

NCDOR

**NORTH
CAROLINA
DEPARTMENT
OF REVENUE**

NC Farm Act of 2018: Asset Appraisal Deviation

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Property Tax Valuation Specialist

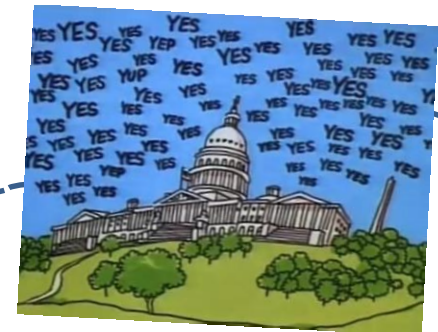
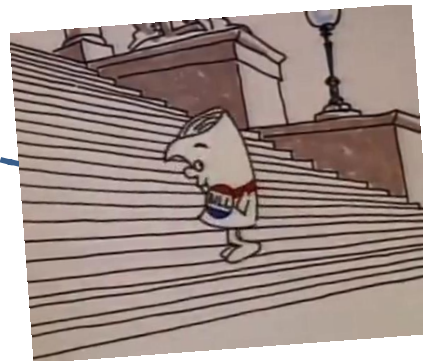
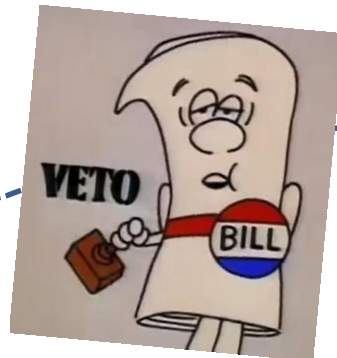
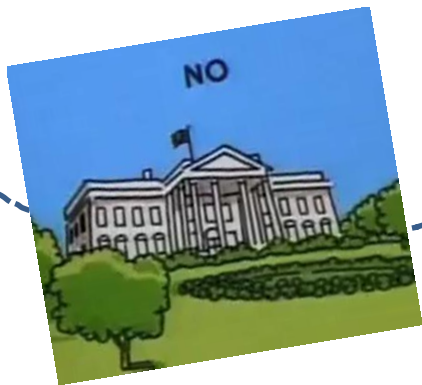
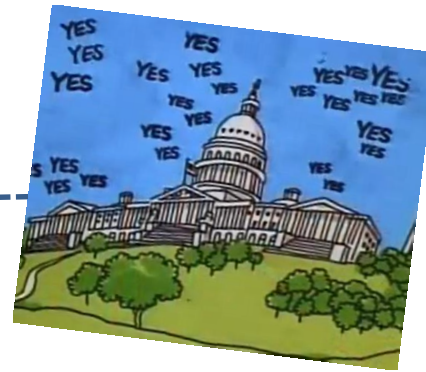
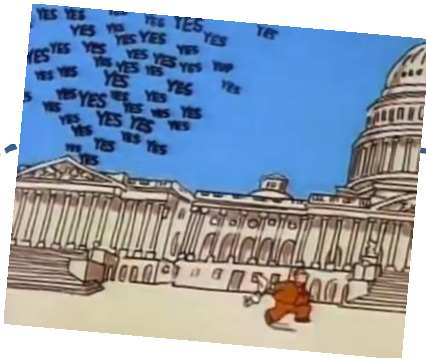
Local Government Division

Before we begin....

Let's go back to the Schoolhouse!



I'm still just a bill...





Now....

What is your role in the process?

Grants Ag Commission Authority:

- To request any information necessary from any county tax office and NCDOR to study taxation of aging farm equipment

Remember!

- The Commission uses **data** to make decisions on pending legislation

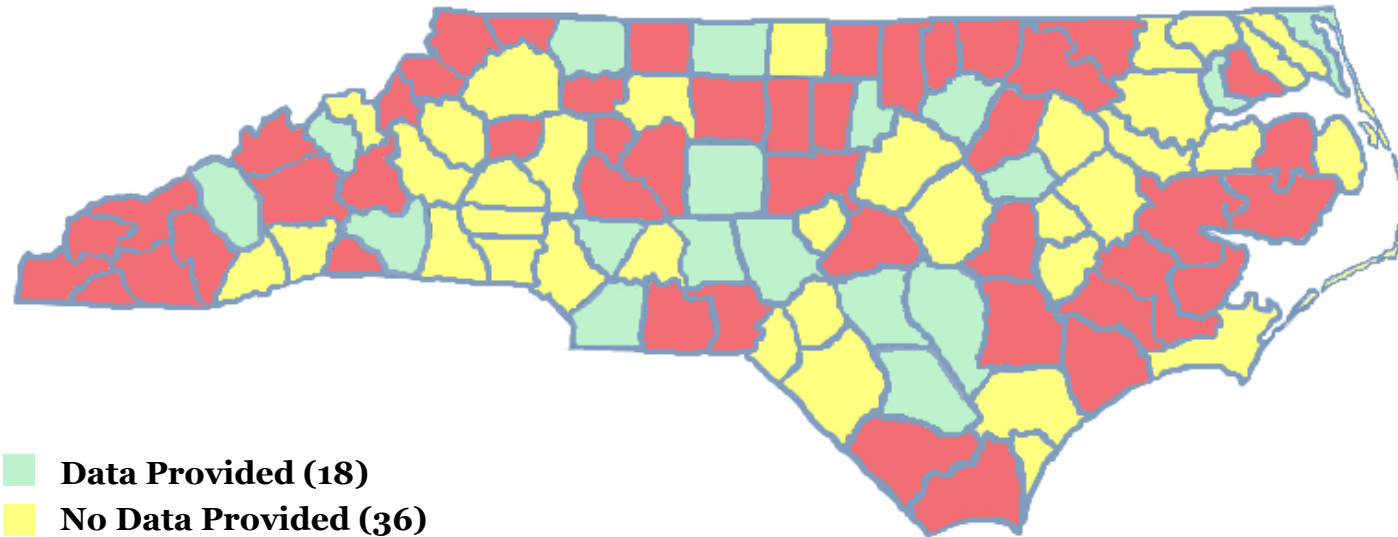


Ag Commission Directed to Study:

- Property tax abatement for aging farm machinery, possibly 10 years or older
- If excluded, whether an 80% property tax exclusion is appropriate
- Fiscal impact on local governments if excluded from taxation



County Tractor Survey Results



- Data Provided (18)
- No Data Provided (36)
- No Response (46)



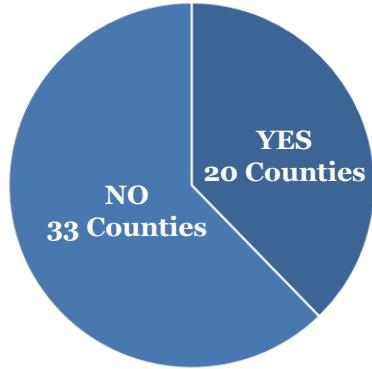
Estimated Statewide Revenue Impact

TRACTOR AGE	TRACTOR TYPE			TOTAL
	0-39 HP	40-99 HP	100+ HP	
LT 5 YEARS OLD				
TRACTOR COST	\$38,936,607	\$267,855,280	\$760,217,160	\$1,067,009,047
TAX VALUE	\$30,175,870	\$207,587,842	\$589,168,299	\$826,932,011
TAX	(\$202,691)	(\$1,394,368)	(\$3,957,443)	(\$5,554,502)
80% EXCLUSION	(\$162,153)	(\$1,115,494)	(\$3,165,955)	(\$4,443,602)
GE 5 YEARS OLD				
TRACTOR COST	\$327,684,996	\$1,360,455,810	\$2,122,406,412	\$3,810,547,218
TAX VALUE	\$154,011,948	\$639,414,231	\$997,531,014	\$1,790,957,192
TAX	(\$1,034,498)	(\$4,294,945)	(\$6,700,416)	(\$12,029,859)
80% EXCLUSION	(\$827,599)	(\$3,435,956)	(\$5,360,333)	(\$9,623,888)

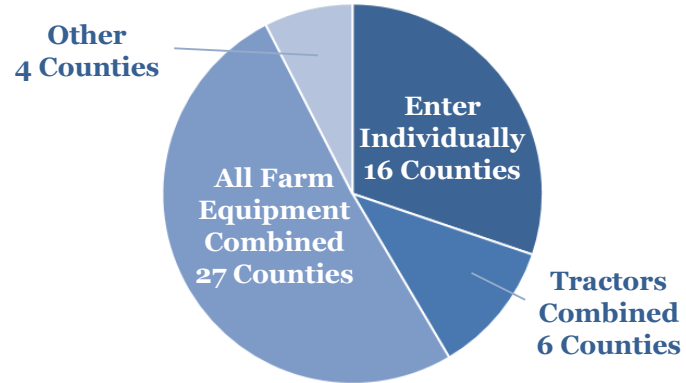
Note: Cost estimates based on USDA Census of Agriculture tractor inventory statistics from 2002-2012, and industry pricing guide averages. Values based on trend averages. Tax calculated based on average of all 2017-18 published county rates (0.6717).



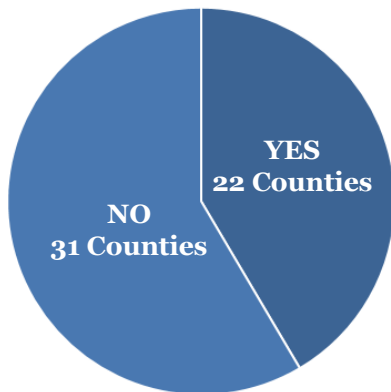
Listing Form Provides Separate Schedule For Listing Tractors



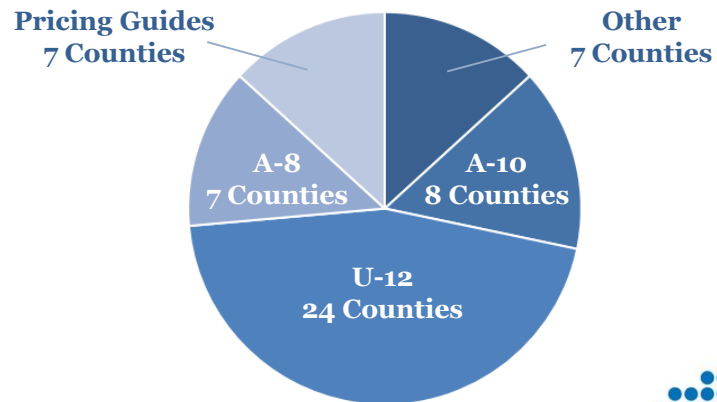
Data Entry Process Of Counties



Tax Tractors Separately From Other Farm Equipment



Schedule Used by County For Taxing Tractors



Administrative Challenges:

Counties

- Separation of equipment
- System doesn't support individual asset entries
- Listing forms designed for mass appraisal
- Unable to determine actual age of equipment
- Taxpayer listings lack sufficient detail

Taxpayers

- Depreciation methods are different for income tax
- Don't list specific pieces of equipment
- Accounting records will need to be more detailed
- Accountants will have to prepare additional records (IRS & County)



Study Challenges:

- Incorrect application of Cost Index and Depreciation Schedules
- Lack of Response
 - 54% of counties replied
- Limited Data
 - 18% of counties provided data

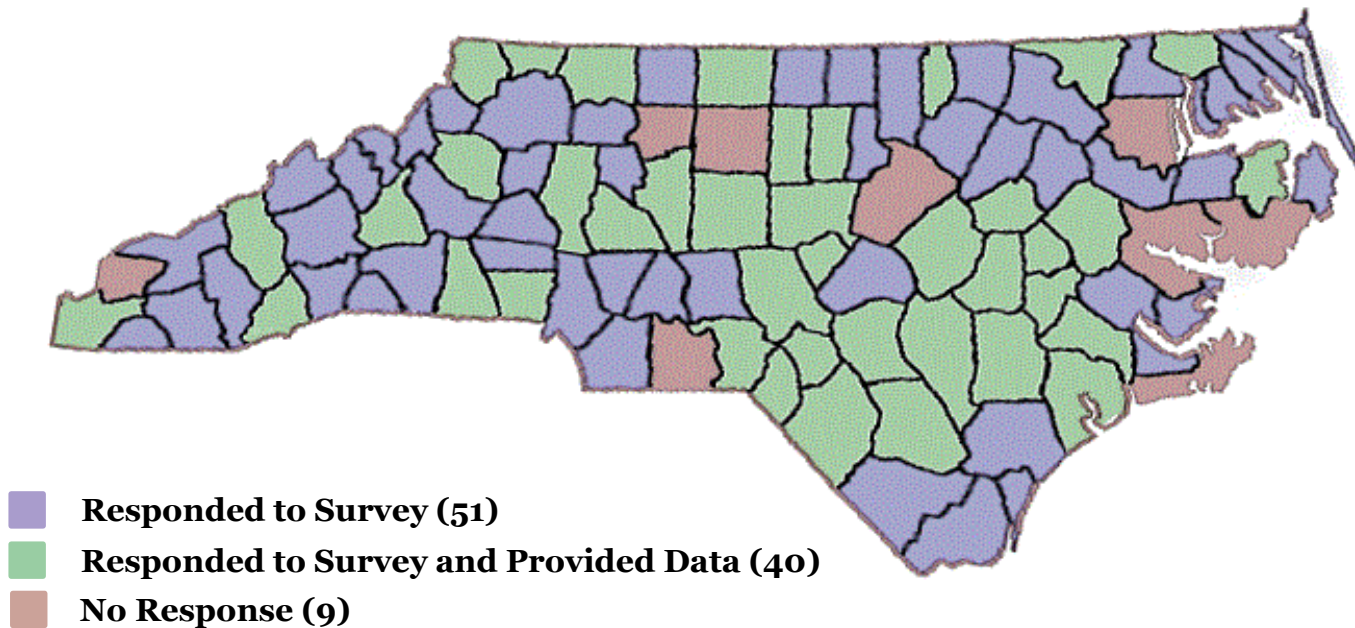


Commission's Additional Research Request:

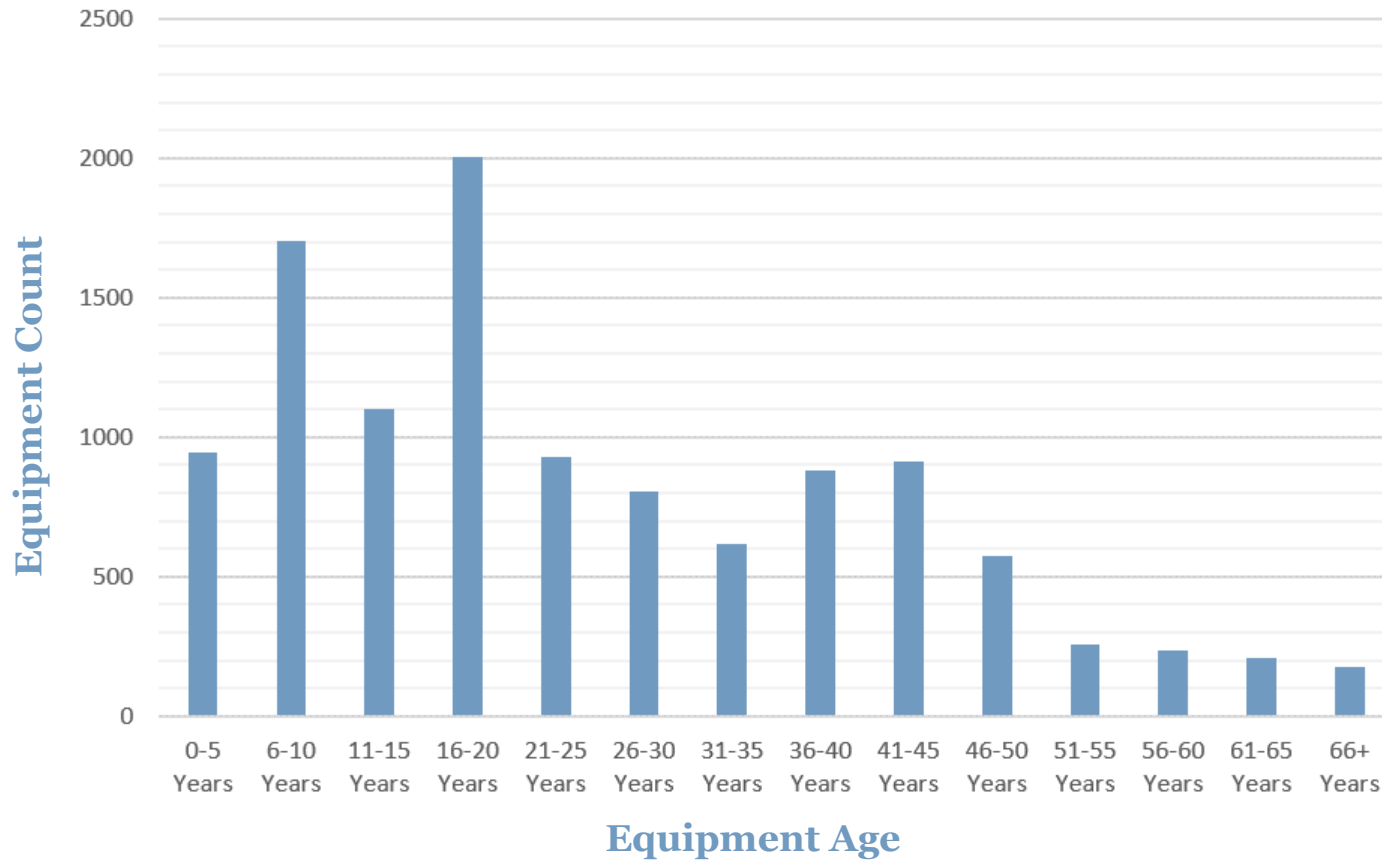
- Expansion of research to all farm equipment
- Increased participation from counties
- Fiscal impact on local governments for potential farm equipment taxation changes



County Farm Equipment Survey Results



Farm Equipment Age Distribution



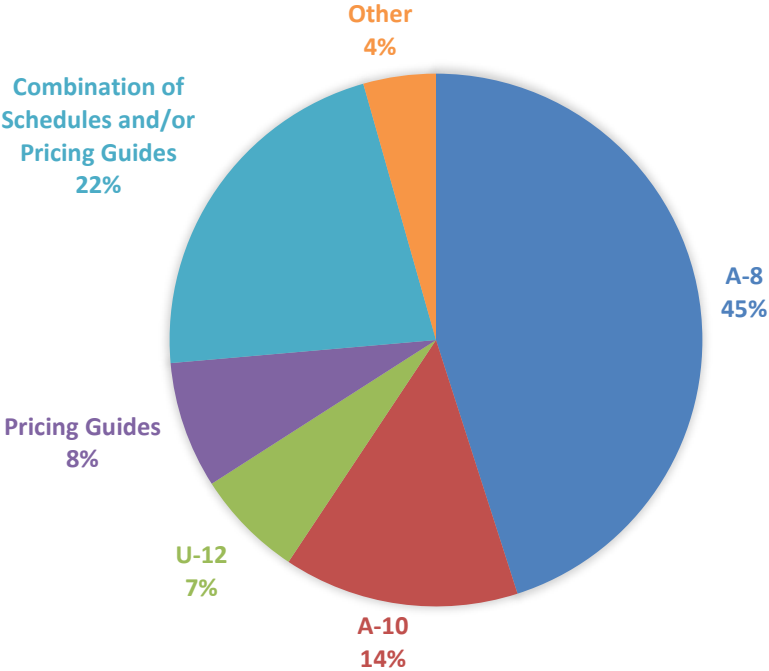
Respondent Revenue Data (40 Counties Reporting)

Year Range	Cost	Tax Value	Tax
2012-2016	\$1,050,503,516	\$719,220,556	\$5,278,713
2007-2011	\$766,495,578	\$243,199,574	\$1,714,901
2002-2006	\$481,385,159	\$133,875,737	\$919,282
1997-2001	\$286,688,339	\$79,359,143	\$558,778
1992-1996	\$154,628,577	\$44,148,006	\$317,965
1987-1991	\$78,731,087	\$22,591,929	\$164,793
1986-Older	\$80,726,796	\$23,136,723	\$157,179
Grand Total	\$2,899,159,052	\$1,265,531,668	\$9,111,611
Older Equipment Total	\$1,082,159,958	\$303,111,538	\$2,117,997

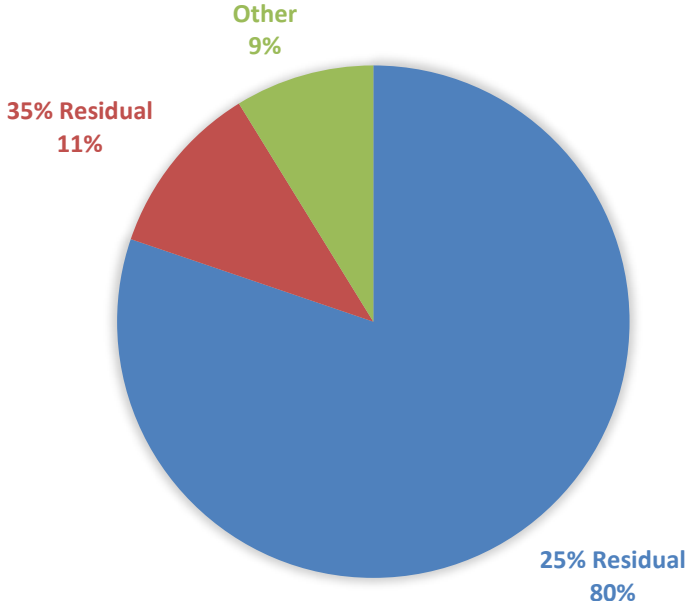
Note: Tax estimates based on published 2017-18 county tax rates. Figures represent base county tax only. Figures do not include additional taxes for municipalities, fire districts, special taxing districts, fees, etc.



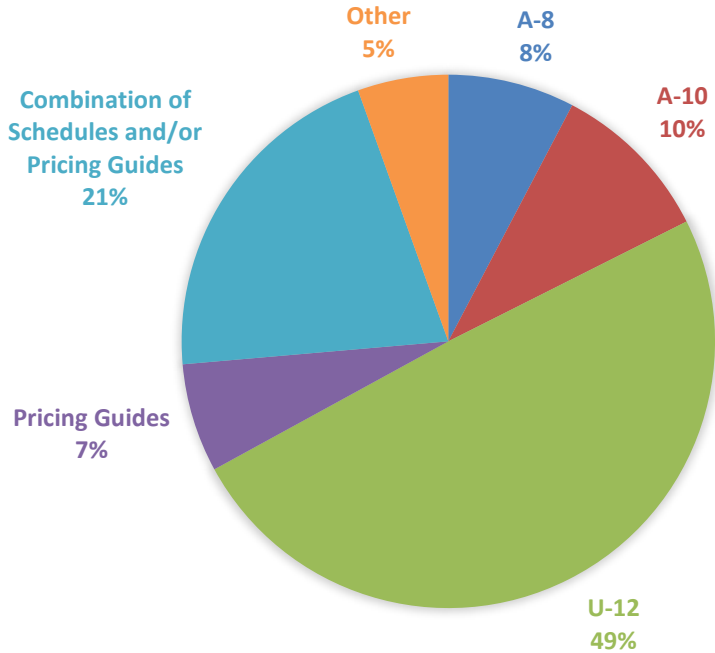
GENERAL FARM EQUIPMENT TAX SCHEDULE



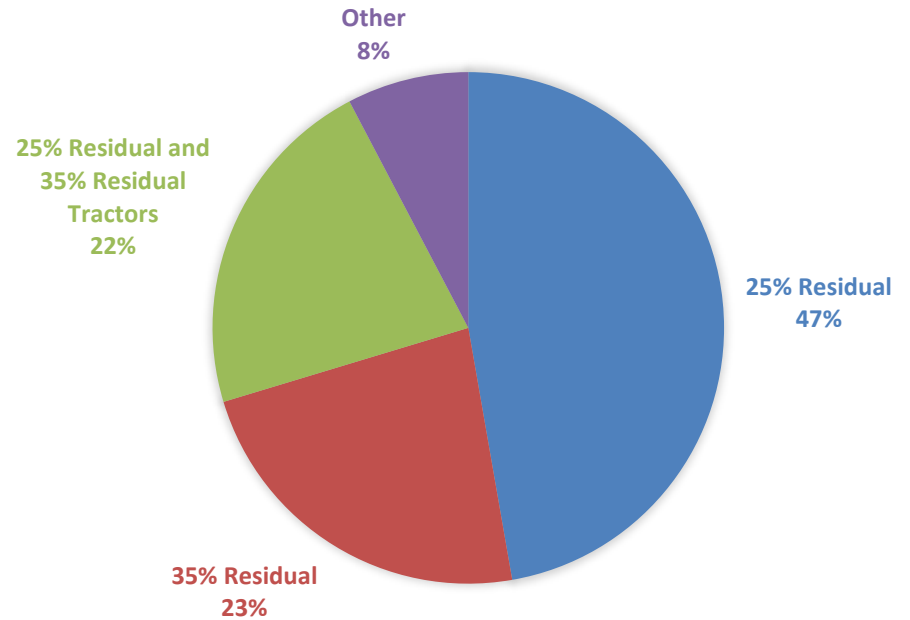
GENERAL FARM EQUIPMENT RESIDUAL VALUE



LARGE FARM EQUIPMENT TAX SCHEDULE



LARGE FARM EQUIPMENT RESIDUAL VALUE





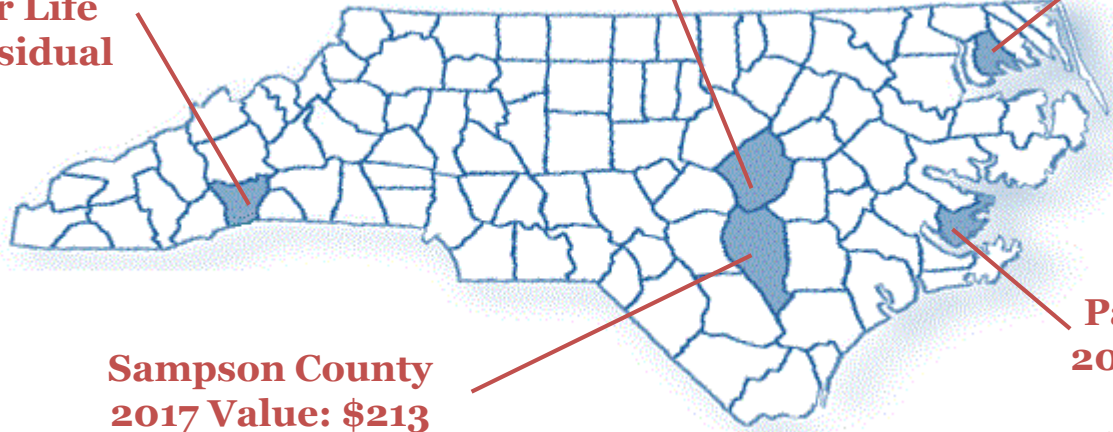
2010 Frontier BB2060

Purchased 2010 \$850

Henderson County
2017 Value: \$383
12 Year Life
25% Residual

Johnston County
2017 Value: \$281
10 Year Life
25% Residual

Perquimans County
2017 Value: \$298
10 Year Life
35% Residual



Sampson County
2017 Value: \$213
8 Year Life
25% Residual

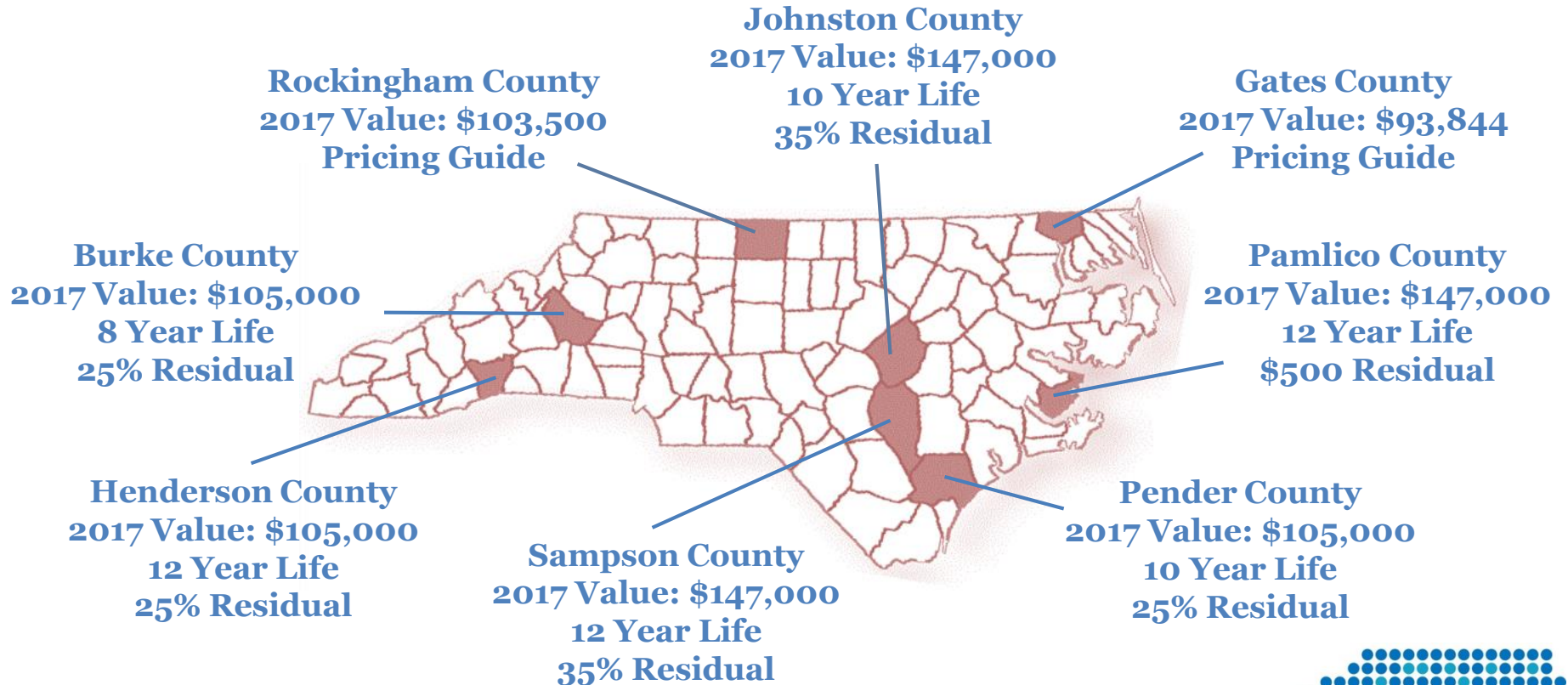
Pamlico County
2017 Value: \$500
8 Year Life
\$500 Residual





2008 John Deere 9670 STS

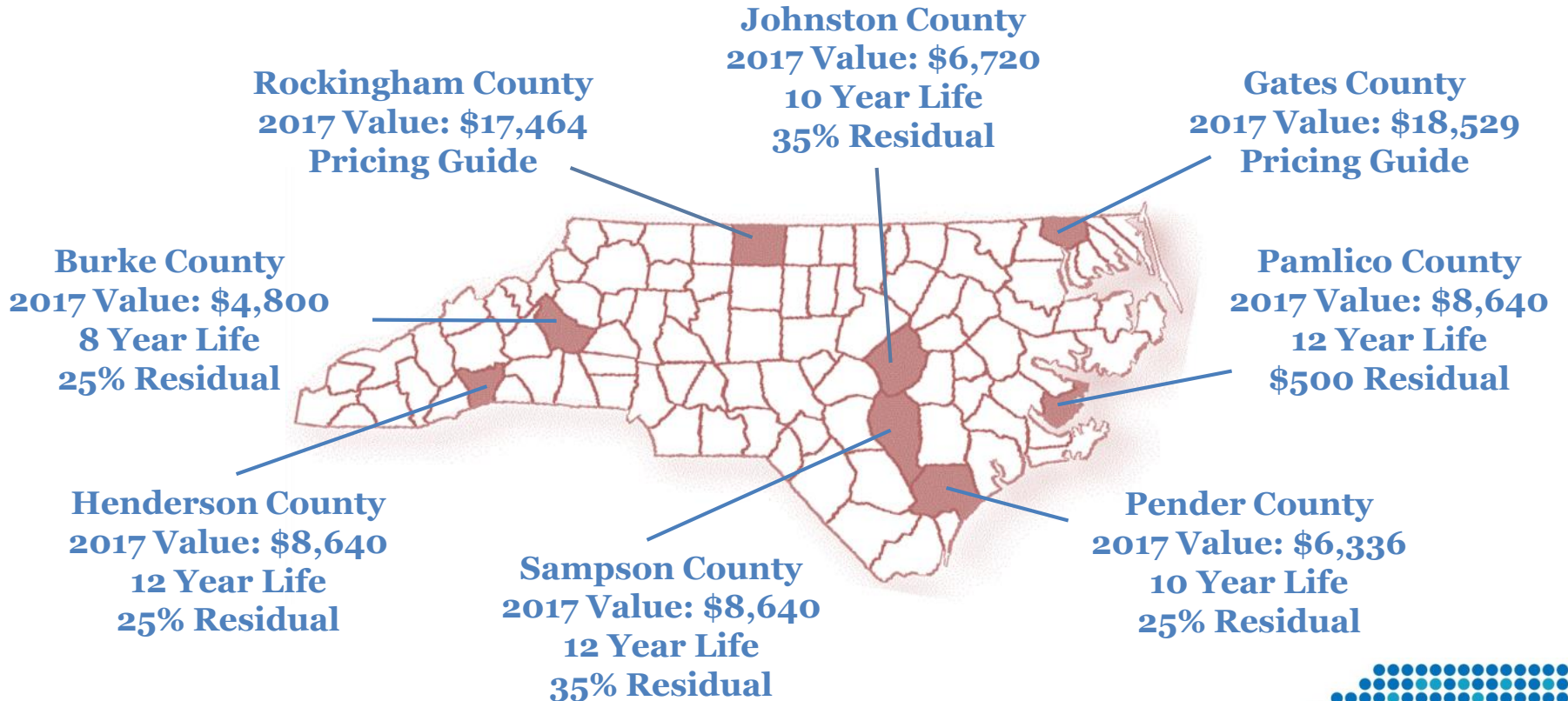
Purchased 2008 \$420,000





2010 John Deere 5055E

Purchased 2010 \$19,200



Commission's Findings:

- Lack of consistency across state
- Need for uniformity in depreciating farm equipment



Simplify the Process

- Single Schedule (A-10)
- 10 Year Life
- 25% Residual
- Apply to all farm and ranch equipment



Administrative Advantages:

Counties

- No need to separate equipment
- Listing forms allow for mass appraisal
- Simplified data entry
- Uniformity

Taxpayers

- Simplifies listing for taxpayer and accountants
- No need to keep separate records for IRS & County
- Uniformity



Section 14 - Amends N.C.G.S. §105-317.1

(b1) Farm Equipment. – In determining the true value of taxable farm equipment, the person making the appraisal may use any of the appraisal methods listed in subsection (a) of this section and must consider relevant taxpayer information as required under subsection (b) of this section. The Department must publish a depreciation schedule for farm equipment to assist counties that use the cost approach to appraise this equipment. The Department must make the schedule available electronically on its Web site. A county that uses a cost approach method to appraise this equipment must use the depreciation schedule published pursuant to this subsection.



N.C.G.S. §105-317.1(b1)

- Must consider all appraisal elements
- Must consider taxpayer's accounting records
- NCDOR must publish a depreciation schedule for farm equipment and place on website
- Counties that use cost approach **must** use NCDOR's schedule
- Effective for tax year beginning July 1, 2019



SL 2018-113 / SB711: NC Farm Act of 2018

Additional Statutory Changes

Section 9 - Amends N.C.G.S. §106-741

- Land records **must** include notice of tracts located within certain distance of qualifying farms
- Failure of real estate brokers/appraisers to report does not create right to sue
- Effective June 27, 2018



Section 15 - Amends N.C.G.S. §105-278.2(a)

- No application, survey or plat required to exempt family cemeteries
- Statutory clarification – law already in effect



Moving forward...

What have we learned?

Some takeaways from the Farm Act:

- Greater consistency is needed
- Increased response is needed
- Increased communication
- Proactive approach to legislation



Questions?



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