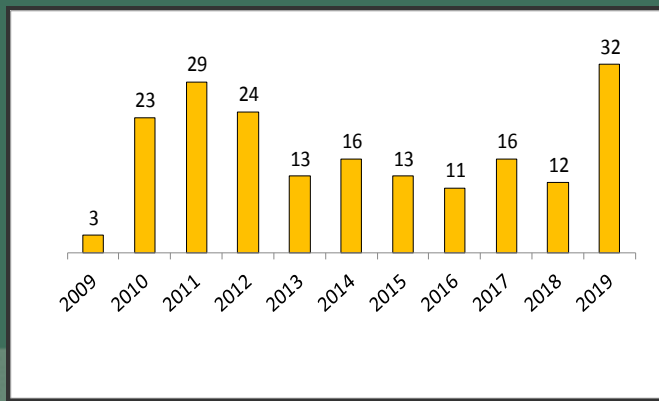
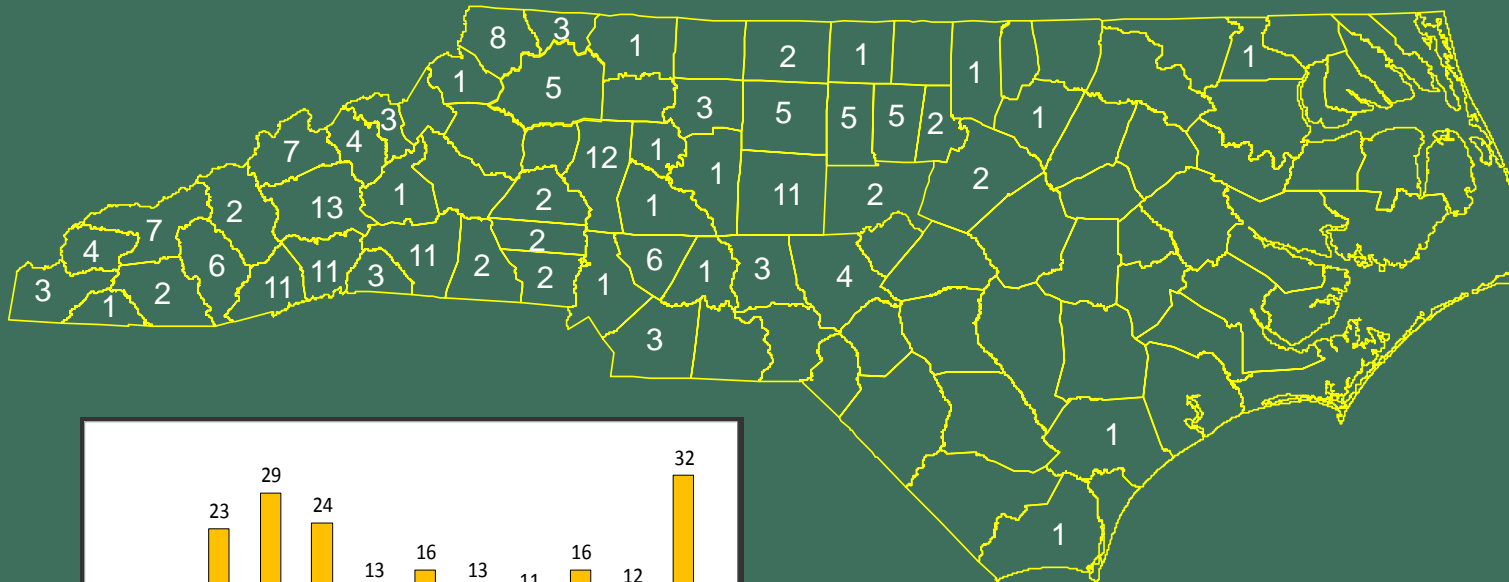
- Establishing/maintaining critical habitats on the ground
- Technical guidance from resource professional

Landowner engagement with land

- Sense of pride and ownership, increase interest in and use of land



Wildlife Conservation Land Program Signed WHCAs by County through 2019



WCLP Contact Information

For additional information on the WCLP, contact the NCWRC at:

<https://www.ncwildlife.org/Conserving/Programs/Land-Conservation-Program>

1722 Mail Service Center, Raleigh, NC 27699-1700

919-707-0050

