

HOUSE CS FOR CS FOR SENATE BILL NO. 161(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 4/22/24

Referred: Resources

Sponsor(s): SENATORS BJORKMAN, Hughes

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to municipal taxation of farm land and farm structures; and providing**
2 **for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 29.45.050(t) is amended to read:

5 (t) A municipality may by ordinance [APPROVED BY THE VOTERS]
6 partially or totally exempt from taxation **farm land and farm structures** [A FARM
7 STRUCTURE] used exclusively for farming activity, or purposes directly related to
8 farming activity, if the farm **land or farm** structure **meets the criteria set out in this**
9 **subsection. The farm land or farm structure must be** [IS] owned or leased by a
10 person that is actively engaged in farming, and **the owner or lessee must sell at least**
11 **\$2,500 of agricultural products produced from the land during the tax year and**
12 **file an Internal Revenue Service Schedule F (Form 1040) with the United States**
13 **Internal Revenue Service. The farm land or farm** [THAT DERIVES AT LEAST
14 10 PERCENT OF THE PERSON'S YEARLY GROSS INCOME FROM FARMING

1 ACTIVITY, AND THE] structure **must be** [IS] used for

2 (1) the growing, storage, or processing of grains, fruits, vegetables,
3 **aquatic farm products as defined in AS 16.40.199**, or other crops **specified by**
4 **ordinance** [INTENDED FOR HUMAN CONSUMPTION] and produced by the
5 owner's or lessee's farming activity;

6 (2) the storage or processing of

7 (A) feed for livestock;

8 **(B) livestock**, poultry, or other animals used in the owner's or
9 lessee's farming activity;

10 **(C) [(B)]** milk or milk products produced by the owner's or
11 lessee's farming activity; or

12 (3) **sheltering**, stabling, or milking the owner's or lessee's dairy
13 animals, **poultry, or livestock**.

14 * **Sec. 2.** AS 29.45.050(y) is amended to read:

15 (y) In this section, "farming activity" means raising and harvesting crops;
16 feeding, breeding, and managing livestock; dairying; **propagating, farming, or**
17 **cultivating an aquatic farm product as defined in AS 16.40.199**; or any
18 combination of those activities.

19 * **Sec. 3.** AS 29.45.050 is amended by adding a new subsection to read:

20 (z) In the event that an owner or lessee of farm use land does not sell \$2,500
21 of agricultural products produced from the land during a tax year because of
22 circumstances beyond the control of the owner or lessee, the owner may secure the
23 exemption under (t) of this section if the farm use land qualified for the exemption
24 under (t) of this section for the three preceding tax years. In this subsection,
25 "circumstances beyond the control of the owner or lessee" includes crop failure or
26 physical injury that prevents the owner or lessee from conducting farming activity.

27 * **Sec. 4.** AS 29.45.060(a) is amended to read:

28 (a) Farm use land, **and structures on farm use land that are used for farm**
29 **operations**, included in a farm unit and not dedicated or being used for nonfarm
30 purposes shall be assessed on the basis of full and true value for farm use and may not
31 be assessed as if subdivided or used for some other nonfarm purpose. The assessor

1 shall maintain records valuing the land for both full and true value and farm use value.
 2 If the land is sold, leased, or otherwise disposed of for uses incompatible with farm
 3 use or converted to a use incompatible with farm use by the owner, the owner is liable
 4 to pay an amount equal to the additional tax at the current mill levy together with eight
 5 percent interest for the preceding seven years, as though the land had not been
 6 assessed for farm use purposes. Payment by the owner shall be made to the state to the
 7 extent of its reimbursement for revenue loss under (d) of this section for the preceding
 8 seven years. The balance of the payment shall be made to the municipality.

9 * **Sec. 5.** AS 29.45.060(b) is amended to read:

10 (b) An owner of farm use land shall, to secure the assessment under this
 11 section, apply to the assessor on or before May 15 of each year in which the
 12 assessment is desired. The application shall be made on [UPON] forms prescribed by
 13 the state assessor for the use of the local assessor, and must include information that
 14 may reasonably be required to determine the entitlement of the applicant. If the land is
 15 leased for farm use purposes, the applicant shall furnish to the assessor a copy of the
 16 lease bearing the signatures of both lessee and lessor along with the completed
 17 application. The applicant shall furnish the assessor a copy of the lease covering the
 18 period for which the exemption is requested. This subsection does not apply to a
 19 person with an interest in land that is classified by the state for agricultural use or that
 20 is restricted by the state for agricultural purposes.

21 * **Sec. 6.** AS 29.45.060(c) is amended to read:

22 (c) In the event that an owner or lessee of farm use land does not sell
 23 \$2,500 of agricultural products produced from the land during a tax year
 24 because of circumstances beyond the control of the owner or lessee, the owner
 25 may secure the assessment under this section if the farm use land qualified for
 26 the assessment under this section for the three preceding tax years. In this
 27 subsection, "circumstances beyond the control of the owner or lessee" includes
 28 [OF A] crop failure or physical injury that prevents the owner or lessee from
 29 conducting farming activity [BY AN ACT OF GOD THE PREVIOUS YEAR, THE
 30 OWNER OR LESSEE MAY SUBMIT AN AFFIDAVIT AFFIRMING THAT 10
 31 PERCENT OF GROSS INCOME FOR THE PAST THREE YEARS WAS FROM

1 FARMING].

2 * **Sec. 7.** AS 29.45.060(f) is amended to read:

3 (f) This section does not apply to land for which the owner has granted, and
 4 has outstanding, a lease or option to buy the surface rights. A property owner wishing
 5 to file for farm use classification having no history of farm-related income may submit
 6 a declaration of intent at the time of filing the application with the assessor setting out
 7 the intended use of the land and **certifying that the property owner intends to file**
 8 **an Internal Revenue Service Schedule F (Form 1040) with the United States**
 9 **Internal Revenue Service for the current tax year** [THE ANTICIPATED
 10 PERCENTAGE OF INCOME]. An applicant using this procedure shall file with the
 11 assessor **on or** before **April 15** [FEBRUARY 1] of the following year a **copy of the**
 12 **Schedule F (Form 1040) the applicant files with the Internal Revenue Service**
 13 [NOTARIZED STATEMENT OF THE PERCENTAGE OF GROSS INCOME
 14 ATTRIBUTABLE TO THE LAND]. Failure to make **a** [THE] filing required in this
 15 subsection forfeits the exemption.

16 * **Sec. 8.** AS 29.45.060(g) is amended to read:

17 (g) In this section,

18 **(1) "farm use" means the use of land for the production of crops,**
 19 **fruits, or other agricultural products for human consumption or for the**
 20 **sustenance or grazing of livestock if the owner or lessee sells at least \$2,500 of**
 21 **agricultural products produced from the land during the tax year and files an**
 22 **Internal Revenue Service Schedule F (Form 1040) with the United States Internal**
 23 **Revenue Service;**

24 **(2) "livestock" includes cattle, hogs, sheep, goats, chickens,**
 25 **turkeys, pigeons, and other poultry raised to provide meat or other products for**
 26 **human consumption** [PROFIT FOR RAISING AND HARVESTING CROPS, FOR
 27 THE FEEDING, BREEDING, AND MANAGEMENT OF LIVESTOCK, FOR
 28 DAIRYING, OR ANOTHER AGRICULTURAL USE, OR ANY COMBINATION
 29 OF THESE. TO BE FARM USE LAND, THE OWNER OR LESSEE MUST BE
 30 ACTIVELY ENGAGED IN FARMING THE LAND, AND DERIVE AT LEAST 10
 31 PERCENT OF YEARLY GROSS INCOME FROM THE LAND].

1 * **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).