

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 28, 2013

3:32 p.m.

MEMBERS PRESENT

Senator Peter Micciche, Chair
Senator Cathy Giessel, Vice Chair
Senator Dennis Egan
Senator Click Bishop

MEMBERS ABSENT

Senator Lyman Hoffman

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 40(CRA)

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

- MOVED CSHB 40(CRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 40

SHORT TITLE: MUNICIPAL TAX EXEMPTION: FARM STRUCTURES

SPONSOR(S): REPRESENTATIVE(S) HUGHES

01/16/13	(H)	PREFILE RELEASED 1/7/13
01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	CRA
01/31/13	(H)	CRA AT 8:00 AM BARNES 124
01/31/13	(H)	Moved CSHB 40(CRA) Out of Committee
01/31/13	(H)	MINUTE(CRA)
02/01/13	(H)	CRA RPT CS(CRA) 6DP
02/01/13	(H)	DP: FOSTER, REINBOLD, OLSON, DRUMMOND, LEDOUX, NAGEAK
02/08/13	(H)	TRANSMITTED TO (S)
02/08/13	(H)	VERSION: CSHB 40(CRA)
02/11/13	(S)	READ THE FIRST TIME - REFERRALS
02/11/13	(S)	CRA
02/21/13	(S)	CRA AT 3:30 PM BUTROVICH 205
02/21/13	(S)	Heard & Held
02/21/13	(S)	MINUTE(CRA)
02/28/13	(S)	CRA AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

GINGER BLAISDELL

Staff to Representative Hughes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on HB 40.

BARBARA MILLER

Representing herself
Wasilla, Alaska

POSITION STATEMENT: Opposed HB 40.

ACTION NARRATIVE

[3:32:09 PM](#)

CHAIR PETER MICCICHE called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators Egan, Giessel, and Chair Micciche.

HB 40-MUNICIPAL TAX EXEMPTION: FARM STRUCTURES

[3:32:43 PM](#)

CHAIR MICCICHE announced HB 40 to be up for consideration [CSHB 40(CRA) was before the committee].

[3:33:09 PM](#)

GINGER BLAISDELL, staff to Representative Hughes, sponsor of HB 40, reviewed that this measure was introduced to encourage agriculture throughout the state and to encourage food storage for the purposes of having longer sustainable food products available on our shelves for human or animal consumption, and also in the event there is a disaster.

She said the bill allows a municipality the option to entertain a tax exemption, either fully exempt or a percentage, for a building that is 100 percent for food storage or production. It must be 100 percent related to a farming activity, which disqualifies a lot of buildings that may be partially for food and partially for some other purpose. The individual must derive at least 10 percent of his/her annual income from that farming activity.

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CHAIR MICCICHE opened public testimony.

[3:34:51 PM](#)

At ease from 3:34 to 3:35.

[3:35:43 PM](#)

BARBARA MILLER, representing herself, Wasilla, Alaska, opposed HB 40 saying it would cost the taxpayers of MatSu roughly \$3 million more annually in addition to the many millions of dollars in subsidies farmers get due to their land assessments of only \$350 an acre. There are many homeowners on one or two acres with a house who have at least a \$175,000 assessment and they are subsidizing the farmer who has 500 acres. Additionally, she said old structures should not be included in the bill; only new ones should since the old structures are already paid for. On line 4, "totally exempt" should be deleted, because the farmer should have some skin in the game instead of getting a free ride on an already extremely generous subsidy. In line 6, there shouldn't be any leasing at all. If this happens, the farmer then gets revenue for property that has little or no tax bill attached so he could actually be making a big profit with little or no expenditure, again, at the expense of the borough taxpayer. On line 7, 10 percent is ridiculous; if a farmer earns that little on his income from farming, he is not a farmer. It should be 100 percent before the farmer gets any exemption or that person could not be classified as a farmer.

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SENATOR BISHOP joined the meeting.

MS. MILLER continued that MatSu farmers sell 75 percent of their products to Anchorage, yet the taxpayers of the MatSu subsidize 100 percent of this already too generous tax exemption. She supported farming as a business, but it should be run as a business not as a private club.

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CHAIR MICCICHE, finding no further comments, closed public testimony.

[3:39:00 PM](#)

SENATOR GIESSEL moved to report CSHB 40(CRA), version 28-LS0229\N from committee to the next committee of referral with individual recommendations and attached zero fiscal note.

[3:39:27 PM](#)

CHAIR MICCICHE objected for purpose of discussion. He asked Ms. Blaisdell to comment on Ms. Miller's testimony.

3:40:00 PM

MS. BLAISDELL responded that when this bill was originally drafted, they thought it was just for property owned by the farmer, but they found that many farms are leased to new young families that actually work and manage the whole farm. The lease part seemed to cause a little strife for those who do not actually own the land, because their lease cost would go up as long as the property is exempt or there is some kind of tax value that is lessened a little bit. It didn't seem that it would be going to the actual land owner, but that the savings would be passed onto the lessor. They know of only a couple of families leasing a farm, because they can't afford to purchase the land.

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CHAIR MICCICHE asked for the actual impact to MatSu.

MS. BLAISDELL responded that she spoke with the MatSu tax assessor who said if 50 percent of a building would be eligible for food storage or production it would take him so much work to go into every single building and determine what the 50 percent is. Is it volume? Is it square footage of the floor or of the upstairs full of hay and the downstairs is doing something else? So they changed it to the entire building to be used for food storage and production. When it was a 50 percent consideration, the assessor thought the impact would be slightly more than \$3 million. Being 100 percent for food storage and production would bring that down significantly, but he couldn't give her a specific number since he hadn't been inside all of those buildings to determine that.

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CHAIR MICCICHE noted that there wasn't any opposition from AML or the MatSu Borough; and no other municipality was testifying.

SENATOR GIESSEL said that might be because the bill says "may". But she agreed with Ms. Miller on the line 7 language that deriving at least 10 percent of the person's yearly gross from farming activity seemed extremely minimal and it, in fact, made her uncomfortable.

3:43:54 PM

CHAIR MICCICHE asked staff about the 10 percent.

MS. BLAISDELL replied that the 10 percent was used, because it is the same as that used by the state and federal governments in the Agriculture Bill for a farmer's income. They kept it at 10 percent, because numerous farmers have one spouse working the farm as the primary income and the other spouse has a job somewhere else that actually pays for the farm. So, if the farm makes \$100,000 a year and the job brings in \$100,000, it all goes to pay for the farm; it's more of a lifestyle choice. Ten percent still shows that you're in the farming business as a business and selling goods, and they felt that anyone who wants to engage in the business of food should be somehow able to receive a benefit, because it's so important to have fresh food on our shelves.

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SENATOR BISHOP said everyone is cognizant of food security and hopefully this is a step in the right direction to revitalize the industry and grow it a little bit.

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CHAIR MICCICHE said the battle occurs in the Assembly Chambers, not in the legislature. As a former small town mayor he knew how painful it was when the legislature made some of these exemptions that are "shall"; this is a "may", so locals can decide. He hoped growing food would be supported by the municipalities.

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CHAIR MICCICHE removed his objection and finding no further objections, announced that CSHB 40(CRA) moved from committee.

[3:48:16 PM](#)

There being no further business to come before the committee, Chair Micciche adjourned the Senate Community and Regional Affairs Committee meeting at 3:48 p.m.