

## Farm Tax Bills in Juneau

There's a lot of interest in Juneau this legislative session around food security, and two bills are looking at farm property tax exemptions. We're sifting through the details and giving an overview of each, with a comparison between the two and current state law. As bills are amended, we will provide updated comparisons with the most recent version of the bill or bills.

### SB 161 & HB 317

Both Senate Bill 161 and House Bill 317 relate to municipal property taxation of "farm use" land and buildings within municipal boundaries. Under current state law (Alaska Statute Title 29), there are both **required** (AS 29.45.060) and **optional** (AS 29.454.050(t)) tax exemptions that municipalities must use when levying property taxes for farm use land and/or structures. (Property tax "exemptions" can be full exemption, but are typically more of a discount - the farm use is still subject to a property tax, but at a lower value than if it were being used for other purposes.)

Under current law:

- **Farm Structures:** Optional tax exemption, either partial or full, no back tax liability provisions (AS 29.45.050(t))
- **Farm Land:** Required partial tax exemption, 7-year back tax liability + 8% interest (AS 29.45.060)

Both bills currently make significant changes to both these optional and mandatory property tax exemption laws. SB 161 was heard in committees and passed the Senate on March 18 as a "CS" or Committee Substitute, with changes from the Senate Community & Regional Affairs Committee ("CRA") and an amendment on the floor that was adopted ("am"). In the House, SB 161 has been heard in House Community & Regional Affairs (CRA) on April 2, 4, 18, and 24th. On April 18, the House CRA Committee adopted a CS with amendments and the current version of SB 161 is HCS CSSB 161 (CRA).

As of March 19, HB 317 has been heard and held in House Community & Regional Affairs with no additional movement.

**Optional Municipal Farm Tax Exemptions ([AS 29.45.050 Optional exemptions and exclusions](#))**

Under this section of law, the state allows municipalities options for property tax exemptions through a fairly lengthy list of criteria. The law spells out different criteria that includes whether the exemption can be done through ordinance or requires a vote of the people, and under what circumstances an exemption can be granted. Subsection (t) in the list provides detail for farm-related optional exemptions. Below we compare current law with what is proposed in the most recent version of SB161 and in HB317.

**Updated April 24, 2024**

Current Law (AS 29.45.050(t))	HCS CS SB 161 (CRA)	HB 317
Requires a vote of the people	Can be passed by ordinance	Unchanged
Additional exemption <b>for farm structures used exclusively</b> for farming activity only (farm land is currently addressed in AS 29.45.060 as a required partial exemption)	Farm structures <b>and farm land</b> that are used <b>exclusively</b> for farming activity could be partially or totally exempted from property tax assessment by the municipality. The criteria are set out for what qualifies as a farm structure or farm land used for farming activity (see below)	Unchanged
To qualify, a land owner or lessee must derive at least 10% of their yearly gross income from farming activity	To qualify, a land owner or lessee must produce at least <b>\$2,500</b> of ag products offered for sale and file a Schedule F with the IRS. <b>The word “normally” was deleted</b> in the most recent CS, indicating the farm activity must be active to qualify.	Removes any income requirement
Exempted farm activity is only for crops <i>intended for human consumption</i> , livestock feed, poultry, milk, or dairy	Expands the qualifying farm activity that can be eligible for exemption to be any crops ( <i>not just food</i> ) that are specified by the municipality, expands the livestock qualifying activities, and adds aquatic farm products as defined in AS 16.40.199 as eligible farming activity	Unchanged
N/A	The most current CS adds a new subsection that notes	N/A

	that if an owner or lessee of farm use land does not sell \$2,500 of ag products because of circumstances beyond their control, the tax exemption can still be secured if it qualified for the three preceding years.	
N/A	N/A	Adds a section requires a municipality to put the question of the optional farm structure exemption in AS 29.45.050(t) before the voters on a ballot at the next regular election that is at least 20 days after the effective date of the bill if they haven't already done so
N/A	Immediate effective date	Effective date of January 1, 2025

**Required Municipal Farm Tax Exemptions ([AS 29.45.060 Farm or agricultural land](#))** Under this section, state statute currently requires municipalities to provide farm use land property tax exemption only, and spells out how landowners can qualify for that exemption. Below we compare current law with what is proposed in both the most recent version of SB 161 and in HB 317.

**Updated April 24, 2024**

Current Law (AS 29.45.060)	HCS SB 161 (CRA)	HB 317
Required partial exemption for <b>farm use land only</b>	<b>Adds structures</b> on farm use land that are used for farm operations	<b>Adds structures</b> on farm use land that are used for farm operations
To qualify, a land owner or lessee must apply to the municipal assessor annually before May 15, and show they derive at least 10% of their yearly gross income from farming activities and provide a notarized statement of the percentage of gross	To qualify, a land owner or lessee must apply to the municipal assessor, file or plan to file a Schedule F with the IRS, and provide a copy of the Schedule F with the assessor annually <b>on or before</b> May 15.	Removes any requirement on qualifications, and removes the application to the municipal assessor. The exemption would be automatically provided through the assessing department.

<p>income attributable to the land</p>	<p>The percentage of income requirement is removed and replaced with needing to produce at least <b>\$2,500</b> of agricultural products <del>(sold or worth that much if they were sold)</del> <b>and</b> the filing of a Schedule F with the IRS</p>	<p>The farm use definition removes any reference to income. Anyone would be eligible for exemption of land with any kind of agricultural use, as interpreted by the municipal assessor - from a commercial farm to a home garden plot.</p>
<p>Farm use is broadly defined as nearly any for-profit agricultural use of the land</p>	<p>Farm use is restricted to be production <b>for human consumption</b> or the sustenance or grazing of livestock; <i>livestock</i> is defined as animals raised to provide meat or other products for human consumption</p>	<p>Farm use is defined even more broadly than current statute, removing the ‘for profit’ requirement. There is no restriction on human consumption or otherwise.</p>
<p>Requires submitting an affidavit if there is a crop failure by an act of God in the previous year, affirming that 10% of yearly gross income was from farming in the previous three years</p>	<p><del>This section is removed completely</del> In the recent CS, this section is kept but amended to note that if an owner or lessee of farm use land does not sell \$2,500 of ag products because of circumstances beyond their control, the tax exemption can still be secured if it qualified for the three preceding years.</p>	<p>This section is removed completely</p>
<p>An owner is liable to pay the back taxes as if the land had not been assessed for farm use purposes with 8% interest for the preceding 7 years “if the land is sold, leased, or otherwise disposed of for uses incompatible with farm use or converted to a use incompatible with farm use by the owner”</p>	<p>Unchanged. However, there is no back tax liability under the optional exemptions that would now potentially overlap with the proposed bill language. Likely anything partially exempted under this section would be subject to back tax liability and additional exemptions under AS29.45.050(t) would not be.</p>	<p>Unchanged. However, given that farm structures would be added to the required exemptions, this would create overlap with AS29.45.050(t) which doesn’t have back tax liability and would need to be sorted out with the assessors office.</p>
<p>The state shall reimburse municipalities for the property tax revenues lost to it by the operation of this exemption, <b>subject to appropriations</b></p>	<p>Unchanged</p>	<p>Unchanged</p>

<i>(note: the state has never appropriated funds to reimburse municipalities under this section)</i>		
N/A	Immediate effective date	Effective date of January 1, 2025

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