

Present Use Value Deferral Program

WHAT IS PRESENT USE VALUE?

It is the value of land in its current use as agricultural land, horticultural land, or forestland. The land meeting the eligibility requirements is taxed on the present-use value instead of market value of the land.

To be eligible for present-use values, a farm unit consisting of one or more tracts must meet the following requirements (North Carolina G.S. 105-277).

1. Application requirements:

Applications must be filed during the January listing period or within (30) days of a change in assessed value of the land.

2. Ownership requirement:

The farm must be owner's place of residence, or must have been owned by the owner or a close relative for the four (4) years preceding January 1, or the owner had other land in the use value program and this is a tract which was acquired during the past year and the tract was in the use value program or was eligible to be in the use value program under the prior owner.

The tract must have met the size, income, and other requirements under the prior owner.

3. Size requirements

A. A farm unit of agricultural land must have at least one ten (10) acre tract actively engaged in the commercial production or growing of crops or animals under a sound management program, and for other tracts in the unit to be eligible, each tract must include agriculture land which is actively engaged in commercial production under sound management.

NOTE: Up to twenty (20) acres of woodland and wasteland that is part of a farm unit is automatically eligible if the agriculture land on that tract is eligible. Forestland with more than twenty (20) acres must meet the requirements for forestland B. A farm unit of forest land must have at least one twenty (20) acre tract in the unit that is actively engaged in the commercial growing of trees under a sound management program, and for other tracts in the unit to be eligible, each tract must include forest land that is being used in production under sound management.

NOTE: Wasteland that is part of a forestland tract is automatically eligible if the forestland on that tract is eligible. Agriculture and horticulture land must meet the requirements for each and ARE NOT "carried" by the woodland.

C. A farm unit of horticultural land must have at least one five (5) acre tract in the unit that is actively engaged in the commercial production or growing of fruits, vegetables, nursery, or floral products under a sound management program, and for other tracts in the unit to be eligible, each tract must include horticultural land in actual production.

D. Size requirements must take into consideration land in the present-use program located in other counties.

4. Income requirements

A. Agricultural land and horticultural land must have produced an average GROSS income for the past three years of \$1,000 per year. Since the minimum acreage allowed is ten (10) acres, the implication is that the income produced should be at least \$1,000 per ten (10) acres of open land. (The North Carolina

Tax Commission has ruled on appeals that the \$1,000 minimum income does not apply for larger tracts.) Generally, income from products produced by the land is included, and service fees, rent, etc. are not.

B. Forest land does not have income requirements.

C. Crops used to produce income indirectly, such as hay for cow feed, corn for hog feed should be included in the gross income based on what the crop would have brought at market. (However, do not include both income on livestock sales and hay fed to that livestock, etc.)

5. Sound Management Requirements:

Sound management means a program of production designed to obtain the greatest net return from the land consistent with its conservation and long-term improvements. Sound management is a requirement that is much more difficult to determine than the others. Generally, there must be a reasonable investment. Evidence must be given to indicate the use of acceptable management procedures that are practiced by commercial producers.

Forestland application must include a plan of management proposed by a North Carolina State Forester or a Certified Forestry Consultant of your choice that must be revealed.

6. Federal Conservation Reserve Program

Land in the present-use program which is then enrolled in the Federal Conservation Reserve Program (CRP) shall be listed as in actual production (G.S 105-277.3d) but must meet all other requirements. The income from CRP is counted towards income requirements.

7. Review of Eligibility

G.S. 105-296(j) requires a review of each property every four years or every revaluation cycle to insure eligibility is maintained. A new application may need to be completed in the event of deed activity or acreage change.

8. Payment of Deferred Taxes

If at any time, a tract or part of a tract of land becomes ineligible for present use value assessment under the requirements of General Statutes 105-277, the deferred taxes including interest on that tract become due for the current year and the past three (3) years.

When changes in eligibility are not reported by the owner, a ten percent (10%) penalty for each year the ineligibility is unreported is required by General Statutes 105-277.5.

9. Changes

Eligibility requirements are subject to change in accordance with North Carolina General Statutes.