

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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HOUSE BILL 1427
Committee Substitute Favorable 8/22/01
Seante Agriculture/Environment/Natural Resources Committee Substitute
Adopted 9/4/01
Senate Finance Committee Substitute Adopted 10/4/01

Short Title: Amend Use Value Statutes.

(Public)

Sponsors:

Referred to:

May 8, 2001

A BILL TO BE ENTITLED

AN ACT TO AMEND THE PRESENT-USE VALUE STATUTES AND TO
ESTABLISH THE PROPERTY TAX STUDY COMMISSION.

The General Assembly of North Carolina enacts:

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

"§ 105-277.2. **Agricultural, horticultural, and forestland – Definitions.**

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

...

(6) Sound management program. – A program of production designed to obtain the greatest net return from the land consistent with its conservation and long-term improvement. The fair market value of the land shall not be considered in determining the net return from the land."

SECTION 2. G.S. 105-277.3(b2) reads as rewritten:

"(b2) Exception to Ownership Requirements. – G.S. 105-277.4(c) provides that deferred taxes are payable if land fails to meet any condition or requirement for classification. Accordingly, if land fails to meet an ownership requirement due to a change of ownership, G.S. 105-277.4(c) applies. Despite this failure and the resulting liability for taxes under G.S. 105-277.4(c), the land may qualify for classification in the hands of the new owner if both of the ~~following~~ conditions listed in this subsection are met, even if the new owner does not meet all of the ownership requirements of subsections (b) and (b1) of this section with respect to the ~~land~~ land. If the land qualifies for classification in the hands of the new owner under the provisions of this subsection, then the new owner becomes liable for the deferred taxes, and the deferred taxes become payable if the land fails to meet any other condition or requirement for classification.

1 (1) The land was appraised at its present use value or was eligible for
2 appraisal at its present use value at the time title to the land passed to
3 the new owner.

4 (2) At the time title to the land passed to the new owner, the new owner
5 acquires the land for the purposes of and continues to use the land for
6 the purposes it was ~~owned~~ ~~other land~~ classified under subsection
7 (a)-(a) of this section while under previous ownership."

8 **SECTION 3.** G.S. 105-277.4(c) reads as rewritten:

9 "(c) Deferred Taxes. – Land meeting the conditions for classification under G.S.
10 105-277.3 shall be taxed on the basis of the value of the land for its present use. The
11 difference between the taxes due on the present-use basis and the taxes that would have
12 been payable in the absence of this classification, together with any interest, penalties,
13 or costs that may accrue thereon, are a lien on the real property of the taxpayer as
14 provided in G.S. 105-355(a). The difference in taxes shall be carried forward in the
15 records of the taxing unit or units as deferred taxes. The taxes become due and payable
16 when the land fails to meet any condition or requirement for classification. The tax for
17 the fiscal year that opens in the calendar year in which deferred taxes become due is
18 computed as if the land had not been classified for that year, and taxes for the preceding
19 three fiscal years that have been deferred are immediately payable, together with
20 interest as provided in G.S. 105-360 for unpaid taxes. Interest accrues on the deferred
21 taxes due as if they had been payable on the dates on which they originally became due.
22 If only a part of the qualifying tract of land fails to meet a condition or requirement for
23 classification, a determination shall be made of the amount of deferred taxes applicable
24 to that part and that amount becomes payable with interest as provided above. Upon the
25 payment of any taxes deferred in accordance with this section for the three years
26 immediately preceding a disqualification, all liens arising under this subsection are
27 extinguished. The deferred taxes for any given year may be paid in that year without the
28 qualifying tract of land becoming ineligible for deferred status."

29 **SECTION 4.(a)** Commission Established. – There is established the
30 Property Tax Study Commission.

31 **SECTION 4.(b)** Membership. – The Commission shall consist of 16
32 members who shall be appointed as follows:

33 (1) The President Pro Tempore of the Senate shall appoint eight members,
34 four of whom shall be members of the Senate and four of whom shall
35 be public members.

36 (2) The Speaker of the House of Representatives shall appoint eight
37 members, four of whom shall be members of the House of
38 Representatives and four of whom shall be public members.

39 **SECTION 4.(c)** Duties. – The Commission shall study, examine, and, if
40 necessary, recommend changes to the property tax system. The Commission shall
41 include in its study an examination of all classes of property, including the taxability of
42 nonprofit charitable hospitals, as well as other exemptions and exclusions of property

1 from the property tax base. The Commission shall also study the present-use value
2 system, including the following:

- 3 (1) Examine the implementation and application of the current present-use
4 value statutes.
- 5 (2) Evaluate other tax credits, including adjustments to and credits for ad
6 valorem taxes, to encourage agricultural, forestry, and horticultural use
7 of land.
- 8 (3) Evaluate the treatment of undeveloped land in ad valorem tax.
- 9 (4) Evaluate the possibility of tax incentives to encourage conservation
10 and environmental protection of land. The study shall include the
11 feasibility of allowing forestland managed for conservation purposes
12 and the preservation of wildlife habitats to be taxed at its present-use
13 value.
- 14 (5) Review other issues related to the taxation of agricultural land,
15 horticultural land, and forestland, including reducing the acreage
16 requirement for land to qualify as forestland.

17 **SECTION 4.(d)** Report. – The Commission shall submit a final written
18 report of its findings and recommendations to the 2003 General Assembly and may
19 submit a report to the 2002 Regular Session of the 2001 General Assembly. The final
20 report shall include recommendations for changes in the property tax system, including
21 any legislative proposals necessary to implement those recommendations and an
22 analysis of the fiscal impact of each recommendation. The Commission shall terminate
23 upon filing its final report.

24 **SECTION 4.(e)** Expenses of Members. – Members of the Commission shall
25 be paid per diem, subsistence, and travel allowances as follows:

- 26 (1) Commission members who are also members of the General
27 Assembly, at the rate established in G.S. 120-3.1;
- 28 (2) Commission members who are officials or employees of the State or
29 local government agencies, at the rate established in G.S. 138-6;
- 30 (3) All other Commission members, at the rate established in G.S. 138-5.

31 **SECTION 4.(f)** Cochairs; Meetings. – Cochairs of the Commission shall be
32 designated by the Speaker of the House of Representatives and the President Pro
33 Tempore of the Senate from among their respective appointees. The Commission shall
34 meet upon the call of the chairs. A majority of the members of the Commission shall
35 constitute a quorum. The Commission may meet during a regular or special session of
36 the General Assembly, subject to approval of the Speaker of the House of
37 Representatives and the President Pro Tempore of the Senate. The Legislative Services
38 Commission shall provide adequate meeting space to the Commission in the State
39 Legislative Building or the Legislative Office Building.

40 **SECTION 4.(g)** Staff. – With the prior approval of the Legislative Services
41 Commission, the Legislative Services Officer shall assign professional staff to assist in
42 the work of the Commission.

1 **SECTION 4.(h)** Cooperation by Government Agencies. – The Commission
2 may call upon any department, agency, institution, or officer of the State or any political
3 subdivision of the State for facilities, data, or other assistance. All State departments and
4 agencies, local governments, and their subdivisions shall cooperate with the
5 Commission and, upon request, shall furnish to the Commission and its staff any
6 information in their possession or available to them.

7 **SECTION 4.(i)** Funding. – From funds appropriated to the General
8 Assembly, the Legislative Services Commission shall allocate funds for the expenses of
9 the Commission.

10 **SECTION 5.** Sections 1 through 3 of this act are effective for taxes imposed
11 for taxable years beginning on or after January 1, 2002. The remainder of this act is
12 effective when it becomes law.