

# CSHB40(CRA) Work Draft 28-LS0229\N

## Farm Food Storage Building Tax Exemption

### Side by Side Comparison of Committee Substitute

January 31, 2013

“An Act establishing a municipal tax exemption for certain farm structures.”

*Section 1. AS 29.45.050 is amended by adding new subsections to read:	This legislation does not change the existing “farm bill” statutes.
(t) A municipality may by ordinance partially or total exempt from taxation a farm structure used <b>exclusively</b> for farming activity, or purposes directly related to farming activity, if the farm structure is owned or leased by a <b>person</b> that is actively engaged in farming and that derives at least 10 percent of the <b>person’s</b> yearly gross income from farming activity, and the structure is used for	<p>A municipality may partially or fully exempt the property tax for a qualifying farm food storage or food processing structure/building. This bill does not mandate the tax exemption but would allow a municipality to consider the exemption and can determine the percentage of the value of the structure to be exempted from taxation.</p> <p>The farm structure must be used exclusively for farming activity or purposes directly related to farming activity. This identifies the purpose of the building to be considered for exemption.</p> <ul style="list-style-type: none"> <li>• The original bill specified 50% of the structure to be used for food storage or processing purposes. This seemed to create additional work and potential interpretation on behalf of the municipal assessors.</li> <li>• By using the word “exclusively” it is clear that the intent of the structure is for farming and food, and the need for tape measures and guesswork would be eliminated.</li> </ul> <p>The person who owns the structure must be actively engaged in farming and derive at least 10 percent of the person’s yearly gross income from farming activity. This section identifies a change to the original bill.</p> <ul style="list-style-type: none"> <li>• The original word choice was “individual” but after speaking with others, it was evident that many farmers may have established themselves in a business structure such as an LLC.</li> <li>• The word “person” includes individuals as well as other business structures. It can include sole proprietorships, LLC, S-corps, corporations, trusts, etc.</li> </ul>
(1) The <b>growing</b> , storage, or processing of grains, fruits, vegetables, or other crops intended for human consumption and produced by the owner’s or lessee’s farming activity;	<p>The structure must be used for growing, storage or processing of consumable food plants that are produced by the owner’s/lessee’s farming activity.</p> <p>The second change to the original bill is the inclusion of the task of growing food products. This change would allow greenhouses that are used to grow food to benefit from the tax exemption.</p>

<p>(2) The storage or processing of</p> <p>(A) Feed for livestock, poultry, or other animals used in the owner's or lessee's farming activity;</p> <p>(B) Milk or milk products produced by the owner's or lessee's farming activity; or</p>	<p>The structure may be used for storage or processing of feed for animals used in the farming activity.</p> <p>The structure may be used for storage or processing of milk products produced by the farming activity.</p>
<p>(3) Stabling or milking the owner's or lessee's dairy animals.</p>	<p>The structure may be used in stabling or milking dairy animals. This is specifically noted because a significant area of the facility may be used to manage cattle and the dairy equipment may constitute a smaller area of the structure.</p>
<p>(u) In this section, "farming activity" means raising and harvesting crops; feeding, breeding, and managing livestock; dairying; or any combination of those activities.</p>	<p>The definition of "farming activity" is important because it clarifies what it means to be farming. Assessors and farmers can have a better understanding of the qualifying provisions if they fit the definition.</p> <p>Some gentlemen or hobby farmers may not qualify for the exemption if they do not fit the purpose of the structure, derive at least 10% of their yearly gross income from farming, and are actively involved in a farming activity.</p>

Possible scenarios regarding the structure:

**1) a barn** used to store cattle feed may include a processing filter that separates some particles from the grain so that it does not mold quickly while in storage; the hay is stored in the structure through the winter and depletes as eaten; a tractor may be brought into the barn as space allows for general maintenance. This example would likely qualify for the exemption.

**2) a barn** used to store root vegetables includes some separating and cleaning equipment and has moveable bins for transporting the food; the barn is also includes a mother-in-law apartment for guests and when the food stores are low, the family car is parked indoors. This example would not likely qualify for the exemption.

**3) a greenhouse** that grows raspberries and stores jars of preserves and syrup would likely qualify for the exemption.

**4) a greenhouse** that grows one aisle of vegetables, one aisle of tulips and sells lawn mowers and fertilizer would not likely qualify for the exemption.

**5) the home kitchen** used for canning and preserving wild berries picked on their own land, storing the preserves in the pantry and selling the preserves at a farmer's market; the residence would likely not qualify as a food storage and processing structure.