

April 1, 2024

Representative CJ McCormick

Chairman, House Community & Regional Affairs Committee

RE: SB161 – Tax Exemption for Farm Use Land

We maintain an 80-acre hay farm off Farmers Loop Road in Fairbanks on land that has been in continuous production since well before statehood, and we are in support of SB161 in hopes that its passage will reverse the trend of decreasing interest in agricultural production in our State and hopefully encourage our Boroughs and Municipalities to look more favorably (from a property tax standpoint) on land owners and traditional farmers who are making efforts to utilize their land in agriculturally productive ways. We believe that the original intent of AS 29.45.060 was to stimulate interest in local food production and discourage the wholesale development of farmlands into more profitable uses. In recent years, an ever-more restrictive interpretation by our local and State government has resulted in more and more farmland falling into disrepair and abandonment.

In the Fairbanks area, we regularly see farms being swallowed up by invasive weeds, thawing permafrost depressions, as well as aging farmers, unable to find someone to follow in their footsteps, while ever-increasing costs of fertilizer, herbicide, tractor fuel and labor makes profitable production harder and harder. While hay farmers react by increasing their product pricing, this ultimately has the trickledown effect of encouraging those raising livestock to reduce their herd size and simply become more dependent on our local retailers and imported goods. One needs only to attend the local or State Fair to see that interest in animal husbandry, agriculture and even basic gardening is at an all-time low.

The Fairbanks North Star Borough, and recently backed by the State Assessor has, through their 10% profit interpretation, systematically been taking aim at farmers through their somewhat harsh interpretation of the current Farm Use Assessment program. This State mandated tax deferral program, adopted shortly after statehood, allows for property tax incentives for qualifying farms that are dedicated for “farm use.” The intent is to encourage agriculture and maintain open spaces in our northern environment that is clearly harsher and more challenging than that found in any other region of our country.

Unfortunately, as a result of our Borough’s ever narrowing and somewhat selective interpretation of the laws and regulations, (see also 3AAC 138.020) the number of local farms in the FNSB has been cut to less than 30 from around 150 just 10 years ago. We believe the current administration of this program has strayed from its original intent and without changes, local farming will continue to dwindle and our citizens will become increasingly dependent on imported produce, dairy products, livestock, animal feed and the like. This trend will certainly jeopardize our state’s efforts toward self-reliance and improved food security.

While it has become harder and harder to turn a profit via traditional agriculture here in Alaska, increased property taxes can be all it takes for some farmers to throw in the towel - especially if they don’t have a backup source of income. If the farmer does have an alternate source of income, our Borough is now insisting that income from both the farmland, as well as any other rental or similar business sources beyond the farm be used in their new equations to justify adequate “gross income” from “the land”. *(In our case, this included income from completely separate parcels of land and businesses totally unrelated to the farm – insisting that we turn over all personal IRS tax records to them for examination. Needless to say we have since been eliminated from the program, like four out of five fellow farmers in the last 10 years.)* The problem is that as farm income dwindles and the owner becomes more dependent on his or her “day-job” to keep the farm afloat, the already fragile farming venture drops into the crosshairs of the local assessor and another application denial is issued. Once the farmer gives up, and their land falls into disrepair, there is typically no going back, as the once productive land eventually gets subdivided and/or sold off for the highest value.

While this practice may be good for the tax collector, it is very disheartening for our community at large - from both an economic and an ecological standpoint, as well as a cultural perspective. Having farms around is vital in helping train our young people in sustainability, conservation, food production skills, not to mention the disciplines of manual and mechanized labor. From our perspective, it is a safe assertion that for every traditional farmer under the age of 40, there are 10 of us that are near retirement and very likely to abandon or dissolve our farms in the next decade.

Because the State legislature no longer appropriates funds for Borough reimbursement of lost tax revenues resulting from this program, (as called for in AS29.45.060(d)), the State has in essence pitted local government against the farmers. The State Assessor has seemingly given the local assessors complete autonomy in the determination and administration of this aged and somewhat poorly written state statute. A few years back a former State Assessor noted, *"We the State, no longer have a dog in this fight since we haven't reimbursed the Boroughs since 1984"*. Unfortunately, the regulations (3AAC138.020) state that the Local Assessor has the discretion to demand any *"additional information needed to determine eligibility."* This type of open-ended language has been selectively applied as nearly every past and present farmer can attest. As a result, the meager incentive to maintain the "family farm" has been eliminated.

In summary, we believe that the laws pertaining to farm taxation need to be adjusted and/or better defined to protect our fragile farming industry, before it's too late. Alaska should not become a beggar state, totally dependent on the lower 48 and our potentially unreliable freight systems. It is our opinion that SB161, goes a long ways towards hopefully reversing this alarming trend, and your support of this bill is encouraged and greatly appreciated.

Thank you for your time, consideration and service to our great State.

Respectfully Submitted,
Charles and Katrina Jeannet
Porcupine Ridge Farms