GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2019

FILED SENATE
Apr 3, 2019
S.B. 663
PRINCIPAL CLERK
D

 \mathbf{S}

SENATE BILL DRS55075-MHxfa-97B*

Short Title: Agricultural Relief Act. (Public)

Sponsors: Senators Smith, Lowe, and Fitch (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROVIDE POSITIVE SUSTAINABILITY FOR RURAL FARM FAMILIES

THROUGH TAX RELIEF, NEW CROP RESEARCH FUNDING, AND EXPANDED

1 2

The General Assembly of North Carolina enacts:

ELIGIBILITY FOR CERTAIN CROP LICENSES.

TAX RELIEF FOR SMALL FARMERS

SECTION 1.(a) G.S. 105-153.5(b) is amended by adding a new subdivision to read:

"(14) Up to fifty thousand dollars (\$50,000) of income that is derived from agricultural land, as defined in G.S. 105-277.2 and appraised, assessed, and taxed in accordance with G.S. 105-277.3."

SECTION 1.(b) This section is effective for taxable years beginning on or after January 1, 2019, and expires for taxable years beginning on or after January 1, 2021.

must be appraised, assessed, and taxed as provided in G.S. 105-277.2 through G.S. 105-277.7.

SECTION 2.(a) G.S. 105-277.3 reads as rewritten:

"§ 105-277.3. Agricultural, horticultural, and forestland – Classifications. (a) Classes Defined. – The following classes of property are designated special classes of property under authority of Section 2(2) of Article V of the North Carolina Constitution and

(1) Agricultural land. – Individually owned agricultural land consisting of one or more tracts, one of which satisfies the requirements of this subdivision. For agricultural land used as a farm for aquatic species, as defined in G.S. 106-758, the tract must meet the income requirement for agricultural land and must consist of at least five acres in actual production or produce at least 20,000 pounds of aquatic species for commercial sale annually, regardless of acreage. For all other agricultural land, the tract must meet the income requirement for agricultural land and must consist of at least 10-5 acres that are in actual production. Land in actual production includes land under improvements used in the commercial production or growing of crops, plants, or animals.

To meet the income requirement, agricultural land must, for the three years preceding January 1 of the year for which the benefit of this section is claimed, have produced an average gross income of at least one thousand dollars (\$1,000). Gross income includes income from the sale of the agricultural products produced from the land, grazing fees for livestock, the sale of bees or products derived from beehives other than honey, any payments received under a governmental soil conservation or land retirement program, and the



- 1 2 3
- 4 5
- 6 7 8 9
- 11 12 13

10

15 16 17

18

19

20

14

- 21 22 23
- 24 25 26
- 27 28 29

30

31

- 32 33 34 35
- 36 37 38
- 39 40 41

42 43 44

45

46 47

48 49 50

51

- amount paid to the taxpayer during the taxable year pursuant to P.L. 108-357, Title VI, Fair and Equitable Tobacco Reform Act of 2004.
- Horticultural land. Individually owned horticultural land consisting of one (2) or more tracts, one of which consists of at least five 3 acres that are in actual production and that, for the three years preceding January 1 of the year for which the benefit of this section is claimed, have met the applicable minimum gross income requirement. Land in actual production includes land under improvements used in the commercial production or growing of fruits or vegetables or nursery or floral products. Land that has been used to produce evergreens intended for use as Christmas trees must have met the minimum gross income requirements established by the Department of Revenue for the land. All other horticultural land must have produced an average gross income of at least one thousand dollars (\$1,000). Gross income includes income from the sale of the horticultural products produced from the land and any payments received under a governmental soil conservation or land retirement program.
- Forestland. Individually owned forestland consisting of one or more tracts, (3) one of which consists of at least 20-10 acres that are in actual production and are not included in a farm unit.
- Individual Ownership Requirements. In order to come within a classification (b) described in subsection (a) of this section, land owned by an individual must also satisfy one of the following conditions:
 - (1) It is the owner's place of residence.
 - It has been owned by the current owner or a relative of the current owner for (2) the four years preceding January 1 of the year for which the benefit of this section is claimed.
 - (3) At the time of transfer to the current owner, it qualified for classification in the hands of a business entity or trust that transferred the land to the current owner who was a member of the business entity or a beneficiary of the trust, as appropriate.
- (b1) Entity Ownership Requirements. – In order to come within a classification described in subsection (a) of this section, land owned by a business entity must meet the requirements of subdivision (1) of this subsection and land owned by a trust must meet the requirements of subdivision (2) of this subsection.
 - Land owned by a business entity must have been owned by one or more of the (1) following for the four years immediately preceding January 1 of the year for which the benefit of this section is claimed:
 - The business entity. a.
 - A member of the business entity. b.
 - Another business entity whose members include a member of the business entity that currently owns the land.
 - Land owned by a trust must have been owned by the trust or by one or more (2) of its creators for the four years immediately preceding January 1 of the year for which the benefit of this section is claimed.
- Exceptions to Ownership Requirements. Notwithstanding the provisions of subsections (b) and (b1) of this section, land may qualify for classification in the hands of the new owner under this section if all of the conditions listed in either subdivision of this subsection are met, even if the new-owner does not meet all of the ownership requirements of subsections (b) and (b1) of this section with respect to the land.
 - (2) Expansion of existing unit. – Land qualifies for classification under this subdivision, as follows:

a.

- in-In the hands of the new owner if, at the time title passed to the new owner, the land was not appraised at its present-use value but was being used for the same purpose and was eligible for appraisal at its present-use value as other land already owned by the new owner and classified under subsection (a) of this section. The new owner must timely file an application as required by G.S. 105-277.4(a).
- b. In the hands of the owner if the owner rents the land to another individual and, at the time the renter acquires the right to use the land, the renter uses the land for the same purpose as land owned by the renter that is appraised at its present-use value.

...

- (f) Sound Management Program for Agricultural Land and Horticultural Land. If the property owner demonstrates any one of the following factors with respect to agricultural land or horticultural land, then the land is operated under a sound management program:
 - (1) Enrollment in and compliance with an agency-administered and approved farm management plan.
 - (2) Compliance with a set of best management practices.
 - (3) Compliance with a minimum gross income per acre test.
 - (4) Evidence of net income from the farm operation.
 - (5) Evidence that farming is the farm operator's principal source of income.
 - (6) Certification by a recognized agricultural or horticultural agency within the county that the land is operated under a sound management program.

Operation under a sound management program may also be demonstrated by evidence of other similar factors. As long as a farm operator meets the sound management requirements, it is irrelevant whether the property owner received income or rent from the farm operator.

(g) Sound Management Program for Forestland. – If the owner of forestland demonstrates that the forestland complies with a written sound forest management plan for the production and sale of forest products, then the forestland is operated under a sound management program."

SECTION 2.(b) This section is effective for taxable years beginning on or after July 1, 2019.

BROADEN HEMP LICENSE ELIGIBILITY

SECTION 3.(a) Definitions. – "Hemp Applicant Rule" means 02 NCAC 62 .0107 (Application for Licenses) for purposes of this section and its implementation.

SECTION 3.(b) Hemp Applicant Rule. – Until the effective date of the revised permanent rule that the Industrial Hemp Commission is required to adopt pursuant to subsection (d) of this section, the Commission and the Department of Agriculture and Consumer Services shall implement the Hemp Applicant Rule as provided in subsection (c) of this section.

SECTION 3.(c) Implementation. — With respect to industrial hemp cultivation licenses, applicants with no drug-related or controlled substance felony convictions in the 10 years prior to the license application shall be eligible for a license.

SECTION 3.(d) Additional Rule-Making Authority. – The Commission shall adopt a rule to amend the Hemp Applicant Rule consistent with subsection (c) of this section. Notwithstanding G.S. 150B-19(4), the rule adopted by the Commission pursuant to this section shall be substantively identical to the provisions of subsection (c) of this section. Rules adopted pursuant to this section are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes.

TRUFFLE CULTIVATION RESEARCH FUNDING AND MATCHING GRANT PROGRAM

SECTION 4.(a) The General Assembly finds that truffle production in the State could provide an exceptional return on investment for domestic production of a crop that is currently over ninety percent (90%) supplied by imports from Europe and Asia. The General Assembly further finds that high start-up costs serve as a barrier to entry for farmers with limited resources.

SECTION 4.(b) The sum of two hundred thousand dollars (\$200,000) in nonrecurring funds for the 2019-2020 fiscal year is appropriated to the Board of Governors of The University of North Carolina for support of research activities at North Carolina Agricultural and Technical State University intended to decrease time to production and site analysis costs for truffle production and thereby decrease financial barriers to entry for the crop.

SECTION 4.(c) This section becomes effective July 1, 2019.

SECTION 4.(d) Chapter 106 of the General Statutes is amended by adding a new Article to read:

"Article 55B.

"Truffle Cultivation Grants.

"§ 106-655. Truffle Cultivation Grant Fund.

- (a) Establishment. The North Carolina Truffle Cultivation Grant Fund is established as a special fund in the Department of Agriculture and Consumer Services. The Department is responsible for administering the Fund using personnel and other administrative resources of the Agricultural Development and Farmland Preservation Trust Fund program. The Fund may receive funds appropriated by the General Assembly and any gifts, grants, or donations from any public or private sources.
- (b) Purposes. Funds in the North Carolina Truffle Cultivation Grant Fund shall be used, as available, to encourage the establishment of new truffle orchards in the State. Grants from the Fund shall be made upon application to the Truffle Cultivation Program as set forth in G.S. 106-656.

"§ 106-656. Truffle Cultivation Grant Program.

- (a) <u>Definitions</u>. The definitions in G.S. 105-164.3 and the following definitions apply in this Article:
 - (1) Eligible activity. Expenses associated with the cost of establishing a new truffle orchard, including preparation of trees and soil, and the purchase and treatment cost of inoculants.
 - (2) Eligible farmer. A resident of the State who is at least 18 years of age and has demonstrated to the satisfaction of the Department completion of basic training in the cultivation of truffles and long-term access by lease or ownership to land suitable for the creation of a truffle orchard.
 - (3) Fund. The Truffle Cultivation Grant Fund established by G.S. 106-655.
- (b) Grants. Any eligible farmer may apply for a grant from the Fund for an eligible activity. The Department shall specify the form and contents of the application, including procedures for the submission of applications electronically. The Board may establish a fee for grant applicants to recover the reasonable costs of reviewing and processing applications. Grants shall be limited to no more than ten thousand dollars (\$10,000) per grant recipient, which must be matched on a one-to-one basis by the grant recipient.
- (c) Rule Making. The Board may issue rules to implement the requirements of this Article."
- **SECTION 4.(e)** The sum of three hundred thousand dollars (\$300,000) in nonrecurring funds for the 2019-2020 fiscal year is appropriated to the Department of Agriculture and Consumer Services, to be credited to the North Carolina Truffle Cultivation Grant Fund established by G.S. 106-655, as enacted by subsection (d) of this section. The Department shall coordinate with the research program at North Carolina Agricultural and Technical State

General Assembly Of North Carolina

Session 2019

- University funded by subsection (b) of this section in effectuating the purpose and goals of the 1 2 3 4 grant program.
- EFFECTIVE DATE
- 5 **SECTION 5.** Except as otherwise provided, this act is effective when it becomes 6 law.