

5. Recommendation: Encourage Tax Exemptions for Farmland

This recommendation proposes a change in criteria for tax exemptions for farmland to increase agricultural production. Local governments should be encouraged to provide these exemptions.

Areas of tax exemptions to review:

- **Income requirement:** Change from 10% of yearly gross income from farmland activities to NASS definition of farm with \$1000 in sales and filling out a schedule F on taxes.
- **Exemption versus deferment:** Remove the requirement to repay back taxes if land is sold for non-agriculture uses.
- **Structures exemptions:** Review if any other improvements should be included.

Responsible Entity/Entities:

- **Alaska State Legislature:** Implement statutory changes.
- **Alaska Borough/local governments:** Adopt exemptions at the local level.

Action and Implementation Timeline:

- Short-term (1-2 years)
- **Mid-term (3-5 years)**
- Long-term (5-10 years)

Years 1–2:

- ***Conduct meetings/surveys to collect feedback from producers and local governments on the following:***
 - the most beneficial tax exemption policies to support increased production on farms
 - why farms choose to participate and for what reasons (e.g., for farms not participating, why are they not? For farms participating, what are recommendations to improve?
 - incentives for local governments to implement tax exemptions
 - impact(s) of tax exemptions on other taxpayers/ property owners (requires data collection/accessibility)

Year 3:

- ***Introduce legislation with changes to tax exemptions.***

Years 4–5:

- ***Work with local governments to approve tax exemptions.***

Ongoing:

- ***Provide outreach/informational resources to farmers on tax exemptions.***

Assets or Resources Available:

- Policies from other agriculture-rich states (most states have these in place already for farmland)

State Funding Needs:

Alaska Food Strategy Task Force Report: Part One (2023)

Consider a type reimbursement for local governments as an incentive to adopt tax exemptions. However, there needs to be an assessment of how this would affect other taxes, and consider other incentives to offer to local governments.

Statutory or Regulatory Changes:

This would require statutory changes and policies adopted at the local government level.

Additional Research:

- Stakeholder feedback on terms and policies
- Review of similar programs from other states

Metrics Recommended to Measure Progress:

- Number of farms eligible and taking advantage of tax exemptions
 - **Note:** Participation data should be available from existing local government sources. Current data may not be available on 'eligible' farms, however this would be streamlined to pull from federal databases if the program is changed to \$1000 in sales.
- Number of farms taking advantage of the tax exemption able to increase production and net annual income
 - **Note:** Distinguishing production and income estimates between particular groups of farmers would require primary data collection

Data:

See notes under section *"Metrics Recommended to Measure Progress."*