

SENATE BILL NO. 265

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 4/26/24

Referred: Community and Regional Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to tax exemptions for agriculture and timber business; and providing**
2 **for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 SHORT TITLE. This Act may be known as the Tax Relief for Agriculture Industry
7 and Lumber (TRAIL) Act.

8 * **Sec. 2.** AS 29.45.030(a) is amended to read:

9 (a) The following property is exempt from general taxation:

10 (1) municipal property, including property held by a public corporation
11 of a municipality, state property, property of the University of Alaska, or land that is
12 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
13 830, 70 Stat. 709, except that

14 (A) a private leasehold, contract, or other interest in the

1 property is taxable to the extent of the interest; however, an interest created by
2 an operating agreement or nonexclusive use agreement between the Alaska
3 Industrial Development and Export Authority and a user of a shipyard or an
4 integrated transportation and port facility, if the shipyard or integrated
5 transportation and port facility is owned by the authority and initially placed in
6 service before January 1, 1999, is taxable only to the extent of, and for the
7 value associated with, those specific improvements used for lodging purposes;

8 (B) notwithstanding any other provision of law, property
9 acquired by an agency, corporation, or other entity of the state through
10 foreclosure or deed in lieu of foreclosure and retained as an investment of a
11 state entity is taxable; this subparagraph does not apply to federal land granted
12 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
13 granted to the university by the state to replace land that had been granted
14 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
15 university under AS 14.40.365;

16 (C) an ownership interest of a municipality in real property
17 located outside the municipality acquired after December 31, 1990, is taxable
18 by another municipality; however, a borough may not tax an interest in real
19 property located in the borough and owned by a city in that borough;

20 (2) household furniture and personal effects of members of a
21 household;

22 (3) property used exclusively for nonprofit religious, charitable,
23 cemetery, hospital, or educational purposes;

24 (4) property of a nonbusiness organization composed entirely of
25 persons with 90 days or more of active service in the armed forces of the United States
26 whose conditions of service and separation were other than dishonorable, or the
27 property of an auxiliary of that organization;

28 (5) money on deposit;

29 (6) the real property of certain residents of the state to the extent and
30 subject to the conditions provided in (e) of this section;

31 (7) real property or an interest in real property that is

1 (A) exempt from taxation under 43 U.S.C. 1620(d), as
2 amended or under 43 U.S.C. 1636(d), as amended; or

3 (B) acquired from a municipality in exchange for land that is
4 exempt from taxation under (A) of this paragraph, and is not developed or
5 made subject to a lease;

6 (8) property of a political subdivision, agency, corporation, or other
7 entity of the United States to the extent required by federal law; except that a private
8 leasehold, contract, or other interest in the property is taxable to the extent of that
9 interest unless the property is located on a military base or installation and the
10 property interest is created under 10 U.S.C. 2871 - 2885 (Military Housing
11 Privatization Initiative), if the leaseholder enters into an agreement to make a payment
12 in lieu of taxes to the political subdivision that has taxing authority;

13 (9) natural resources in place including coal, ore bodies, mineral
14 deposits, and other proven and unproven deposits of valuable materials laid down by
15 natural processes, unharvested aquatic plants and animals, and timber;

16 (10) property not exempt under (3) of this subsection that

17 (A) is owned by a private, nonprofit college or university that is
18 accredited by a regional or national accrediting agency recognized by the
19 Council for Higher Education Accreditation or the United States Department
20 of Education, or both; and

21 (B) was subject to a private leasehold, contract, or other private
22 interest on January 1, 2010, except that a holder of a private leasehold,
23 contract, or other interest in the property shall be taxed to the extent of that
24 interest;

25 **(11) real or personal property used for agriculture business or**
26 **timber business as defined in AS 43.20.012(e).**

27 * **Sec. 3.** AS 29.45.030 is amended by adding a new subsection to read:

28 (o) An owner of real or personal property shall, to secure an exemption under
29 (a)(11) of this section, apply to the assessor before May 15 of each year in which the
30 exemption is desired. The application shall be made upon forms prescribed by the
31 state assessor for use of the local assessor and must include information that may

1 reasonably be required to determine the entitlement of the applicant. If the land is
 2 leased for agriculture business or timber business purposes, the applicant shall furnish
 3 to the assessor a copy of the lease bearing the signatures of both lessee and lessor with
 4 the completed application. The applicant shall furnish to the assessor a copy of the
 5 lease covering the period for which the exemption is requested. For the purposes of
 6 this subsection, "agriculture business" and "timber business" have the meanings given
 7 in AS 43.20.012(e).

8 * **Sec. 4.** AS 29.45.650(a) is amended to read:

9 (a) Except as provided in AS 04.21.010(c), AS 29.45.750, and in (f), (h), (i),
 10 [AND] (j), and (l) of this section, a borough may levy and collect a sales tax on sales,
 11 rents, and on services provided in the borough. The sales tax may apply to any or all of
 12 these sources. Notwithstanding other statutes, exemptions may be granted by
 13 ordinance. A borough may wholly or partially exempt a source from a borough sales
 14 tax that is taxed by a city in that borough under AS 29.45.700.

15 * **Sec. 5.** AS 29.45.650 is amended by adding a new subsection to read:

16 (l) A borough may not levy or collect a sales or use tax on agriculture business
 17 or timber business. For the purposes of this subsection, "agriculture business" and
 18 "timber business" have the meanings given in AS 43.20.012(e).

19 * **Sec. 6.** AS 29.45.700(a) is amended to read:

20 (a) A city in a borough that levies and collects areawide sales and use taxes
 21 may levy sales and use taxes on all sources taxed by the borough in the manner
 22 provided for boroughs. Except as provided in (d), [AND] (e), and (h) of this section,
 23 the assembly may by ordinance authorize a city to levy and collect sales and use taxes
 24 on other sources.

25 * **Sec. 7.** AS 29.45.700 is amended by adding a new subsection to read:

26 (h) A city may not levy or collect a sales or use tax on agriculture business or
 27 timber business. For the purposes of this subsection, "agriculture business" and
 28 "timber business" have the meanings given in AS 43.20.012(e).

29 * **Sec. 8.** AS 43.20.012(a) is amended to read:

30 (a) The tax imposed by this chapter does not apply to
 31 (1) an individual;

1 (2) a fiduciary;
 2 (3) the income received by a regional association qualified under
 3 AS 16.10.380 or nonprofit corporation holding a hatchery permit under AS 16.10.400
 4 from the sale of salmon or salmon eggs under AS 16.10.450 or from a cost recovery
 5 fishery under AS 16.10.455; [OR]

6 (4) the income received by a nonprofit corporation holding a permit
 7 under AS 16.12.010 from the sale of shellfish under AS 16.12.080 or from a cost
 8 recovery fishery under AS 16.12.090; or

9 **(5) the income received by a corporation attributable to agriculture**
 10 **business or timber business, including income incidental to the agriculture or**
 11 **timber business.**

12 * **Sec. 9.** AS 43.20.012 is amended by adding a new subsections to read:

13 (e) For the purposes of this section,

14 (1) "agriculture business"

15 (A) means the use of real or personal property for the
 16 production of aquatic plants as defined in AS 16.05.940, ornamental plants,
 17 crops, fruits, or other agricultural products for human use or for the sustenance
 18 or grazing of livestock, and the raising and breeding of livestock, including
 19 cattle, hogs, sheep, goats, chickens, turkeys, pigeons, and other poultry raised
 20 to provide meat or other products for human consumption, on land

21 (i) that produces at least \$25,000 of agricultural
 22 products during the tax year and those products are offered for sale; or

23 (ii) that would normally produce at least \$25,000 of
 24 agricultural products offered for sale during the tax year and for which
 25 the owner or lessee has filed an Internal Revenue Service Schedule F
 26 (Form 1040) with the United States Internal Revenue Service for the
 27 same tax year;

28 (B) does not include the cultivation or sale of plants regulated
 29 under AS 17.38;

30 (2) "income incidental to the agriculture or timber business" includes
 31 income from selling equipment used to generate agriculture business or timber

1 business;

2 (3) "land" includes multiple contiguous or non-contiguous parcels used
3 by a single taxpayer in the agriculture or timber business;

4 (4) "timber business" means the production of a product made from
5 materials derived from the practice of forestry or the management of growing timber
6 on land

7 (i) that produces at least \$25,000 of timber products
8 during the tax year and those products are offered for sale; or

9 (ii) that would normally produce at least \$25,000 of
10 timber products offered for sale during the tax year and for which the
11 owner or lessee has filed an Internal Revenue Service Form T with the
12 United States Internal Revenue Service for the same tax year.

13 (f) The department shall adopt regulations to further define the terms
14 "agricultural product" and "timber product" for the purposes of this section.

15 * **Sec. 10.** AS 29.45.030(a)(11), 29.45.030(o), 29.45.650(l), 29.45.700(h);
16 AS 43.20.012(a)(5), 43.20.012(e), and 43.20.012(f) are repealed January 1, 2035.

17 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 TRANSITION: REGULATIONS. The Department of Revenue may proceed to adopt
20 regulations to implement the changes made by this Act. The changes take effect under
21 AS 44.62 (Administrative Procedure Act) but not before the effective date of the law
22 implemented by the regulations.

23 * **Sec. 12.** Section 11 of this Act takes effect immediately under AS 01.10.070(c).

24 * **Sec. 13.** Except as provided in sec. 12 of this Act, this Act takes effect January 1, 2025.