

# The Agricultural and Forestry Use Value Program

Craven County



The following information is provided to assist property owners in understanding when property will qualify for the "Use Value Assessment" program. Information is provided on land parcels that qualify, how participation in the program will affect current and future property taxes, the application process and the responsibilities of the applicant/participant.

Instructions on correctly completing and filing the required application will be provided with the application form. Forms and instructions are available from our office. All applications on properties not presently in the program must be filed between January 1 and January 31 as required by law. Applications postmarked after January 31 will be denied for that tax year. A notice advising the outcome will be mailed on each parcel of land identified in applications. This notice also advises you of your rights to appeal values and rulings.

All land parcels currently in the use value program will be audited from time to time; as required by law. You must file the requested audit information within thirty days from the date your notice was mailed or the parcel under audit will be removed from the program and past tax deferments will become immediately due and payable.

Tax records and notices will show both the market value and the use value on approved parcels. Each year's taxes will be billed on the lower of the two values. Taxes on the difference between use value and market value are deferred as long as the property remains eligible. Changes in land use on any portion of a parcel in this program will also prompt a billing for past deferred tax plus interest on land that was changed in use from agriculture or forestry.

It is the responsibility of the owner/applicant, not the tax office, to gather information needed to properly complete the application. We will gladly assist a property owner by providing tax office record information and in the correct completion of applications. Please do not make an appointment unless you have the required management plans, crops grown, production and gross income information on hand. This office is not allowed to contact your tenants for this information; it is the responsibility of

the applicant/owner. If assistance or an appointment is needed, call 252-636-6640 during regular business hours.

## APPLICATION AND LAND VALUES :

The Craven County Tax Department will accept new applications for THE USE VALUE PROGRAM between January 1 and January 31 each year as mandated by state law. Use value assessment will estimate the value of your land for tax assessment based on its ability to produce income (INCOME APPROACH TO VALUE). Unless under the use value program, your land assessment is on a value estimate based on what it would most probably sell for if exposed to the general market for a reasonable period of time (MARKET APPROACH TO VALUE). Both estimated values are recorded on your land record. Each value estimate is "as of January 1 of the year of the last county-wide revaluation" as required by law. Each value is calculated from the unit of value indicated by the schedule of values currently in use. Under the USE VALUE PROGRAM, the annual taxes for each land parcel is calculated on the lower of the parcel's use value or market value.

Land classes and unit values are scheduled and based on the type of soil. The tax office has complete soil maps for the county. The scheduled use value for each cleared land class was developed from the average estimated net income "as if planted in corn or beans" the year the schedule was adopted. Likewise, individual land values for forestry land is based on the ability of each soil type to produce potential net income from the growing of trees. Standing timber is neither valued nor assessed in North Carolina.

Land classes are grouped into value units per acre based on the capabilities of the soil to produce crops. The "waste-land" class is based on the inability of certain soil types to produce a net income from either row crops or trees. For a limited number of soil types, the ability to produce income from forestry products will produce a higher value from the income approach (use value) than the market value as cut over timberland. If your forestry land parcel has soils of this type, it will be assessed on the lower market value.

When a parcel of land is in the use value program, the taxes are calculated each year on both the use value and the market value. Taxes are billed on the lower of the two values. Any tax difference between the two values is deferred. This deferment continues as long as the land qualifies for the program but a record of each year's deferment is maintained by the tax department.

Most parcels of land will qualify for either agricultural or forestry use value. The owner must provide the required information for each program type. Parcels of land that qualify for both programs will require a three year break down of crop type, acreage and gross income for the cleared land and a written forestry management plan for the wooded land. If a parcel of land is principally cropland acreage and has fewer than 20 acres of forestry land, a forestry management plan is not required. If a parcel of land is principally cropland but has more than 20 acres in forestry land, a written forestry management plan for the wooded land is required in addition to the crop income and breakdown.

Tax law will not allow use value assessment for land used for residential, commercial or any other non-qualifying uses, even if located on a farm or forestry tract. Tax law also requires that any type of building improvement be valued at market value.

Crop allotments are no longer valued or assessed.

## PROGRAM REQUIREMENTS:

Use value assessment is a tax deferment program. The development of this program by the state was to offer tax relief on qualified land parcels in an attempt to keep the land currently used for agriculture and forestry in production. If your land is in this program, it does not restrict what you can do with your land in the future. It also does not affect the price at which you may sell your land. You may sell, give to others, or convert the use of all or any portion of your land when you wish. Such a change in the property will prompt a revaluation and recapture of past deferred taxes by what is called a "roll back assessment".

Parcels of land qualifying will continue only as long as the use of the land remains in agricultural or forest production and the ownership does not change. Most properties that change in ownership will prompt the roll back assessment. Ownership may change to a lineal family member of the originally qualified owner without a roll back as long as the actual use of the land does not change. The new owner must file a new application under their name. If approved, the land will continue to be assessed at use value without the roll back assessment. Under certain circumstances, transfer to non family members who continue the qualifying use of the land will not prompt a rollback. All parcels or portions that change to a non-qualified use will always prompt the roll back assessment, regardless of the new owner.

Upon the roll back assessment, the land that changed in use and/or ownership will be reassessed at market value for the year of the change. The roll back assessment also

requires that past deferred taxes become due, with interest, for the three years under the program prior to the year of change. Deferred tax is the actual difference between the tax at market value and the tax at use value for each year.

**ROLL BACK EXAMPLE-** A farmer had a road front cornfield that had a market value of \$1,000 per acre. This land was being assessed at a use value of \$578 per acre. His deferment is the county tax on the \$422 difference at the tax rate set for each year. He sold an acre lot for \$5,000 out of this field to his nephew on which to build a new home. The use of this acre changed from agricultural to residential; therefore, the deferred tax is now due on this acre. This acre is revalued to the new owner at market value as a residential home site using the schedule of values. The deferred taxes, plus interest, would now be due for the year of the sale and the previous three years this acre was in the program. The deferred tax will be calculated on the \$422 difference between use value and market value, not on the \$4,422 difference between the use value and the sales price.

#### **OWNERSHIP QUALIFICATIONS:**

In order to qualify for either agricultural or forestry use value assessment, a parcel of land must be owned by an individual. A husband and wife who own property as tenants by the entirety are considered an individual. Certain qualifying family held corporations may qualify if its charter indicates the principal business of the firm is agricultural or forestry. Some partnership arrangements may also qualify.

If two or more individuals own an undivided interest in a parcel, the interest held by each owner must qualify for the applied program. As an example, three heirs each inherited a 1/3 undivided interest in a land parcel. This parcel must have 30 acres of cropland or 60 acres of forest land in order for the parcel to satisfy the land qualifications for use value.

An individual or a direct lineal relative must have owned the land individually for the 4 years prior to the January the application is filed. An individual that has not owned a parcel of land for 4 years but the tract includes his personal residence may also qualify. An individual who owned a parcel for fewer than 4 years may qualify that tract if he also owns another tract of land that meets the qualifications. Details on ownership qualifications are specified by law and are available in the assessor's office.

#### **PARCEL QUALIFICATIONS:**

**Agricultural Use Value-** The parcel must have 10 or more acres in the commercial production of agricultural products (livestock, truck crops or row crops) for income. The gross income from the sale of products grown or produced on the parcel must average a minimum of \$1,000 per year in gross sales over the 3 years prior to the application date. This income may include government program payments (soil

bank) as part of the gross income for the subject parcel.

Some small parcels planted for agricultural production may not qualify due to size, income or non-contiguous locations. Such a parcel may be included in an agricultural use value program as a residual tract of a farm parcel if the same named owner has another parcel that does qualify for the program. When two or more small parcels exist that do not qualify individually, they may be consolidated to produce a qualifying tract if they are contiguous. Only abutting parcels may be assembled for this purpose and only if the ownership is the same.

**Forestry Use Value-** Land parcels with 20 or more acres in the commercial production of forestry products (timber, pulpwood or wood chips) under a sound management program will qualify for forestry use value assessment. Forestry tracts do not have a minimum income required as forestry growth rates frequently require many years between harvest. Any income from forest products for the three years prior to the application is to be reported. As all land types must be managed for the maximum production in order to qualify for use value, only a written management plan will provide this evidence on forestry land.

A parcel of land that has both agricultural and forestry use must qualify on both land uses. If a parcel is principally agricultural cropland but also has 20 or more acres of wooded land, a prudent owner would properly manage the wooded land in order to produce the maximum income from the tract. Proper management of agricultural land is evidenced by the review of crop types, production and income. Only a written forestry management plan will provide evidence of the required management of forestry land.

A forestry management plan is available at no cost from the North Carolina Forestry Service or you may wish to privately employ a professional forester. Due to the time required for a forester to inspect the property and complete such a plan, requests from professionals typically take 3 to 6 months. State law does allow a property owner to write his own forestry management plan. If a property owner chooses to write his own plan, it must address, specify and follow sound forestry practices. On request, our office will provide forestry management plan guidelines to assist property owners in writing the required plan. State law does require regular audits to check and assure that management plans are being followed on properties in the Use Value Program.

If a parcel of land is fewer than 20 acres in size but is in actual forestry production, it may be brought under the forestry use program as a residual tract to another qualifying parcel by the same named owner.

If a parcel qualifies for forestry but also has non-qualifying

incidental cropland, this cropland is assessed at market value unless the same named owner also has a qualifying agricultural parcel. That would allow the cropland on the forestry parcel to be qualified as a residual cropland tract to the agricultural parcel.

Likewise, small forestry parcels with fewer than 20 acres will not qualify on their own. They may only be qualified as residual forestry tracts if the same owner has a qualifying forestry parcel. If a parcel qualifies for both agricultural and forestry use, separate small parcels of either type may be qualified as residual tracts.

A parcel will qualify for both agricultural and forestry use value assessment only if it contains adequate acreage of both land types, meets the income qualification and has a written forestry management plan.

#### **PARCEL RECORD DATA:**

The Craven County Mapping Department is available to assist property owners with available recorded information on their land. Each land parcel in the county is mapped. Considerable information is available on parcels including identification, location, acreage, coverage and soil types. Aerial photographs of parcels are available as well as building improvements listed on each parcel. Those parcels with crop allotments assigned will indicate the poundage assessed for each year. Prior to filing an application for use value on a parcel of land, it is suggested that property owners review this recorded information.

#### **REQUIRED INFORMATION:**

Property owners need to review the application instructions in detail and acquire all information needed to complete the forms. If the land is leased to others, the owner must obtain the required information on crop acreage, type, production and gross sales from the tenant. The tax office is only allowed to assist the owner in completion of the form with information provided by the owners.

#### **Craven County Tax Department Assessor's Office**