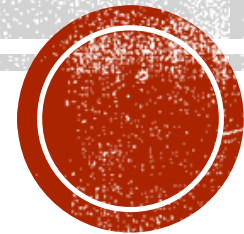


HARNETT COUNTY TAX DEPARTMENT

Present Use Value Program



TOPICS -

- Present Use Value
- 2022 Reappraisal for Present Use
- Application process – New and Updated Applications
- Basic Requirements – What does the Statute say?
- Deferred Tax Benefit – Examples
- Rollback taxes – Why this occurs?
- Compliance Review – What can I expect?
- Business Personal Property – Double Check
- Questions



PRESENT USE VALUE PROGRAM

- The Present Use Value program is a voluntary program governed by North Carolina General Statutes 105-277.3. This program was effective on January 1, 1974.
- Property is valued at its market value, which is the price at which property would change hands between a willing buyer and a willing seller.
- 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.
- Property that qualifies for present-use value classification is appraised at its present-use value, rather than its market value.
- The difference between the market value and the present use value is the deferred value. This is the value in which the rollback taxes are calculated.
- PUV is here to stay!



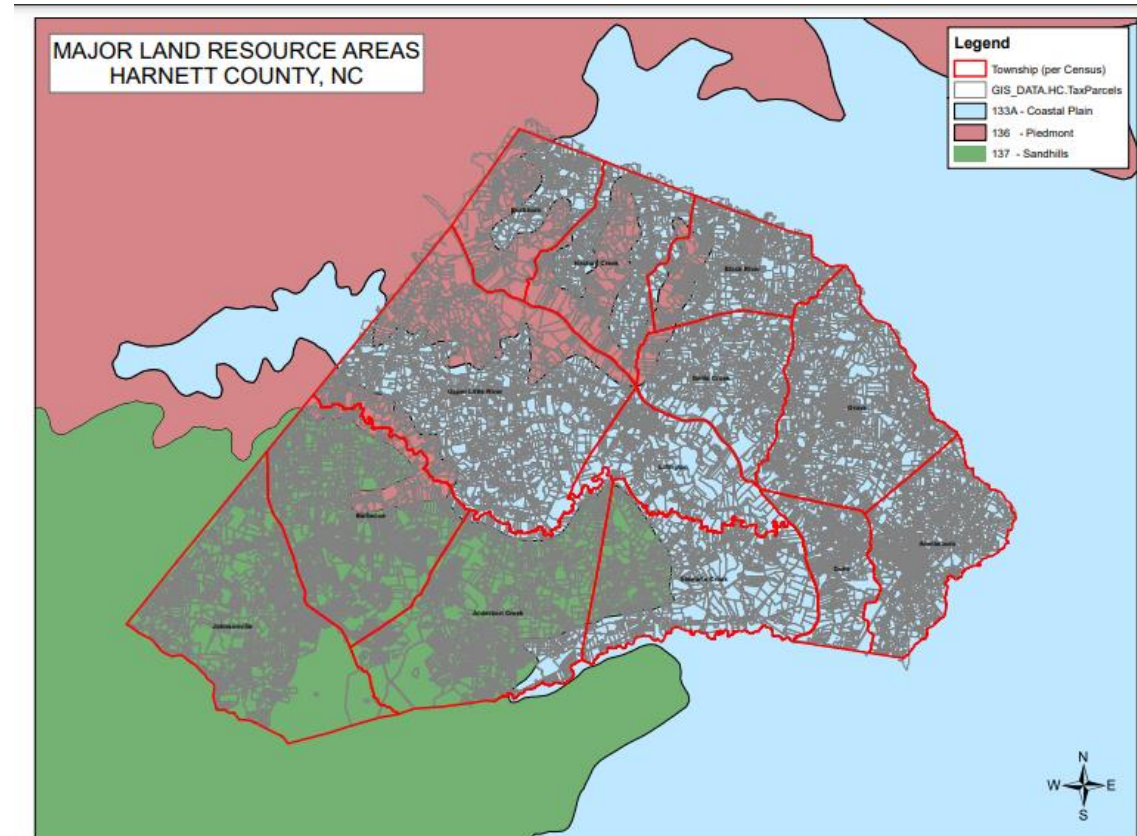
2022 REAPPRAISAL FOR PRESENT USE

- Use Advisory Board – The last Cash Rents Study was completed in 2009.
- NCDOR and the UAB have requested a new study be completed. Each year it is cut from the state budget.
- Rates shown are price per acre.
- In lieu of detailed soil maps, the rate per class will be applied countywide.



MLRA — HARNETT HAS 3 MLRA ZONES

The value for the agricultural land can be no higher than \$1,200 per acre for any MLRA. This is a state wide cap!



2022 REAPPRAISAL RATES PER ACRE

▪ 2017

133A Coastal Plain

- Ag \$1150
- Forestry \$260
- Horticulture \$1385

137 Sandhills

- Ag \$945
- Forestry \$365
- Horticulture \$1180

136 Piedmont

- Ag \$865
- Forestry \$315
- Horticulture \$1250

2022

133A Coastal Plain

Ag	\$1200	<u>Diff</u>	\$50
Forestry	\$355		\$95
Horticulture	\$1520		\$135

137 Sandhills

Ag	\$1035		\$90
Forestry	\$430		\$65
Horticulture	\$1295		\$115

136 Piedmont

Ag	\$950		\$85
Forest	\$400		\$85
Horticulture	\$1370		\$120



APPLICATION FOR PRESENT USE

- Application Period is January 1st – 31st of the tax year. Approved applications submitted to the tax office during this month are eligible for the Present Use valuation for the current tax year.
- Applications submitted due to a change in ownership may be submitted at any time during the calendar year within 60 days of the property's transfer.
- Applications submitted due to a purchase of land currently not in the PUV program but for the purpose of expanding a farming unit may be submitted during the calendar year within 60 days of the property's transfer.



BASIC REQUIREMENTS TO APPLY

- Applicant must meet four basic requirements:
- Ownership
 - The property is enrolled in the PUV program at the time of purchase*
 - If the property is not enrolled in the PUV program at the time of purchase the applicant must wait four full tax years to apply **or**
 - The applicant must reside on the parcel
 - Business entities may apply for PUV if their primary business is related to farming, horticulture or forestry or 50% of the business income is farming, horticulture or forestry related.

*Exceptions are made for continued use and farm expansion.



BASIC REQUIREMENTS TO APPLY

- At least one tract must meet the following size requirements to qualify.
 - Agriculture land must have 10 acres in actual production
 - Horticulture land must have 5 acres in actual production
 - Forestry land must have 20 acres in actual production
 - Land used to farm fish and other aquatic species can qualify for agriculture PUV with either 5 acres in actual production or 20,000 pounds produced for sale.

*Land under improvements such as barns, sheds or other buildings used in the farming operation are considered to be land in production.



BASIC REQUIREMENTS TO APPLY

- The initial, or qualifying, tract must have the minimum amount in actual production, and does not include, the home site, land lying fallow/idle, or land enrolled in the Conservation Reserve program (CRP).
- Land can be considered in agriculture use, even if horticultural crops are grown on it, if the horticultural crops are only grown on an annual or rotating basis.
- Additional Acreage
 - Qualifying agriculture or horticultural tracts can include additional acreage containing woodland up to 20 acres without a Forest Management Plan.
 - Qualifying forestland tracts can include additional acreage, but not containing agriculture or horticultural land under the minimum acreage requirement.



BASIC REQUIREMENTS TO APPLY

- Proof of Income Required for the Previous 3 Years
 - Crop Reports provided by the Farm Service Agency
 - Schedule F of the applicants Federal tax returns – looking for gross income
 - Receipts showing an average of \$1,000.00 average gross income over the proceeding three years
 - Forestland tracts have no income requirement
 - Land rents do not go towards the income requirement. It must be the income the land produced, not the land owner.



BASIC REQUIREMENTS TO APPLY

- A sound management plan is a program for production designed to obtain the greatest net return from the land consistent with its conservation and long-term improvement.
 - Forest management plans can be provided by the North Carolina Forest Service or a Registered Forester of your choice.
 - Information on consulting foresters can be provided by the NC Forest Service (NCFS), North Carolina Forestry Association (NCFA), and other organizations.
- Applicants may write their own management plans. The plan must contain a number of certain requirements to be considered as a valid management plan.



DEFERRED TAXES

- Property that qualifies for present-use value classification is appraised at its present-use value, rather than its market value.



DEFERRED TAXES

- Example
 - 110.00ac Lillington Township
 - Market Value Land \$345,570
 - Deferred Value \$311,330
 - Present Use Value \$34,240

- Taxes Due not in PUV \$2,937.45
- Taxes Due in PUV \$291.04
- Savings **\$2,646.41**



DEFERRED TAXES

- Example

- 14.00ac Averagesboro Township
- Market Value Land \$123,210
- Deferred Value \$105,920
- Present Use Value \$17,290

- Taxes Due not in PUV \$1,059.60
- Taxes Due in PUV \$148.69
- Savings **\$910.91**



DEFERRED TAXES

- Example
 - 45ac in Black River Township
 - Market Value Land \$509,450
 - Deferred Taxes \$480,780
 - Present Use Value \$28,670

- Taxes Due not in PUV \$4,177.49
- Taxes Due in PUV \$235.09
- Savings **\$3,942.40**



ROLLBACK OF DEFERRED TAXES

- Deferred Value is the value in which the rollback taxes are calculated together with any interest, penalties or costs that may accrue. They are considered a lien on the real property. NCGS105-277-4(c)
- Deferred tax is due and payable when the property loses its eligibility as a result of a qualifying event such as a change in ownership, primary business, use, or a change in acreage occurs.
- Rollback taxes are then calculated and billed to the person that received the deferred benefit.
- **Before selling a portion or all of your land please give us a call.**



ROLLBACK TAXES

- When property becomes ineligible for PUV a rollback is created for the current and last three (3) years deferred taxes.
- AV-7 Request for Estimate of Deferred Taxes.
- AV-6 Request for Voluntary Disqualification from Present-Use Value. Once this form has been signed and submitted to the tax office is can NOT be rescinded.
- Once the property is rolled out for PUV the owner may not reapply for four (4) years.
- These forms are available on the Tax Department website at www.harnett.org/land-use



COMPLIANCE REVIEW

- What Can I Expect?
 - Each county assessor is required by statute to periodically review all properties that are receiving the benefit of the present-use value classification to verify that these properties continue to qualify for the classification.
 - $\frac{1}{4}$ of all parcels within the PUV program are required to be reviewed each year. This is based on the 4 year reappraisal cycle.
 - This is an estimated 1200 parcels per year to be reviewed.
 - The General Assembly has recognized that the long-term success of the program depends on the integrity of the program and the assurance that only those people who qualify for the present use value program receive the intended benefit.



COMPLIANCE REVIEW

- What Can I Expect?
 - **Questionnaire**
 - Sign, Date, and return with a phone number
 - **Agriculture & Horticulture** – Crop Reports from FSA, Schedule F tax return, or Receipts showing sale of products with an average of \$1,000 over a 3 year period.
 - **Forestry - Updated Forest Management Plan**
 - First and Second Thinning do not require a new management plan.
 - If your timber has been clear cut since your plan was written you will need an updated management plan.

****Return Questionnaire and Proof of Income within 60 days of the dated letter.**

Failure to respond will result in rollback of deferred taxes!!!



BUSINESS PERSONAL PROPERTY

- What is Business Personal Property?
 - Business Personal Property is all property used in connection with the production of income that has not been classified as real property.
- What Should I Be Listing?
 - Machinery & Equipment such as combines, mowers, tractors, animal house equipment feeders, drinkers, bulk barns, grain bins, greenhouses, hoppers, etc.
 - Furniture & Fixtures such as office furniture, file cabinets, computer equipment, printers, etc.



BUSINESS PERSONAL PROPERTY

- What about Leasehold Improvements?
 - If you do not own the land where you operate your farm, then all real estate improvements made to the leased property are considered leasehold improvements such as bulk barns, grain bins, cribs, greenhouses, etc.
- Motor Vehicles & Leased Equipment
 - Any vehicle used for farming outside of your personal vehicle should be listed to include Unregistered vehicles, Multi-year tagged trailers, IRP's, Permanent tags, 3 month registration tags (farm tags), or vehicles with special bodies attached.
 - If you are in possession of equipment which is leased, a description and ownership must be reported on your listing form. Assessment will be made to the owner/lessor.
- A listing form is required to be filed between Jan 1– Jan 31 each year.
- If you are uncertain about your business personal property you may sign up for an appointment with one of our staff.



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QUESTIONS?

