

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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SENATE BILL 1161

Short Title: Amend Use Value Statutes. (Public)

Sponsors: Senators Hartsell; Dalton, Hoyle, Kerr, and Webster.

Referred to: Finance.

June 4, 2002

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE PRESENT-USE VALUE STATUTES.
3 The General Assembly of North Carolina enacts:

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

5 "**§ 105-277.2. Agricultural, horticultural, and forestland – Definitions.**

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

7 (1) Agricultural land. – Land that is a part of a farm unit that is actively
8 engaged in the commercial production or growing of crops, plants, or
9 animals under a sound management program. Agricultural land
10 includes woodland and wasteland that is a part of the farm unit, but the
11 woodland and wasteland included in the unit ~~shall~~must be appraised
12 under the use-value schedules as woodland or wasteland. A farm unit
13 may consist of more than one tract of agricultural land, but at least one
14 of the tracts must meet the requirements in G.S. 105-277.3(a)(1), and
15 each tract must be under a sound management program. If the
16 agricultural land includes less than 20 acres of woodland, then the
17 woodland portion is not required to be under a sound management
18 program.

19 (1a) Business entity. – A corporation, a general partnership, a limited
20 partnership, or a limited liability company.

21 (2) Forestland. – Land that is a part of a forest unit that is actively engaged
22 in the commercial growing of trees under a sound management
23 program. Forestland includes wasteland that is a part of the forest unit,
24 but the wasteland included in the unit ~~shall~~must be appraised under
25 the use-value schedules as wasteland. A forest unit may consist of
26 more than one tract of forestland, but at least one of the tracts must
27 meet the requirements in G.S. 105-277.3(a)(3), and each tract must be
28 under a sound management program. Forestland is not required to be
29 under a sound management program if it is determined that the highest

1 and best use of the forestland is to diminish wind erosion, protect
2 water quality, or serve as buffers for livestock or poultry operations.
3 The term 'forestland' includes timberland and woodland.

- 4 (3) Horticultural land. – Land that is a part of a horticultural unit that is
5 actively engaged in the commercial production or growing of fruits or
6 vegetables or nursery or floral products under a sound management
7 program. Horticultural land includes woodland and wasteland that is a
8 part of the horticultural unit, but the woodland and wasteland included
9 in the unit ~~shall~~ must be appraised under the use-value schedules as
10 woodland or wasteland. A horticultural unit may consist of more than
11 one tract of horticultural land, but at least one of the tracts must meet
12 the requirements in G.S. 105-277.3(a)(2), and each tract must be under
13 a sound management program. If the horticultural land includes less
14 than 20 acres of woodland, then the woodland portion is not required
15 to be under a sound management program.

- 16 (4) Individually owned. – Owned by one of the following:
- 17 a. A natural person. For the purpose of this section, a natural
18 person who is an income beneficiary of a trust that owns land
19 may elect to treat the person's beneficial share of the land as
20 owned by that person. If the person's beneficial interest is not an
21 identifiable share of land but can be established as a
22 proportional interest in the trust income, the person's beneficial
23 share of land is a percentage of the land owned by the trust that
24 corresponds to the beneficiary's proportional interest in the trust
25 income. For the purpose of this section, a natural person who is
26 a member of a business entity, other than a corporation, that
27 owns land may elect to treat the person's share of the land as
28 owned by that person. The person's share is a percentage of the
29 land owned by the business entity that corresponds to the
30 person's percentage of ownership in the entity.
- 31 b. A business entity having as its principal business one of the
32 activities described in subdivisions (1), (2), and (3) and whose
33 members are all natural persons who meet one or more of the
34 following conditions:
- 35 1. The member is actively engaged in the business of the
36 entity.
- 37 2. The member is a relative of a member who is actively
38 engaged in the business of the entity.
- 39 3. The member is a relative of, and inherited the
40 membership interest from, a decedent who met one or
41 both of the preceding conditions after the land qualified
42 for classification in the hands of the business entity.
- 43 c. A trust that was created by a natural person who transferred the
44 land to the trust and each of whose beneficiaries who is

- 1 currently entitled to receive income or principal meets one of
2 the following conditions:
- 3 1. Is the creator of the trust or the creator's relative.
 - 4 2. Is a second trust whose beneficiaries who are currently
5 entitled to receive income or principal are all either the
6 creator of the first trust or the creator's relatives.
- 7 d. A testamentary trust that meets all of the following conditions:
- 8 1. It was created by a natural person who transferred to the
9 trust land that qualified in that person's hands for
10 classification under G.S. 105-277.3.
 - 11 2. At the time of the creator's death, the creator had no
12 relatives as defined in this section as of the date of death.
 - 13 3. The trust income, less reasonable administrative
14 expenses, is used exclusively for educational, scientific,
15 literary, cultural, charitable, or religious purposes as
16 defined in G.S. 105-278.3(d).
- 17 e. Tenants in common, if each tenant is either a natural person or a
18 business entity described in sub-subdivision b. of this
19 subdivision. Tenants in common may elect to treat their
20 individual shares as owned by them individually in accordance
21 with G.S. 105-302(c)(9). The ownership requirements of G.S.
22 105-277.3(b) apply to each tenant in common who is a natural
23 person and the ownership requirements of G.S. 105-277.3(b1)
24 apply to each tenant in common who is a business entity.
- 25 (4a) Member. – A shareholder of a corporation, a partner of a general or
26 limited partnership, or a member of a limited liability company.
- 27 (5) Present-use value. – The value of land in its current use as agricultural
28 land, horticultural land, or forestland, based solely on its ability to
29 produce ~~income, using a rate of nine percent (9%) to capitalize the~~
30 ~~expected net income of the property and assuming an average level of~~
31 ~~management.~~ income and assuming an average level of management.
32 A rate of nine percent (9%) shall be used to capitalize the expected net
33 income of forestland. The capitalization rate for agricultural land and
34 horticultural land is to be determined by the Use-Value Advisory
35 Board as provided in G.S. 105-277.7.
- 36 (5a) Relative. – Any of the following:
- 37 a. A spouse or the spouse's lineal ancestor or descendant.
 - 38 b. A lineal ancestor or a lineal descendant.
 - 39 c. A brother or sister, or the lineal descendant of a brother or
40 sister. For the purposes of this sub-subdivision, the term brother
41 or sister includes stepbrother or stepsister.
 - 42 d. An aunt or an uncle.
 - 43 e. A spouse of a person listed in paragraphs a. through d.

1 For the purpose of this subdivision, an adoptive or adopted relative
2 is a relative and the term "spouse" includes a surviving spouse.

3 (6) Sound management program. – A program of production designed to
4 obtain the greatest net return from the land consistent with its
5 conservation and long-term improvement.

6 (7) Unit. – One or more tracts of agricultural land, horticultural land, or
7 forestland. Multiple tracts must be under the same ownership. If the
8 multiple tracts are located within different counties, they must be
9 within 50 miles of a tract qualifying under G.S. 105-277.3(a) and share
10 one of the following characteristics:

11 a. Type of classification.

12 b. Use of the same equipment or labor force."

13 **SECTION 2.** G.S. 105-277.3 reads as rewritten:

14 **"§ 105-277.3. Agricultural, horticultural, and forestland – Classifications.**

15 (a) Classes Defined. – The following classes of property are designated special
16 classes of property under authority of Section 2(2) of Article V of the North Carolina
17 Constitution and ~~shall~~must be appraised, assessed, and taxed as provided in
18 G.S. 105-277.2 through G.S. 105-277.7.

19 (1) Agricultural land. – Individually owned agricultural land consisting of
20 one or more tracts, one of which consists of at least 10 acres that are in
21 actual production and that, for the three years preceding January 1 of
22 the year for which the benefit of this section is claimed, have produced
23 an average gross income of at least one thousand dollars (\$1,000).
24 Gross income includes income from the sale of the agricultural
25 products produced from the land and any payments received under a
26 governmental soil conservation or land retirement program. Land in
27 actual production includes land under improvements used in the
28 commercial production or growing of crops, plants, or animals.

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

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

4 (b) Natural Person Ownership Requirements. – In order to come within a
5 classification described in subsection (a) of this section, the land must, if owned by a
6 natural person, also satisfy one of the following conditions:

7 (1) It is the owner's place of residence.

8 (2) It has been owned by the current owner or a relative of the current
9 owner for the four years preceding January 1 of the year for which the
10 benefit of this section is claimed.

11 (3) At the time of transfer to the current owner, it qualified for
12 classification in the hands of a business entity or trust that transferred
13 the land to the current owner who was a member of the business entity
14 or a beneficiary of the trust, as appropriate.

15 (b1) Entity Ownership Requirements. – In order to come within a classification
16 described in subsection (a) of this section, the land must, if owned by a business entity
17 or trust, have been owned by the business entity or trust or by one or more of its
18 members or creators, respectively, for the four years immediately preceding January 1
19 of the year for which the benefit of this section is claimed.

20 (b2) Exception to Ownership Requirements. – ~~G.S. 105-277.4(e) provides that~~
21 ~~deferred taxes are payable if land fails to meet any condition or requirement for~~
22 ~~classification. Accordingly, if land fails to meet an ownership requirement due to a~~
23 ~~change of ownership, G.S. 105-277.4(e) applies. Despite this failure and the resulting~~
24 ~~liability for taxes under G.S. 105-277.4(e), the~~Notwithstanding the provisions of
25 subsections (b) and (b1) of this section, land may qualify for classification in the hands
26 of the new owner if both all of the conditions listed in this subsection are met, even if
27 the new owner does not meet all of the ownership requirements of subsections (b) and
28 (b1) of this section with respect to the land. If the land qualifies for classification in the
29 hands of the new owner under the provisions of this subsection, then the deferred taxes
30 remain a lien on the land under G.S. 105-277.4(c), the new owner becomes liable for the
31 deferred taxes, and the deferred taxes become payable if the land fails to meet any other
32 condition or requirement for classification.

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

36 (2) At the time title to the land passed to the new owner, the new owner
37 acquires the land for the purposes of and continues to use the land for
38 the purposes it was classified under subsection (a) of this section while
39 under previous ownership.

40 (3) The new owner has timely filed an application as required by
41 G.S. 105-277.4(a) and has certified that the new owner accepts liability
42 for the deferred taxes and intends to continue the present use of the
43 land.

44 (c) Repealed by Session Laws 1995, c. 454, s. 2.

1 (d) Exception for Conservation Reserve Program. – Land enrolled in the federal
2 Conservation Reserve Program authorized by 16 U.S.C. ~~§ 1384~~Chapter 58 is considered
3 to be in actual production, and income derived from participation in the federal
4 Conservation Reserve Program may be used in meeting the minimum gross income
5 requirements of this section either separately or in combination with income from actual
6 production. Land enrolled in the federal Conservation Reserve Program ~~shall~~must be
7 assessed as agricultural land if it is planted in vegetation other than trees, or as
8 forestland if it is planted in trees. Land that is voluntarily removed from production due
9 to participation in any other program is not considered to be in actual production.

10 (e) Exception for Turkey Disease. – Agricultural land that meets all of the
11 following conditions is considered to be in actual production and to meet the minimum
12 gross income requirements:

13 (1) The land was in actual production in turkey growing within the
14 preceding two years and qualified for present use value treatment
15 while it was in actual production.

16 (2) The land was taken out of actual production in turkey growing solely
17 for health and safety considerations due to the presence of Poul
18 Enteritis Mortality Syndrome among turkeys in the same county or a
19 neighboring county.

20 (3) The land is otherwise eligible for present use value treatment.

21 (f) Sound Management Program. – If the property owner demonstrates any one
22 of the following factors with respect to property, then the property is operated under a
23 sound management program:

24 (1) Enrollment in and compliance with an agency-administered and
25 approved farm management plan.

26 (2) Compliance with a set of best management practices.

27 (3) Compliance with a written sound forest management plan for the
28 production and sale of forest products.

29 (4) Compliance with a minimum gross income per acre test.

30 (5) Evidence of net income from the farm operation.

31 (6) Evidence that farming is the farm operator's principal source of
32 income.

33 (7) Certification by a recognized agricultural, forestry, or horticultural
34 agency within the county that the land is operated under a sound
35 management program.

36 Operation under a sound management program may also be demonstrated by evidence
37 of other similar factors. As long as a farm operator meets the sound management
38 requirements, it is irrelevant whether the property owner received income or rent from
39 the farm operator."

40 **SECTION 3.** G.S. 105-277.4 reads as rewritten:

41 "**§ 105-277.4. Agricultural, horticultural and forestland – Application; appraisal at**
42 **use value; appeal; deferred taxes.**

43 (a) Application. – Property coming within one of the classes defined in
44 G.S. 105-277.3 ~~shall be~~is eligible for taxation on the basis of the value of the property

1 in its present use if a timely and proper application is filed with the assessor of the
2 county in which the property is located. The application ~~shall~~must clearly show that the
3 property comes within one of the classes and ~~shall~~must also contain any other relevant
4 information required by the assessor to properly appraise the property at its present-use
5 value. An initial application ~~shall~~must be filed during the regular listing period of the
6 year for which the benefit of this classification is first claimed, or within 30 days of the
7 date shown on a notice of a change in valuation made pursuant to G.S. 105-286 or G.S.
8 105-287. A new application is not required to be submitted unless the property is
9 transferred or becomes ineligible for use-value appraisal because of a change in use or
10 acreage. An application required due to transfer of the land may be submitted at any
11 time during the calendar year but must be submitted within 60 days of the date of the
12 property's transfer.

13 (b) Appraisal at Present-use Value. – Upon receipt of a properly executed
14 application, the assessor ~~shall~~must appraise the property at its present-use value as
15 established in the schedule prepared pursuant to G.S. 105-317. In appraising the
16 property at its present-use value, the assessor ~~shall~~must appraise the improvements
17 located on qualifying land according to the schedules and standards used in appraising
18 other similar improvements in the county. If all or any part of a qualifying tract of land
19 is located within the limits of an incorporated city or town, or is property annexed
20 subject to G.S. 160A-37(f1) or G.S. 160A-49(f1), the assessor ~~shall~~must furnish a copy
21 of the property record showing both the present-use appraisal and the valuation upon
22 which the property would have been taxed in the absence of this classification to the
23 collector of the city or town. ~~He shall~~The assessor must also notify the tax collector of
24 any changes in the appraisals or in the eligibility of the property for the benefit of this
25 classification. Upon a request for a certification pursuant to G.S. 160A-37(f1) or
26 G.S.160A-49(f1), or any change in the certification, the assessor for the county where
27 the land subject to the annexation is located ~~shall~~must, within 30 days, determine if the
28 land meets the requirements of G.S. 160A-37(f1)(2) or G.S. 160A-49(f1)(2) and report
29 the results of its findings to the city.

30 (b1) Appeal. – Decisions of the assessor regarding the qualification or appraisal of
31 property under this section may be appealed to the county board of equalization and
32 review or, if that board is not in session, to the board of county commissioners.
33 Decisions of the county board may be appealed to the Property Tax Commission.

34 (c) Deferred Taxes. – Land meeting the conditions for classification under
35 G.S. 105-277.3 ~~shall~~must be taxed on the basis of the value of the land for its present
36 use. The difference between the taxes due on the present-use basis and the taxes that
37 would have been payable in the absence of this classification, together with any interest,
38 penalties, or costs that may accrue thereon, are a lien on the real property of the
39 taxpayer as provided in G.S. 105-355(a). The difference in taxes ~~shall~~must be carried
40 forward in the records of the taxing unit or units as deferred taxes. The taxes become
41 due and payable when the land fails to meet any condition or requirement for
42 classification. Failure to have an application approved is ground for disqualification.
43 The tax for the fiscal year that opens in the calendar year in which deferred taxes
44 become due is computed as if the land had not been classified for that year, and taxes

1 for the preceding three fiscal years that have been deferred are immediately payable,
2 together with interest as provided in G.S. 105-360 for unpaid taxes. Interest accrues on
3 the deferred taxes due as if they had been payable on the dates on which they originally
4 became due. If only a part of the qualifying tract of land fails to meet a condition or
5 requirement for classification, ~~a determination shall be made of the assessor must~~
6 determine the amount of deferred taxes applicable to that part and that amount becomes
7 payable with interest as provided above. Upon the payment of any taxes deferred in
8 accordance with this section for the three years immediately preceding a
9 disqualification, all liens arising under this subsection are extinguished. The deferred
10 taxes for any given year may be paid in that year without the qualifying tract of land
11 becoming ineligible for deferred status.

12 (d) Exceptions. – Notwithstanding the provisions of subsection (c) of this section,
13 if property loses its eligibility for present use value classification solely due to one of
14 the following reasons, no deferred taxes are due and the lien for the deferred taxes is
15 extinguished:

- 16 (1) There is a change in income caused by enrollment of the property in
17 the federal conservation reserve program established under 16 U.S.C.
18 Chapter 58.
- 19 (2) The property is conveyed by gift to a nonprofit organization and
20 qualifies for exclusion from the tax base pursuant to G.S. 105-275(12)
21 or G.S. 105-275(29).
- 22 (3) The property is conveyed by gift to the State, a political subdivision of
23 the State, or the United States.

24 (e) Repealed by Session Laws 1997-270, s. 3, effective July 3, 1997."

25 **SECTION 4.** G.S. 105-277.7 reads as rewritten:

26 "**§ 105-277.7. Use-Value Advisory Board.**

27 (a) Creation and Membership. – The Use-Value Advisory Board is established
28 under the supervision of the Agricultural Extension Service of North Carolina State
29 University. ~~The Board shall annually submit to the Department of Revenue a~~
30 ~~recommended use value manual developed in accordance with the guidelines in G.S.~~
31 ~~105-289(a)(5). In developing the manual, the Board may consult with federal and State~~
32 ~~agencies as needed. The Board shall submit to the Department of Revenue~~
33 ~~recommendations concerning requirements for horticultural land used to produce~~
34 ~~evergreens intended for use as Christmas trees when requested to do so by the~~
35 ~~Department.~~

36 ~~The Board shall be chaired by the Director of the Agricultural Extension Service of~~
37 ~~North Carolina State University shall serve as the chair of the Board. The Board and~~
38 shall consist of the following additional ~~members;~~members, to serve ex officio:

- 39 (1) A ~~a~~-representative of the Department of Agriculture and Consumer
40 Services, designated by the Commissioner of ~~Agriculture;~~Agriculture.
- 41 (2) A ~~a~~ representative of the Forest Resources Division of the Department
42 of Environment and Natural Resources, designated by the Director of
43 that ~~Division;~~ and a Division.

- 1 (3) A representative of the Agricultural Extension Service at North
2 Carolina Agricultural and Technical State University, designated by
3 the Director of the Extension Service.
- 4 (4) A representative of the North Carolina Farm Bureau, designated by the
5 President of the Bureau.
- 6 (5) A representative of the North Carolina Association of Assessing
7 Officers, designated by the President of the Association.
- 8 (6) The Director of the Property Tax Division of the North Carolina
9 Department of Revenue or the Director's designee.
- 10 (7) A representative of the North Carolina Association of County
11 Commissioners, designated by the President of the Association.
- 12 (b) Staff. ~~All members shall serve ex officio.~~ The Agricultural Extension
13 Service at North Carolina State University shall must provide clerical assistance to the
14 Board.
- 15 (c) Duties. ~~–~~ The Board must annually submit to the Department of Revenue a
16 recommended use-value manual. In developing the manual, the Board may consult with
17 federal and State agencies as needed. The manual must contain all of the following:
- 18 (1) The estimated cash rental rates for agricultural lands and horticultural
19 lands for the various classes of soils found in the State. The rental rates
20 must recognize the productivity levels by class of soil or geographic
21 area. The rental rates must be based on the rental value of the land to
22 be used for agricultural or horticultural purposes when those uses are
23 presumed to be the highest and best use of the land. The recommended
24 rental rates may be established from individual county studies or from
25 contracts with federal or State agencies as needed.
- 26 (2) The recommended net income ranges for forestland furnished to the
27 Board by the Forestry Section of the North Carolina Cooperative
28 Extension Service. These net income ranges may be based on up to six
29 classes of land within each Major Land Resource Area designated by
30 the United States Soil Conservation Service. In developing these
31 ranges, the Forestry Section must consider the soil productivity and
32 indicator tree species or stand type, the average stand establishment
33 and annual management costs, the average rotation length and timber
34 yield, and the average timber stumpage prices.
- 35 (3) The capitalization rates adopted by the Board prior to February 1 for
36 use in capitalizing incomes into values. The capitalization rate for
37 forestland shall be nine percent (9%). The capitalization rate for
38 agricultural land and horticultural land must be no less than six percent
39 (6%) and no more than seven percent (7%). The incomes must be in
40 the form of cash rents for agricultural lands and horticultural lands and
41 net incomes for forestlands.
- 42 (4) The value per acre adopted by the Board for the best agricultural land.
43 The value may not exceed one thousand two hundred dollars (\$1,200).

1 (5) Recommendations concerning any changes to the capitalization rate
2 for agricultural land and horticultural land and to the maximum value
3 per acre for the best agricultural land based on a calculation to be
4 determined by the Board. The Board shall annually report these
5 recommendations to the Revenue Laws Study Committee and to the
6 President Pro Tempore of the Senate and the Speaker of the House of
7 Representatives.

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

11 **SECTION 5.** G.S. 105-289(a) reads as rewritten.

12 "(a) It shall be ~~is~~ the duty of the Department of Revenue:

13 (1) To discharge the duties prescribed by law and to enforce the provisions
14 of this Subchapter.

15 (2) To exercise general and specific supervision over the valuation and
16 taxation of property by taxing units throughout the State.

17 (3) To appraise the property of public service companies.

18 (4) To keep full and accurate records of the Commission's official
19 proceedings.

20 (5) To prepare and distribute annually to each assessor a ~~the~~ manual
21 developed by the Use-Value Advisory Board under G.S. 105-277.7
22 that establishes ~~five expected net income per acre ranges for~~
23 agricultural land, horticultural land, and forestland, and establishes a
24 method for appraising nonproductive land as a percentage of the
25 lowest use value established for productive land. The high and low net
26 income amount in each range may differ by no more than fifteen
27 dollars (\$15.00). The basis for establishing each range shall be soil
28 productivity.

29 ~~For agricultural land, the expected net income per acre ranges~~
30 ~~shall be based on the actual yields and prices of corn and soybeans~~
31 ~~over a period of at least the five previous years, and the actual fixed~~
32 ~~and variable costs, including an imputed management cost, incurred in~~
33 ~~growing corn and soybeans over the same period of time. The manual~~
34 ~~shall contain recommended adjustments to the net income per acre~~
35 ~~ranges for the growing of crops subject to acreage or poundage~~
36 ~~allotments.~~

37 ~~Expected net income per acre ranges shall be similarly~~
38 ~~established for horticultural land and forestland, using typical~~
39 ~~horticultural or forest products in various growing regions of the State~~
40 ~~instead of corn and soybeans. the cash rental rates for agricultural~~
41 lands and horticultural lands and the net income ranges for forestland.

42 (6) To establish requirements for horticultural land, used to produce
43 evergreens intended for use as Christmas trees, in lieu of a gross
44 income requirement until evergreens are harvested from the land, and

1 to establish a gross income requirement for this type horticultural land,
2 that differs from the income requirement for other horticultural land,
3 when evergreens are harvested from the land.

4 (7) To conduct studies of the cash rents for agricultural lands on a county
5 or a regional basis, such as the Major Land Resource Area map
6 designated and developed by the U.S. Department of Agriculture. The
7 results of the studies must be furnished to the North Carolina Use-
8 Value Advisory Board. The studies may be conducted on any
9 reasonable basis and timetable that will be reflective of rents and
10 values for each local area based on the productivity of the land."

11 **SECTION 6.** G.S. 105-296(j) reads as rewritten:

12 "(j) The assessor ~~shall~~must annually review one eighth of the parcels in the
13 county classified for taxation at present-use value to verify that these parcels qualify for
14 the classification. By this method, the assessor ~~shall~~must review the eligibility of all
15 parcels classified for taxation at present-use value in an eight-year period. The period of
16 the review process is based on the average of the preceding three years' data. The
17 assessor may request assistance from the Farm Service Agency, the Cooperative
18 Extension Service, the Forest Resources Division of the Department of Environment
19 and Natural Resources, or other similar organizations.

20 The assessor may require the owner of classified property to submit any ~~information~~
21 information, including sound management plans for forestland, needed by the assessor
22 to verify that the property continues to qualify for present-use value taxation. The owner
23 has 60 days from the date a written request for the information is made to submit the
24 information to the assessor. If the assessor determines the owner failed to make the
25 information requested available in the time required without good cause, the property
26 loses its present-use value classification and the property's deferred taxes become due
27 and payable as provided in G.S. 105-277.4(c). The assessor must reinstate the property's
28 use-value classification when the owner submits the requested information unless the
29 information discloses that the property no longer qualifies for present-use value
30 classification. When a property's present-use value classification is reinstated, it is
31 reinstated retroactive to the date the classification was revoked and any deferred taxes
32 that were paid as a result of the revocation must be refunded to the property owner.

33 In determining whether property is operating under a sound management program,
34 the assessor must consider any weather conditions or other acts of nature that prevent
35 the growing or harvesting of crops or the realization of income from cattle, swine, or
36 poultry operations. The assessor must also allow the property owner to submit
37 additional information before making this determination."

38 **SECTION 7.** G.S. 105-299 reads as rewritten:

39 **"§ 105-299. Employment of experts.**

40 The board of county commissioners may employ appraisal firms, mapping firms or
41 other persons or firms having expertise in one or more of the duties of the assessor to
42 assist ~~him or her~~ the assessor in the performance of ~~such~~ these duties. The county may
43 also assign to county agencies, or contract with State or federal agencies, for any duties
44 involved with the approval or auditing of use-value accounts. The county may make

1 available to ~~such~~these persons any information it has that will facilitate the
2 performance of a contract entered into pursuant to this section. Persons receiving ~~such~~
3 this information ~~shall~~be subject to the provisions of G.S. 105-289(e) and
4 G.S. 105-259 regarding the use and disclosure of information provided to them by the
5 county. Any person employed by an appraisal firm whose duties include the appraisal of
6 property for the county ~~shall~~must be required to demonstrate that he or she is qualified
7 to carry out ~~such~~these duties by achieving a passing grade on a comprehensive
8 examination in the appraisal of property administered by the Department of Revenue. In
9 the employment of ~~such~~these firms, primary consideration ~~shall~~must be given to the
10 firms registered with the Department of Revenue pursuant to ~~the provisions of~~
11 G.S. 105-289(i). A copy of the specifications to be submitted to potential bidders and a
12 copy of the proposed contract may be sent by the board to the Department of Revenue
13 for review before the invitation or acceptance of any bids. Contracts for the employment
14 of these ~~such~~ firms or persons ~~shall be deemed to be~~ are contracts for personal services
15 and ~~shall not be~~not subject to the provisions of Article 8, Chapter 143, of the
16 General Statutes."

17 **SECTION 8.** This act is effective for taxes imposed for taxable years
18 beginning on or after July 1, 2003.