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SB 161 Tax Exemption for Farm Use Land

Sponsor Statement Version P

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Senate Bill 161 would amend current Alaska state laws to better support Alaska's food producing farmers and contribute toward increasing Alaska's food security. Specifically, SB 161 would change Alaska's mandatory farmland property tax break to include farm-related structures and would modernize the qualification requirements to a \$2,500 annual sales requirement and filing an IRS Schedule F. The changes recommended by the Alaska Food Strategy Task Force 2023 Report to increase Alaska's food security are incorporated into this bill.

Alaska faces the persistent challenge of food insecurity, and the state relies heavily on food imports from Outside. A significant portion of Alaska's food comes from ports around Seattle through the Don Young Ports of Alaska, and disruptions in these locations could have severe consequences for local food availability. It is important that we take steps to ensure a more resilient food system in Alaska.

Alaska state law allows farmland to be assessed at the farmland use rate, which can be lower than the highest and best use tax rate for the property. This helps encourage farmers to keep their land in production, rather than selling it or converting it for other uses. It makes sense to include farm buildings, such as barns, in this assessment as they are part of a farm's operations.

Replacing the current statutory qualification that 10 percent of a farm operator's income comes from farm operations with the \$2,500 sales requirement lowers the barrier of entry for start-up farmers and small operations, encouraging growth in the number of in-state food producers. It also protects the privacy of farmers. They would no longer be required to share all income sources and business interests with assessors. Farmers would only have to provide a copy of their Schedule F and any documentation necessary to demonstrate that they met the sales threshold.

SB 161 would also expand the optional municipal property tax exemptions for farm structures to include farmland and would widen the eligibility to include farms that do not produce food. This allows municipalities to encourage other agriculture and aquaculture opportunities that may provide economic or other benefits to the community if they choose to do so.