

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 4, 2024

8:01 a.m.

MEMBERS PRESENT

Representative CJ McCormick, Chair
Representative Kevin McCabe, Vice Chair
Representative Tom McKay
Representative Thomas Baker
Representative Justin Ruffridge
Representative Rebecca Himschoot
Representative Donna Mears

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 161(CRA) AM

"An Act relating to municipal taxation of farm land and farm structures; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 221

"An Act relating to subdivision of unplatted land in second class boroughs; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 161

SHORT TITLE: TAX EXEMPTION FOR FARM LAND/STRUCTURES

SPONSOR(s): SENATOR(s) BJORKMAN

01/16/24	(S)	PREFILE RELEASED 1/8/24
01/16/24	(S)	READ THE FIRST TIME - REFERRALS
01/16/24	(S)	CRA
01/30/24	(S)	CRA AT 1:30 PM BELTZ 105 (TSBldg)
01/30/24	(S)	Heard & Held
01/30/24	(S)	MINUTE(CRA)
02/01/24	(S)	CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/01/24	(S)	Heard & Held

02/01/24 (S) MINUTE(CRA)
02/15/24 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/15/24 (S) <Above Item Removed from Agenda>
02/15/24 (S) MINUTE(CRA)
02/22/24 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/22/24 (S) -- Invited & Public Testimony --
02/27/24 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/27/24 (S) <Bill Hearing Rescheduled to 02/29/24>
02/29/24 (S) CRA AT 1:30 PM BELTZ 105 (TSBldg)
02/29/24 (S) Moved CSSB 161(CRA) Out of Committee
02/29/24 (S) MINUTE(CRA)
03/01/24 (S) CRA RPT CS 4DP NEW TITLE
03/01/24 (S) DP: DUNBAR, GRAY-JACKSON, GIESSEL,
BJORKMAN
03/18/24 (S) TRANSMITTED TO (H)
03/18/24 (S) VERSION: CSSB 161(CRA) AM
03/18/24 (S) VERSION: CSSB 161(CRA) AM
03/20/24 (H) READ THE FIRST TIME - REFERRALS
03/20/24 (H) CRA
04/02/24 (H) CRA AT 8:00 AM BARNES 124
04/02/24 (H) Heard & Held
04/02/24 (H) MINUTE(CRA)
04/04/24 (H) CRA AT 8:00 AM DAVIS 106

BILL: HB 221

SHORT TITLE: SUBDIVISION OF UNPLATTED LAND

SPONSOR(S): REPRESENTATIVE(S) CARRICK

01/16/24 (H) PREFILE RELEASED 1/8/24
01/16/24 (H) READ THE FIRST TIME - REFERRALS
01/16/24 (H) CRA, L&C
04/04/24 (H) CRA AT 8:00 AM DAVIS 106

WITNESS REGISTER

SENATOR JESSE BJORKMAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, gave an overview of CSSB 161(CRA) am.

LAURA ACHEE, Staff
Senator Jesse Bjorkman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on CSSB 161(CRA) am, on behalf of Senator Bjorkman, prime sponsor.

CAROLE TRIEM, Program Coordinator, Resilience Economies & Economies

Alaska Municipal League

Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on CSSB 161(CRA) am.

BRAD ST. PIERRE, representing self

Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on CSSB 161(CRA) am.

SAVANNAH FLETCHER, Presiding Officer

Fairbanks North Star Borough Assembly

Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing CSSB 161(CRA) am.

BONNE WOLDSTAD, representing self

Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on CSSB 161(CRA) am.

REPRESENTATIVE ASHLEY CARRICK

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 221.

STUART RELAY, Staff

Representative Ashley Carrick

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for HB 221, on behalf of Representative Carrick, prime sponsor.

KELLEN SPILLMAN, Planning Director

Fairbanks North Star Borough

Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 221.

ACTION NARRATIVE

[8:01:19 AM](#)

CHAIR MCCORMICK called the House Community and Regional Affairs Standing Committee meeting to order at 8:01 a.m. Representatives McKay, Baker, Ruffridge, Himschoot, Mears, and McCormick were present at the call to order. Representative McCabe arrived as the meeting was in progress.

SB 161-TAX EXEMPTION FOR FARM LAND/STRUCTURES

[8:02:15 AM](#)

CHAIR MCCORMICK announced that the first order of business would be CS FOR SENATE BILL NO. 161(CRA) am, "An Act relating to municipal taxation of farm land and farm structures; and providing for an effective date."

[8:02:40 AM](#)

SENATOR JESSE BJORKMAN, Alaska State Legislature, prime sponsor, gave an overview of CSSB 161(CRA) am. He stated that the bill would extend the property tax exemption from farm use lands to farm use buildings to allow the buildings to be taxed at the farm rate, not the full and true value assessment. Also, the bill would extend optional provisions for municipalities and political subdivisions to incorporate all farm buildings if they so choose.

[8:05:07 AM](#)

LAURA ACHEE, Staff, Senator Jesse Bjorkman, Alaska State Legislature, on behalf of Senator Bjorkman, prime sponsor of CSSB 161(CRA) am, said she had nothing to add.

SENATOR BJORKMAN noted that the current version before the committee included aquaculture.

[8:06:03 AM](#)

CHAIR MCCORMICK opened public testimony on SB 161.

[8:06:33 AM](#)

CAROLE TRIEM, Program Coordinator, Resilience Economies & Economies, Alaska Municipal League, testified during the hearing on CSSB 161(CRA) am. She commented on mandatory exemptions and how they reduce the local government's ability to raise revenue while doing nothing to reduce costs. She added that expanding mandatory exemptions shifts the tax burden to commercial

property owners, residential homeowners, and renters. In addition, she said that expanding the mandatory exemption would lower the full value determination, which in turn, would lower the amount of funding a local government can give to the school district. She added that optional exemptions allow municipalities to provide fit for purpose policy that fits their local needs, so for that reason, she said the AML supports the removal of the requirement for the optional exemption to be put to voters, in addition to the expansion of the optional exemption.

[8:08:34 AM](#)

BRAD ST. PIERRE, representing self, testified during the hearing on CSSB 161(CRA) am. He said he supports the tax exemption for farmers. He opined that there are two pieces of the bill that need to be amended, as they would negatively impact young farmers and their access to farm land. Firstly, he requested that the committee amend the bill to keep the public engaged and keep the vote of the people required on all tax exemption changes. Secondly, he opined that the state should keep the qualification for applicants to be proof that 10 percent of the farmer's total income comes from farming. He concluded that changing it to the ability to produce \$1,000 in agricultural products and filing a schedule F would not support the type of farming that would bolster Alaska's food system.

[8:12:26 AM](#)

SAVANNAH FLETCHER, Presiding Officer, Fairbanks North Star Borough Assembly, testified during the hearing on CSSB 161(CRA) am. She confirmed that last year, Fairbanks passed Proposition 2 by an overwhelming majority, which provides a tax exemption for farm structures used exclusively for farming. Despite the suggestion from Legislative Legal Services that the bill would not nullify the municipal exemption, she expressed concern that the language in Section 1 would not allow the exemption to continue. She requested that the bill be amended to provide further clarity on this and sustain local power and local choice in setting the tax exemption. She explained that the \$1,000 threshold would be a huge departure from the current standard of 10 percent of income, which, rather than encouraging additional farming, may support hobby farmers getting a big tax exemption without producing more food for the community to consume. In addition, she expressed concern about use of the word "normally" [on page 1, line 10] due to the USDA's interpretation of it and the potential for broad interpretation by assessors. Lastly,

she expressed concern about the ability to assess farm structures if exclusive use would no longer be a requirement.

REPRESENTATIVE HIMSCHOOT asked Ms. Fletcher to speak to the difference between 10 percent of yearly gross income versus \$1,000 in sales.

MS. FLETCHER said presumably, [10 percent] is a more stringent standard. She suggested implementing a flat number that's higher than \$1,000.

REPRESENTATIVE HIMSCHOOT asked whether the sharing of financial statements is the barrier, or whether the barrier is the money amount.

MS FLETCHER said either way, some [financial statement] would need to be shared. She reiterated her concern that \$1,000 would be too low to achieve the policy goal.

REPRESENTATIVE HIMSCHOOT asked what the threshold should be if not 1,000.

MS. FLETCHER deferred to the Alaska Farmers Market Association. She estimated that \$5,000 would be closer to the target.

[8:20:01 AM](#)

REPRESENTATIVE MCCABE questioned the change in revenue in Fairbanks prior to the public vote on [Proposition 2].

MS. FLETCHER said a conservative estimate suggests that this could take at least \$7 million off the tax roll, as currently written, based on agricultural land at the 10 percent threshold. She noted that the tax exemption only passed [six months] ago, so she did not have the requested data.

REPRESENTATIVE MCCABE expressed concern that the term "hobby farms" was being used derisively. He opined that hobby farms are not necessarily a bad thing if they are growing their own food.

[8:22:43 AM](#)

BONNE WOLDSTAD, representing self, testified during the hearing on CSSB 161(CRA) am. She suggested adding "on or" before the wording "before May 15" in the language pertaining to the Schedule F form in Section 3, subsection (f). She said she

found it ironic that last year, the state of Alaska offered grants for the purchase of livestock feed to help sustain small farms at the same time that individuals were finding it increasingly difficult to apply for and receive the farm tax exemption. She said SB 161 would assist in keeping small farms operational in Alaska.

CHAIR MCCORMICK closed public testimony on SB 161.

[8:25:01 AM](#)

The committee took a brief at-ease.

[8:26:05 AM](#)

CHAIR MCCORMICK sought questions from committee members.

[8:26:19 AM](#)

REPRESENTATIVE HIMSCHOOT asked the bill sponsor to speak to the change from 10 percent of yearly gross income to \$1,000 in sales.

SENATOR BJORKMAN said Representative Himschoot was correct in identifying that the source of the standard to access the tax deferment came from the Food Strategy Taskforce. He agreed that farms often start small and then scale as they're able produce more food. He opined that the \$1,000 threshold is a good place to start because individuals filing a schedule F would be telling the Internal Revenue Service (IRS) that they are in the business of farming. He spoke to the purpose of the farm use rate.

[8:28:58 AM](#)

REPRESENTATIVE HIMSCHOOT asked whether the schedule F form can only be filed by farmers.

MS. ACHEE confirmed that only someone in the business of an agricultural operation would file a schedule F, including aquaculture and marijuana operations.

REPRESENTATIVE HIMSCHOOT suggested that the filing of a schedule F would indicate that some portion of an individual's income came from farming.

SENATOR BJORKMAN said, "That's correct."

MS. ACHEE opined that it isn't practicable to only focus on large scale operations when it comes to increasing the food supply in Alaska. She emphasized the importance of making room for smaller operations that are creating a smaller change.

[8:31:19 AM](#)

CHAIR MCCORMICK announced that CSSB 161(CRA) am would be held over.

[8:32:21 AM](#)

The committee took an at-ease from 8:32 a.m. to 8:34 a.m.

HB 221-SUBDIVISION OF UNPLATTED LAND

[8:34:05 AM](#)

CHAIR MCCORMICK announced that the final order of business would be HOUSE BILL NO. 221, "An Act relating to subdivision of unplatted land in second class boroughs; and providing for an effective date."

[8:34:15 AM](#)

REPRESENTATIVE ASHLEY CARRICK, Alaska State Legislature, as prime sponsor, presented HB 221. She paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

Alaska has abundant land resources, and land ownership is a goal for most Alaskans. Unfortunately, there are a large number of land parcels in boroughs around Alaska that were created outside the subdivision process, such as by recoding a deed, resulting in a large number of lots that cannot legally be further subdivided. In the Fairbanks North Star Borough for example, it is estimated that there are as many as 10,000 land parcels that were created outside the subdivision process and many of those illegal subdivisions were not created by the current property owners. If a property owner has an improperly subdivided land parcel they cannot further subdivide or sell off parts of that lot. Currently, for illegally subdivided land to be further subdivided, the owner of that land would have to research the entire history of the creation of their parcel and

notify all other land owners in that parcel of the further subdivision presenting a very burdensome and bureaucratic process for landowners.

HB 221 allows our boroughs to create an exemption process for illegally subdivided lands to be further subdivided without the current burdensome legal process. This is important for homeowners as well as businesses to be able to more easily sell land. I hope you will join me in supporting HB 221.

[8:37:04 AM](#)

STUART RELAY, Staff, Representative Ashley Carrick, Alaska State Legislature, on behalf of Representative Carrick, prime sponsor of HB 221, presented the sectional analysis [included in the committee packet], which read as follows [original punctuation provided]:

Section 1. AS 29.35.210(b)

Adds a new subsection allowing second-class boroughs to create an exemption process for a land owner to further subdivide their land that has not been approved by the platting authority.

Section 2. AS 29.40.180(a)

Adds new subsection allowing for landowners to sell lands that meet the requirements of the exemption process in section 1.

Section 3. AS 40.15.070(a)

Allows land within a municipality to be subdivided using the exemption process in section 1.

Section 4. Effective Date

Provides an immediate effective date.

[8:38:54 AM](#)

KELLEN SPILLMAN, Planning Director, Fairbanks North Star Borough, gave invited testimony during the hearing on HB 221. He explained that deep splits, or "illegal subdivisions," have historically been prevalent in the Fairbanks area. Most of the

activity occurred in the pipeline era when it was difficult for the Borough to enforce the subdivision regulations. The practice essentially ended in the mid-1980s when the borough became more aggressive in enforcing regulations. He reported that approximately 10,000 parcels, or one-fifth of the parcels in the borough, were potentially created by deep splits. Over time, these parcels were bought and sold, leading to significant problems when someone unknowingly purchases one of these parcels and either wishes to subdivide it or shift the lot lines. He shared the example of a section of land in the North Pole area that had been split 99 times. In order to further subdivide or shift the lot line, all 99 other owners would need to sign on to that subdivision application. He reported that the problem is statewide, however, the scale of the problem in other communities pales in comparison to what's being seen in Fairbanks. The end goal, he said, would be to implement clear authority in state statute to address these deep splits.

[8:43:34 AM](#)

REPRESENTATIVE MEARS requested clarification on the barriers [created by deep splits].

MR. SPILLMAN said the biggest barrier is further subdivision and changing the lot lines, or even knowing where the lot lines are.

REPRESENTATIVE MEARS asked whether the parcels are legally recorded with the recorder's office.

MR. SPILLMAN answered yes, the parcels are recorded by a metes and bounds description.

[8:45:37 AM](#)

REPRESENTATIVE CARRICK described the legislation as a work in progress. She said she wanted to make sure that it truly accomplishes the goal of benefitting the North Star Borough and others and looked forward to working with the committee to accomplish that with HB 221.

[HB 221 was held over.]

[8:46:26 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:46 a.m.