

HB

455

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 455(CRA)
 (H) Publish Date: 4/3/02
 Dept. Affected: Natural Resources
 BRU: Agricultural Development
 Component: Agricultural Development
 Component Number: 455

Revision Date/Time (Note if correction): _____
 Title: The assessment of farm or agricultural land for the purpose of municipal taxation.
 Sponsor: Rep. Harris
 Requester: (H) CRA

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: none
 Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 Lands affected by this legislation are already identified by Borough government. The Department of Natural Resources would therefore not have any costs associated with this legislation. Revenues are not a factor.

Prepared by: Robert Wells Phone 907-761-3867
 Division: Agriculture Date/Time 26-Mar-02
 Approved by: Pat Pourchot Date 27-Mar-02
 Agency: Natural Resources



ALASKA STATE LEGISLATURE
REPRESENTATIVE JOHN HARRIS
STATE CAPITOL 513, JUNEAU, ALASKA 99801-1182 (907) 465-4859

Sponsor Statement
HB 455

“An act relating to the assessment of farm or agricultural land for purposes of municipal taxation; and providing for an effective date.”

The State of Alaska has been careful to recognize that there is a public purpose served when land used for farming and other agricultural activities is classified and restricted for agricultural use. One key element of restricting land for agricultural use is that, so long as it is so classified and restricted, the land should be assessed and taxed at a rate that is based on farm value, rather than on land sales that are often higher than farm value.

The State recognized the need for assessing fee simple land, used for agriculture, on its farm value and provided a farm exemption under AS 29.45.060. The statute did not specifically include state restricted agricultural use lands, since these lands, by definition, could only be used for agriculture. Unfortunately, the assessment of state restricted agricultural lands is subject to rising taxes as local assessors increasingly use comparable sales to assess these lands while ignoring the agricultural value of these restricted use lands.

Often state restricted agricultural use land cannot meet the requirements of AS 29.45.060. Yet, land sold by the State and restricted to agricultural use can only be used for agricultural purposes, therefore precluding other uses of the land. Thus, assessments should be based on the value of the crops that can be produced, not on other perceived values or land sales.

HB 455 re-affirms the public purposes of the state's designation of certain lands for agricultural purposes only. It removes the requirement that owners of agricultural land apply for and receive a determination of agricultural use before receiving the farm exemption assessment provided by AS 29.45.060.

Subject: HB 455

Date: Sun, 10 Mar 2002 12:02:29 -0900

From: "Paul" <paul@summitlogisticsalaska.com>

To: <Representative_John_Harris@legis.state.ak.us>

Representative Harris, I urge your support of HB 455. The FNSB recently appraised my AG. interst only farm at 350 percent above last years assessment. As urban sprawl eats away at AG lands and open spaces, land values quickly exceed the value of land for AG purposes. If AG is going to continue as a viable industry we need astable tax policy in the organized boroughs. We hope that HB 455 will help to that end. Thank you: Paul Quist

03/14/02

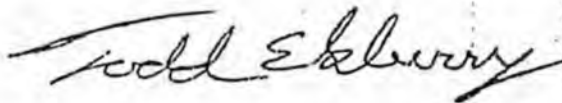
To: Representative John Harris Fax # 907-465-3799

Attn : Pete Fellman

From: Todd Elsberry
5400 Eielson Farm Road
P.O. Box 55772 North Pole Ak, 99705

Subject: H.B 455

Dear Mr. Harris I am a farmer located in the Eielson Farm Project, which is located in the Fairbanks North Star Borough. I am writing you to show my support for House Bill 455. In the last two years the taxes on my property have gone up way to much for the restrictions that are on our property. Our farm was purchased from the State Of Alaska as Ag use land. With the passage of H.B 455 this would force the Borough to value are property at Ag land value without having to file for an exemption.



**AGRICULTURAL COMMISSION
FAIRBANKS NORTH STAR BOROUGH
809 Pioneer Rd., Fairbanks, Alaska 99701**

**RESOLUTION FOR THE STATE OF ALASKA HOUSE OF
REPRESENTATIVES:**

March 7, 2002

SUBJECT: Correct Taxation Rate of Agricultural Land in the Fairbanks North Star Borough (FNSB).

At a regular meeting of the Agricultural Commission of the Fairbanks North Star Borough on Mar 7, 2002 in the Salcha Room of the Fairbanks North Star Borough Office, the following Resolution was adopted regarding HB 455, "An Act relating to the assessment of farm or agricultural land for the purposes of municipal taxation; and providing for an effective date."

RESOLUTION:

The Agricultural Commission of the FNSB strongly supports the HB 455 in specifying that agricultural land shall be taxed upon the use of these lands as agricultural lands only. This Agricultural taxation rate shall not be based upon an evaluation of these lands for non-Agricultural purposes even if those other purposes may be presumed to result in greater land use value at some undetermined future time.

**VOTED AFFIRMATIVE AND UNANIMOUSLY BY ALL BOARD MEMBERS
PRESENT:**

Bob Franklin
John Papp
Hollis Hall
Henry Cole

Respectfully Submitted,


Henry Cole, Chairman
Fairbanks North Star Borough Agricultural Commission

Rep John Harris
State Capital Room 513
Juneau, Alaska 99801-1182

Hi John,

I just wanted to thank you for House Bill -455. As you know, I left Valdez a few years ago, but I still have my farm near North Pole. Pam passed away so I've been busy raising kids. I am currently renting my farm to a neighbor to try to pay the taxes. I plan to start farming again myself, if I can hang onto the place. Property tax relief is important for the agricultural community to be able to keep agricultural land for future generations. This land was intended for agricultural use and will be difficult to keep for agriculture, if the property tax continues to escalate. Once land is gone for other uses it will never come back. It is a valuable resource.

I hear your cousin James got married. I never thought that would happen, but that is great.

Keep up the good work.

Sincerely,



Dennis Ulvestad
6605 Lee Road
Dane, Wisconsin 53529

Subject: HB 455

Date: Mon, 11 Mar 2002 09:41:57 -0900

From: "Stuart Davies" <rsdavies@ak.net>

To: <Representative_John_Harris@legis.state.ak.us>

March 11, 2002

Representative John Harris
State Capitol, Rm 513
Juneau, AK 99801

Dear Representative Harris:

As a farmer owning and operating agricultural land classified by the state restricted to agricultural purposes, I strongly support the passage of HB 455, as soon as possible. HB 455 will correct language in AS 29.45.060(b) to include state classified ag land. Farmers will no longer have to prove to borough assessors that they are farming by applying for a farm use exemption.

The need to pass this legislation quickly is imperative. Spring assessments are currently in the mail. The Fairbanks North Star Borough Assessor's Office increased my assessment by 93% or \$399/acre. This comes after a 278% increase in 2000. Obviously, the borough assessor is following the law and valuing the land based on comparable sales. However, for farm purposes high land assessments/taxes become an unbearable cost of doing business and will force farmers out of business. Many lower 48 states have laws that prevent high assessments/taxes on agricultural land.

Once HB455 passes, we will need additional legislation that recognizes the value of Alaska agricultural by keeping land taxes at a much lower rate so farmers can stay in business.

I strongly encourage you to move this legislation forward to passage as quickly as possible. I pledge my personal support and action in this effort. Feel free to contact me at any time.

Sincerely,

Stuart M. Davies
1606 Roosevelt
Fairbanks, AK 99709
907-479-8382
rsdavies@ak.net



The Alaska Farm Bureau



Post Office Box 55149
North Pole, AK 99705-0149

Fax (907) 488-5433

Robert Franklin, President
Fax (907) 488-3184
E-mail: akfrank@gci.net

March 19, 2002

Representative John Harris
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear Representative Harris;

On behalf of the members of the Alaska Farm Bureau, I would like to voice our strong support of H.B. 455. The Alaska Farm Bureau is solidly behind you on this issue.

This bill is vital to the preservation of agricultural lands and farms in Alaska. Without it, the land will be taxed out of the farmers' and producers' hands. Some of our members have seen their property taxes increased by 700% under the current system.

As you are well aware, farmers and producers in our great state have enough to overcome without the added burden of taxes based on a possible use of the land according to a hungry tax assessor. Land in agricultural use should be taxed as agricultural land and not as a future subdivision which may never occur.

This current trend in taxation is capable of destroying agriculture as an industry and the contributions it makes to the state's economy. We need this legislation to prevent the municipal governments from ignoring the intent of the legislature (1985) when they made agricultural land fee simple.

We must have a legislative mandate that will prevent the municipal governments from systematically shrinking agricultural lands.

Thank you for your concern and attention to this matter.

Sincerely,

Robert Franklin, President
Alaska Farm Bureau

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**A RESOLUTION OF THE BOARD OF AGRICULTURE AND
CONSERVATION RECOMMENDING THE 22ND ALASKA
LEGISLATURE APPROVE STATE HOUSE BILL 455**

Whereas the protection of agricultural land is in the interest of the people of the State of Alaska, and

Whereas agriculture provides an important segment to the State's economy and quality of life, and

Whereas tax policy affecting agricultural land is an important tool for protecting and preserving the important private and public investment in these agricultural lands, and

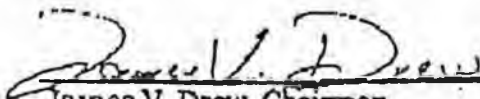
Whereas HB 455 now before the Alaska legislature will help clarify for local governments the status of agriculturally restricted lands as well, and

Whereas the Board of Agriculture further believes that all agricultural lands where sufficient restrictions prohibit any development rights exclusive of agricultural use should be protected.

Therefore Be It Resolved that the Board of Agriculture and Conservation supports the intent of House Bill 455 which is now before the Alaska Legislature and requests the state legislature to broaden the agricultural lands affected to include lands where municipalities have classified their land for agricultural use or have restricted those lands for agricultural purposes.

Therefore Be It Further Resolved that the Board of Agriculture and Conservation encourages the state legislature to consider broadening the scope of House Bill 455 to include all lands that have sufficiently restricted by deed or covenant the use of land to agricultural uses only.

Passed by the Alaska Board of Agriculture and Conservation this 19th day of March, 2002.



James V. Drew, Chairman
Alaska Board of Agriculture and Conservation

Dept. of Natural Resources
Div. of Agriculture
1800 Glenn Hwy, Suite 12
Palmer, AK 99645

Distribution:

Governor of Alaska
Commissioner, Department of Natural Resources
Commissioner, Department of Corrections
Alaska State Legislature
Alaska Congressional Delegation

Subject: HB 455

Date: Mon, 25 Mar 2002 10:14:52 -0700

From: "Ed Bostrom" <ed@northpoleacres.com>

To: Representative_John_Harris@legis.state.ak.us

CC: Representative_Jeannette_James@legis.state.ak.us, Senator_Gene_Therriault@legis.state.ak.us

Dear Representative Harris

Thank you very much for sponsoring and introducing HB 455. I am writing in support of this legislation. I was one of the first to develop a farm (North Pole Acres) in the Eielson Farm Project. At the time we purchased the land, it was our understanding that the land was agricultural, was limited by covenant to agricultural purposes, and would continue to be taxed as agricultural land. I have continued to be a full-time farmer for the past 17 years.

In the past three years, the taxes on my property have increased by 550%. I protested the increase last year and was told by the Assessor's Office that it would double again this year, and, true to their promise, it did. They indicated that I could petition for a farm exemption, but I indicated that I did not believe I was required to because my farm CAN ONLY BE USED FOR AGRICULTURAL PURPOSES. When I inquired about the projected tax benefits to me if I were to file the exemption petition, they indicated that it would result in an insignificant change due to the relatively small size (80 acres) of my farm. The assistant tax assessor and his field man in attendance at the meeting asserted over and over that we were simply hobby farmers with a "big back yard." (Another farmer was in attendance at that meeting and can testify regarding their language.)

Should this predatory taxation policy be allowed to continue, it will have a devastating effect on economic development in agriculture. Larger land owners will be taxed out of existence and others of us will no longer find it profitable to farm, especially given the lack of farm tax equity throughout the state.

Respectfully yours

Ed Bostrom
North Pole Acres