

Keeping the Farm Workshop

Wake County Tax Administration

March 2021



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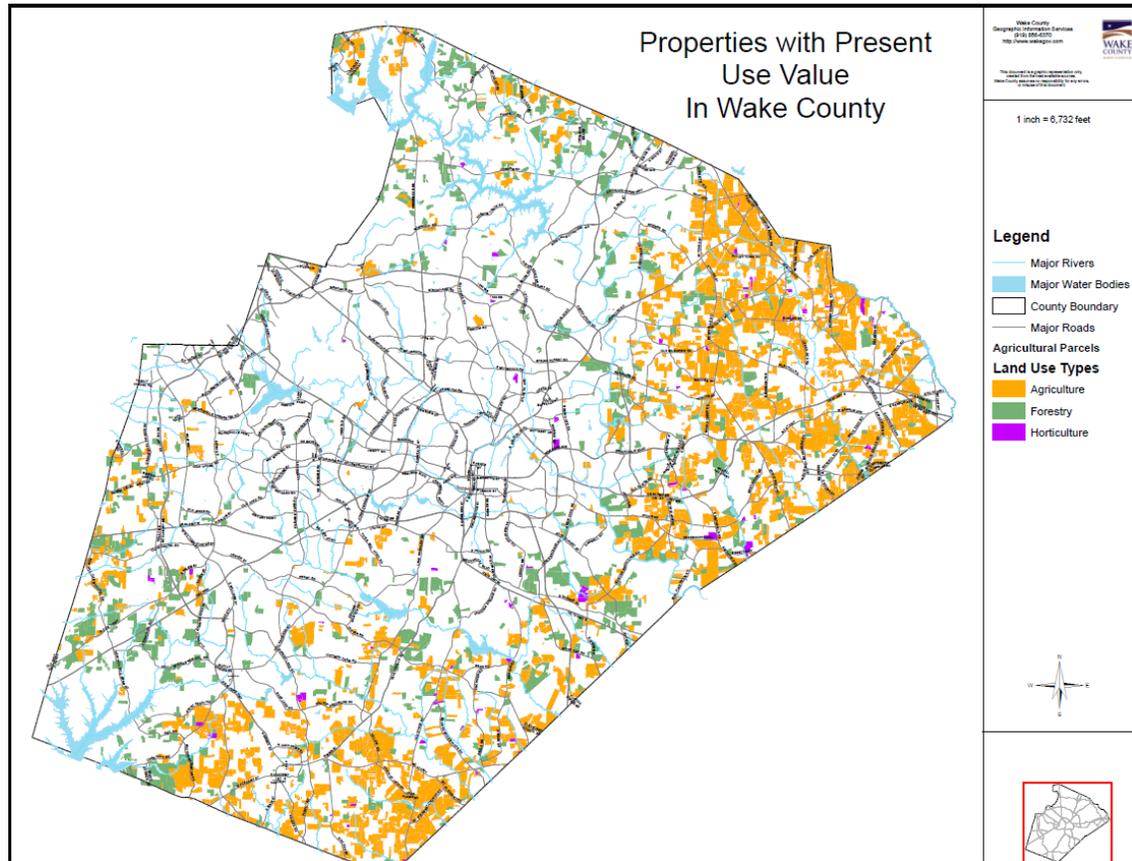
Overview of Today's Presentation

- Properties in Present Use Value (PUV)
- How Value is Determined
- PUV Requirements
- How to Apply

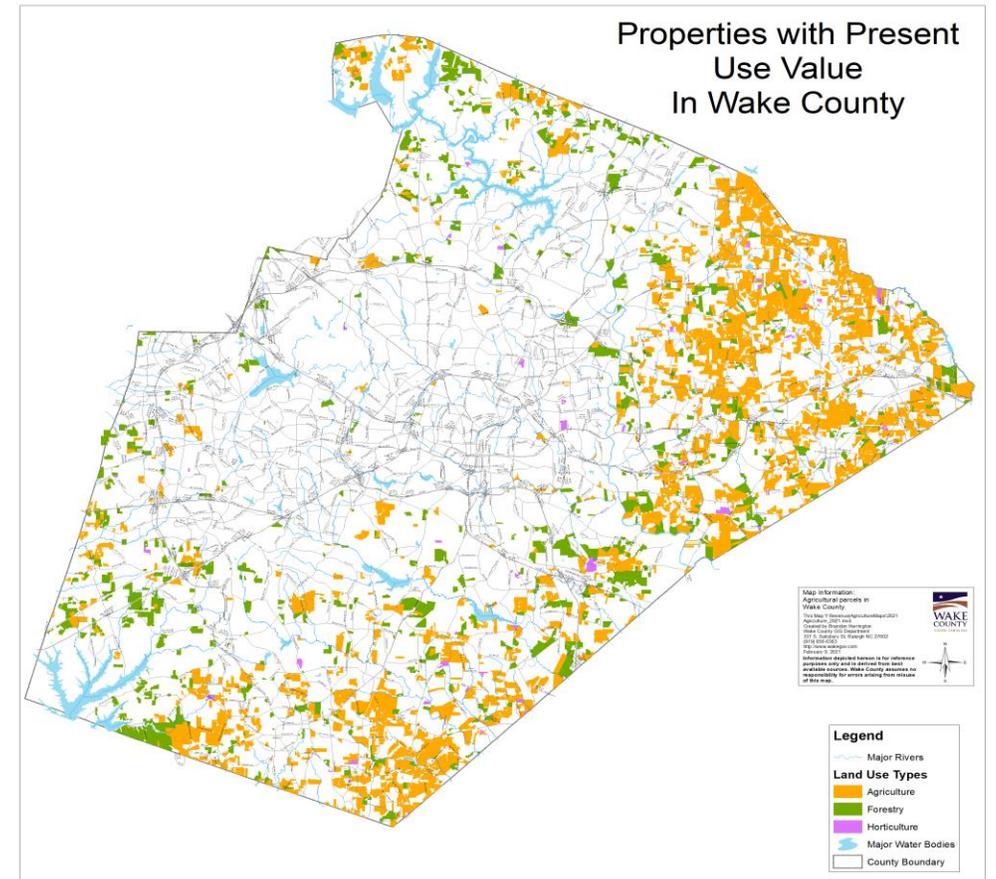


Little Change in PUV Parcels in Last Eight Years

2013: 3,613 parcels



2021: 3,523 parcels



Properties in Present Use Value (PUV)

Number of Properties

Category	2013	2021	Percent Change
Agriculture	2,463	2,433	-1%
Horticulture	109	101	-7%
Forestry	1,041	981	-6%
Total	3,613	3,523	-2.4%

Only a 2.4% decrease in the number of PUV properties in the past 8 years.

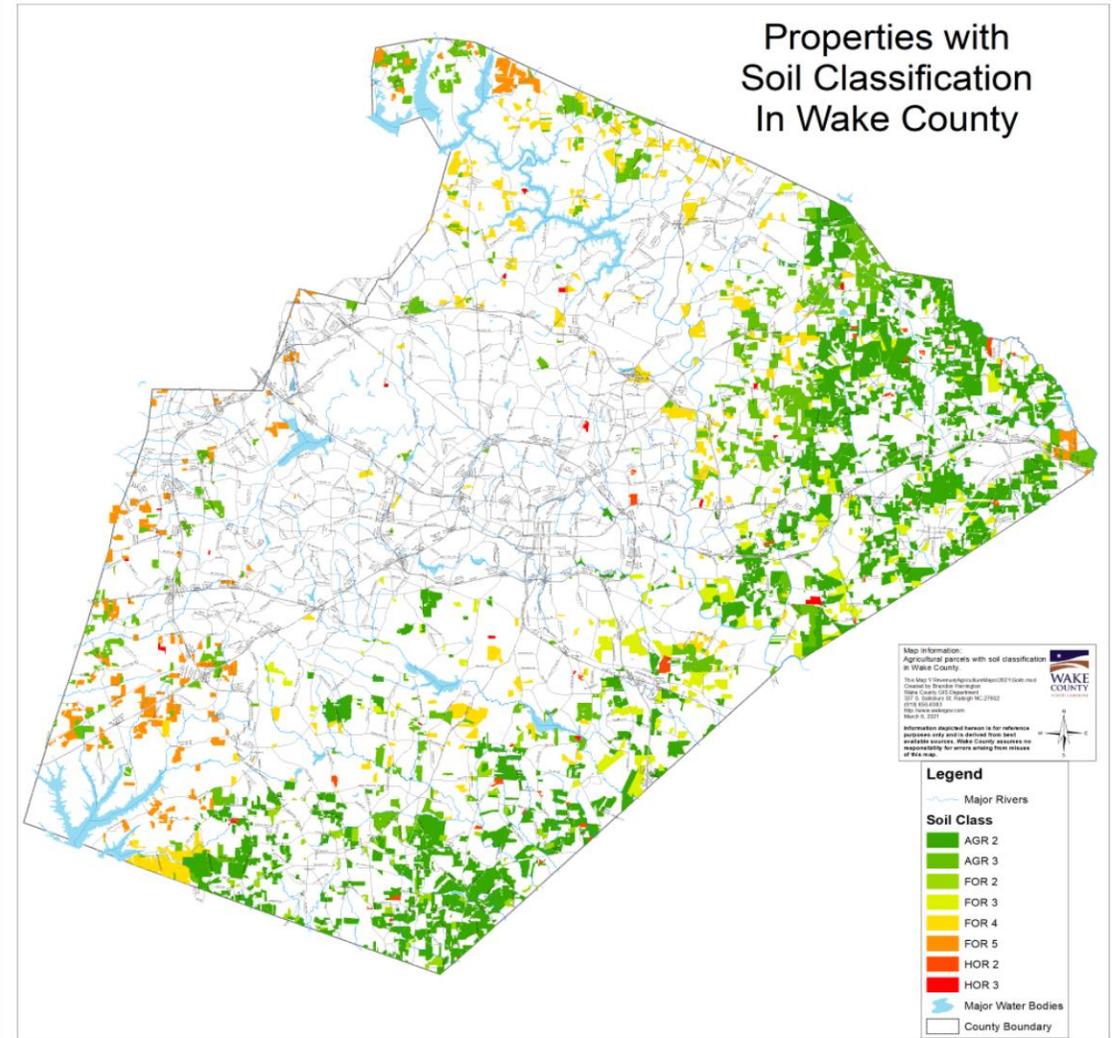
Less Acreage in Present Use Value

	2013	2021	Percent Change
Acreage	119,128	102,550	-14%



Who Determines the Use Value Rates?

- Use Value Advisory Board
 - Under the supervision of the NC State University Agricultural Extension Service
- Use Value rates are grouped by soil types and then into soil classes.



Present Use Value: Basic Requirements

- Size
- Ownership
- Income
- Applications
- PUV Compliance Review
- Deferred Taxes



Minimum Size Requirements

- Agriculture – 10 acres in actual production (actively engaged in the commercial production or growing of crops, plants, or animals) for the 3 preceding years.
- Horticulture – 5 acres in actual production (actively engaged in the commercial production or growing of fruits and vegetables or nursery and floral products) for the 3 preceding years.
- Forestry – 20 acres in actual production (actively engaged in the commercial growing of trees) for the 3 preceding years.

Additional Information: Size

- Multiple contiguous parcels can be considered a qualifying tract.
- Parcels that are separated by a road are considered contiguous.
- Land under improvements used in farming operations can be considered acreage in production.
- Homesites are not considered acreage in production.
- At least the minimum acreage required for each program must be in production every year.
- Non-contiguous parcels that do not have the minimum acres may qualify under the expansion of an existing unit exception, as long as there is a qualifying parcel under the exact same ownership.
- Land in another County can be the qualifying parcel as long as it is within 50 miles on a straight line from parcel to parcel.

Ownership Requirements

- **For properties not in Present Use Value:**
 - Individuals: Must have owned the land for 4 full years preceding January 1 of the year the benefit is claimed or resided on the property on January 1.
 - Business Entities: Must have owned the land for 4 full years preceding January 1 of the year the benefit is claimed.
- **For properties in Present Use Value:**
 - Exception to Ownership requirements: If the property is in PUV at the date of transfer, the new owner can accept the deferred tax liability, as long as all other requirements (size and income) are met on the parcel or another qualifying parcel.

Additional Information: Ownership

- Multiple parcels that make up a qualifying tract must be in the exact same ownership.
- A transfer to a family LLC or family trust is considered a different ownership.
- Once a deed is recorded, it cannot be undone. Please contact our office for a review pending ownership change.
- All non-related members of a business entity, must be actively engaged in the farming or forestry operation. If the land is leased to a farmer it will not qualify.
- A family business entity may lease to a farmer. Only one member needs to be actively involved in the farming or forestry operation.
- The primary business of a business entity must be related to Agriculture, Horticulture or Forestry.

Income Requirements

Agriculture and Horticulture:

- Average of \$1,000 gross income
- per year over a three-year period.



Forestry:

- No income requirement due to the long-term nature of growth.
- Owners must follow a written forest management plan to ensure optimal growth.



Additional Information: Income

- Agriculture income can come from either Agricultural or Horticultural products.
- Horticulture income comes from Horticultural products only.
- Sweet Potato income can be used in both Agriculture and Horticulture.
- Products that are grown on the farm and consumed on the farm (hay is a good example) can be counted as income.
- Income that is not acceptable: Rental income from leasing the land, stud fees, boarding fees and training or showing animals and hunting rights.

Applications

Initial Application (For Properties Not in PUV as of January 1st)

- Application Period is January 1-31.
- Late file applications are accepted with good cause through December 31.
- Application only needs to be filed once unless there is a change in the type of use or ownership.

Application for Continued Use

- For properties in PUV on the date of Transfer.
- Application period is 60 days from the date of Transfer.
- Late file applications are accepted with good cause through December 31.
- Application only needs to be filed once unless there is a change in the type of use or ownership.
- New Owner **must** accept liability of existing deferred taxes.

Additional Information: Application

If purchasing a property in PUV and wanting it to remain in PUV:

- Call our office and request the Continued Use Application just before the transfer.
 - Fill it out and return it within the 60-day time period.
- Let your attorney know that you want to keep PUV on the property so the deferred taxes do not need to be collected.
 - Make sure the seller's attorney knows this as well.
- The type of use (agriculture, horticulture, forestry) must not change.
- If this is your only parcel in PUV, it must also meet size and income requirements.
- If this parcel is an addition to other parcels in PUV, it must be in active production.

Forest Management Plans:

- A copy of the forest management plan needs to be submitted to Tax Administration. It does not need to be submitted with the application.

PUV Compliance Review

- NC General Statutes requires assessors to review all parcels classified at present use value at least once every 8 years to verify continued eligibility.
- The last reviews were in 2017 and 2018.
- The next reviews should take place between 2022 and 2025.
- Individual reviews can be sent out on an “as needed basis”.

Deferred Taxes

- If a property loses its eligibility, we are required to collect the deferred taxes for the current year, plus 3 previous years.
 - Between January 1 and June 30 there will be 3 bills for the back years, and the current year will be billed in July for the full market value.
 - Between July 1 and December 31 there will be 4 deferred tax bills issued.
 - Once billed, the back year deferred taxes are due and payable immediately, and the current year is due by the following January 5.
 - Interest accrues monthly on any outstanding balance.

DOT Taking of PUV Properties

- Because DOT is constantly making changes to the amount taken, Geographic Information Services (GIS) must wait until the right-of-way/highway deed is filed with the Register of Deeds.
- If DOT has not provided the map to GIS, the owner may submit a survey that has the surveyor seal and the amount of right of way taken.
- Once the right of way is split, the tax office will create deferred tax bills. A copy of the bills will be sent to the owner and appropriate DOT division.
- The general statutes state the deferred taxes will be **reimbursed**; so if possible, you should pay the taxes and follow-up with the DOT representative.

We are Here to Help!

- Please contact us before making any changes to your properties.
- We hope to avoid unfortunate actions that will make you lose your eligibility.
- Please Call (919)856-5400 and ask for an appraiser
- Email taxhelp@wakegov.com.
Note: You should receive a response within one business day.
- Online: <https://www.wakegov.com/departments-government/tax-administration/real-estate/deferred-tax-programs>

Contact Information:

Mishele Lord

Senior Appraiser

919-856-7112

mlord@wakegov.com



Braxton Williford

Appraisal Manager

919-856-7168

Braxton.Williford@wakegov.com

