

PRESENT USE VALUATION

IS IT FOR ME?



Lee County Tax Administration

The present use program is a state mandated program designed to give relief to specific land owners who are engaged in the commercial production of agricultural, horticultural or forestry commodities. In order to qualify, there are ownership, size or production, income and sound management requirements that must be met. There are also penalties for removal from the program. This brochure is intended to help you better understand the specifics of the program while making a decision about applying. The North Carolina General Assembly enacted legislation in 1973 enabling county tax departments to consider the "use value" of specific properties rather than the "market value" in determining a tax assessment. The intent of the law was to give relief to farm and forest tracts held by families and protect these tracts from being sold because of higher taxes brought on by appreciating land values and higher market assessments. Changes have been made to the law since 1973, but the intent has not changed. Application into the program must be made by the owner(s) during the listing period (normally the month of January) and must specify the program use of the property. The classification is based on the use of the property, which in all cases must be subject to a sound management plan. An agricultural classification pertains to the commercial production of crops, animals or aquatic species. A horticultural application typically applies to the commercial production of fruits, vegetables or nursery and floral product. A forestland application pertains to the commercial growing of trees.

Ownership: You must have owned the property for four full years, prior to the application being filed in January. If you received it from a relative, you may qualify immediately if the land was in the program or would have qualified for the program. A relative can be a spouse, yours or a spouse's lineal ancestors or descendants, brother or sister and their lineal descendants, aunt or uncle. It also includes stepbrothers and sisters, adoptive parents or adopted children, and a surviving spouse. If you live on the property, and meet the other qualifications you may qualify immediately. If a tract of land is obtained from someone other than a family member, under certain conditions **the land may qualify for present use immediately.** If

the land is purchased with the intent of **continuing the present use** of the land and the purchaser will **sign a statement with the tax office accepting the liability for any existing deferred taxes** (current, plus three years, plus interest), the land may be put into the program and the seller does not have to pay the rollback taxes.

Acreage: There must be at least one tract that meets the qualifying acreage requirements of five acres, horticulture or aquatic; ten acres agriculture or twenty acres forestry. In the case of aquatic commodities, annual production of at least twenty thousand pounds, regardless of acreage, will qualify the property. The specified acreages are the minimum amounts that must be in actual production under sound management programs in order to qualify.

Income: Property must produce a minimum average of \$1,000 of gross income annually for the subsequent three years. This requirement is not applicable to forest applications. If a tract of land in the agriculture or horticulture program has more than 20 acres in woodland, they must also have a forestry management plan in place to obtain present use deferred tax status on the woodland portion. If the owner chooses not to obtain a management plan for the woodland, the woodland is then taxed at market value and only the land being farmed will qualify for the deferred status.

Sound Management: The property must be producing its maximum income potential. In order to determine whether this has occurred, the Lee County Assessor's Office may request income verification on agricultural and horticultural applications. Income information for the three years prior to the application is required. For forest applications, a copy of an approved forestry management plan is mandatory. The plan must include a map of the property, with stand delineation, owner's boundaries, access roads, and any major physical features such as ridgelines, creeks, rivers, swamps, and rocky bluffs. A detailed description of the different stands as referenced on the map should include name of the species, age of stand, last harvest date, herbicide and insecticide programs, current growth rate, projected harvest date and method of harvest and reforestation. To become a participant in the program, you will need to complete an application. If you should have any questions or need any assistance, please contact our office at (919)718-4660. A decision concerning the denial of an application may be appealed to the Board of Equalization and Review. The Lee County Assessor's Office is dedicated to fair treatment to all and will do everything possible to ensure that qualified applications are included in the program. An equally strident effort will be made to exclude those applications that do not meet the criteria.

FAQ'S

“How much can I save if my property is assessed at Present Use Value?”

Typically, land assessed at present use value will be valued considerably less than market value, resulting in proportionate adjustment of taxes due. The savings can be significant.

"Is there any reason why I would not want to be included in this program if I qualify?"

Yes - When property enters the program, the County Assessor begins keeping records of taxes owed at both the present use and market assessments. The taxpayer receives a bill based on the present use value assessment. The difference between taxes at present use value and market value is called the deferred tax. As long as the property qualifies for the program, the deferred tax will never become due and payable. Whenever it is disqualified and removed from the program, the deferred tax for the current year and the previous three years will also become due with interest. This is simple interest, the same that is charged on delinquent taxes. There is 2% interest added for the first January that taxes would have been due if the property had not been in the present use value program. Three fourths of one percent is added each month until the taxes have been paid.

"Once accepted into the present use value program, is there anything that I am obligated to do?"

In essence, when you sign the application you are signing a contract with the county. This contract states that you intend to use your property as stated in the application and you understand the consequences of the deferred taxes. In the case of forest applications, you agree to manage the forest tract as outlined in your management plan. **If, for whatever reason you change this use, you are required to notify the assessor's office. Failure to notify the office of this change will result in penalties.** It must be understood that your application will be periodically reviewed and that additional information may be needed to remain in the program. If your property continues to qualify for this program the county will continue to bill you at the present use value assessment. Proper notification will be given in the event that this property is removed from the program.

"What happens if I sell the property?"

The property is taken out of the present use value program and the deferred taxes are billed. The deferred tax will become due unless the property was transferred to a relative and the relative applies for present use value within sixty days of the date of transfer and is accepted into the program. If you have property in the program, you may add acquired tract(s) during the next listing period. If property transfers to another non-relative and the new owner continues to meet the present use value requirements, the property may continue to qualify if an approved new application is filed with the Tax Office and the owner signs an affidavit assuming full liability for the previous present use value deferment.

"What happens in a periodic review?"

The Lee County Assessor's Office will periodically review your application for present use value assessment and update our records as required under G.S. 105-296(j). Agricultural and horticultural applications may require income verification as a part of our quality assurance program. Any modification in the forestry management plan should be documented and copies forwarded to the County Assessor's Office. A field visit may be necessary after the review of the completed forms. The removal of a tract from the present use value program may be appealed to the Board of Equalization and Review at the next session. If you have any questions concerning the present use value assessment of land in Lee County, please contact the Assessor's Office at (919) 718-4660. New applications are accepted only during the regular listing period each year.

