

Present-Use Valuation Program

NC DOR

Property Tax Division

Present-Use Value

- Generally, all property in North Carolina is valued at and taxed 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.

Present-Use Value

- Deferred taxes are the difference in taxes between the market value and the present-use value.
- When due, current year, plus three prior years plus interest

Use Value Advisory Board

- The nine member board consults with Federal and State agencies as needed to develop the manual with recommended values for agricultural, horticultural and forestland
- Each year our office publishes this manual that is a recommendation for counties

Classifications

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

Four Tests

- Ownership
- Size
- Income
- Sound Management

Qualifying Forms of Ownership

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

Qualifying Forms of Ownership

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

Business Entity--must meet all of the listed requirements

- Principal business must be agricultural, horticultural or forestland.
- All members are, directly or indirectly, individuals actively engaged or relative of one who is actively engaged.
- It is not a corporation whose shares are publicly traded and none of its members are corporations whose shares are publicly traded.
- If leases land, all members are individuals and relatives. “Principal business” and “actively engaged” include leasing.

Requirements for Qualifying Owners

- Standard Requirements—Individuals
 - If owned by an individual, the property must meet one of these requirements:
 1. The property is the owner's place of residence as of January 1.

Requirements for Qualifying Owners

- Standard Requirements—Individuals
 2. 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.

Requirements for Qualifying Owners

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

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 full years preceding January 1 of the year for which application is made:
 - a. The business entity.
 - b. A member of the business entity.
 - c. Another business entity whose members include a member of the business entity that currently owns the land.

Requirements for Qualifying Owners

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

Estate Planning

- Ownership Issues—when changing from individual to business entity
- This may trigger the deferred taxes to become due and payable
- Where do property tax issues rank in estate planning?

Size Requirement

- Agricultural Land—10 acres in actual production
- Horticultural Land—5 acres in actual production
- Forestland—20 acres in actual production
- The home site is valued at market value. This acreage is not considered when trying to meet the minimum size requirement. Typically one acre is designated for the home site.

Income

- Agricultural and Horticultural Land Income Requirement:
 - Produced average gross income of at least \$1,000 for previous three years preceding the January 1st of year for which benefit is claimed.
- Forestland Income Requirement
 - Forestland has no income requirement.

Sound Management

- 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.
- Agricultural and horticultural land has six (6) test to consider for sound management. The owner must meet one of those test.
105-277.3(f)

Sound Management

- Forestland the owner must demonstrate that the forestland complies with a written sound forest management plan for the production and sale of forest products.

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.

Application for Present-Use Value

- Two application scenarios:
 - Initial Applications
 - Applications for Continued Qualification Due to Transfer of Ownership:
 - Continued Use
 - Expansion of Existing Unit

The “Farm Unit” Concept

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

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.

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.

Contact Information

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Forms Available:

<http://www.dor.state.nc.us/downloads/property.html>

Other Present-Use Valuation Publications:

<http://www.dor.state.nc.us/publications/property.html>