



**Farm Use Assessment (AS 29.45.060)**

To whom it may concern,

Title 29 of the State of Alaska grants a deferment of taxes to qualifying "Farm Use Land" as specified by AS 29.45.060 of the statutes of the State of Alaska. Farm Use Land is defined by the statute as "the use of land for profit for raising and harvesting crops, for the feeding, breeding, and management of livestock, for dairying, or another agricultural use, or any combination of these."

To qualify as Farm Use Land, "the owner or lessee must be actively engaged in farming the land, and derive at least 10 percent of yearly gross income from the land." The Office of the State Assessor has examined the statute and determined that the following conditions apply:

- For those applicants who file income taxes by IRS Forms 1040, 1040NR, 1041 or 1065, a complete schedule F must be supplied to the assessor as well as a complete copy of the income tax return.
- Line E of the Schedule F must note that the applicant materially participated in the operation of the business.
- The net farm profit of the business, as shown on the Schedule F, must be 10% or more of the adjusted gross income noted on the tax return of the applicant.
- For businesses who file IRS Form 1120S, a complete copy of this return shall be provided to the assessor.
- Line B of Form 1120S, must note a Business Activity Code of 111100 to 112900.
- If the land is leased, the applicant shall provide a complete copy of the lease to the assessor.
- Regardless of the form of business, the name on the tax return, application and the deed or lease of the land, shall match.
- Applications must be received prior to May 15<sup>th</sup> of the tax year.
- The assessor may require additional information needed to determine eligibility.
- Copies of all applications (allowed or not) shall be maintained by the local municipality and the state assessor.
- Provision of the items noted above does not constitute approval of the application by the assessor.

For reference purposes, a complete copy of AS 29.45.060 is provided on the following page.

Respectfully,

Handwritten signature of Ronald E. Brown in cursive.

Ronald E. Brown  
State Assessor

**Sec. 29.45.060. Farm or agricultural land.**

(a) Farm use land included in a farm unit and not dedicated or being used for nonfarm purposes shall be assessed on the basis of full and true value for farm use and may not be assessed as if subdivided or used for some other nonfarm purpose. The assessor shall maintain records valuing the land for both full and true value and farm use value. If the land is sold, leased, or otherwise disposed of for uses incompatible with farm use or converted to a use incompatible with farm use by the owner, the owner is liable to pay an amount equal to the additional tax at the current mill levy together with eight percent interest for the preceding seven years, as though the land had not been assessed for farm use purposes. Payment by the owner shall be made to the state to the extent of its reimbursement for revenue loss under (d) of this section for the preceding seven years. The balance of the payment shall be made to the municipality.

(b) An owner of farm use land shall, to secure the assessment under this section, apply to the assessor before May 15 of each year in which the assessment is desired. The application shall be made upon forms prescribed by the state assessor for the use of the local assessor, and must include information that may reasonably be required to determine the entitlement of the applicant. If the land is leased for farm use purposes, the applicant shall furnish to the assessor a copy of the lease bearing the signatures of both lessee and lessor along with the completed application. The applicant shall furnish the assessor a copy of the lease covering the period for which the exemption is requested. This subsection does not apply to a person with an interest in land that is classified by the state for agricultural use or that is restricted by the state for agricultural purposes.

(c) In the event of a crop failure by an act of God the previous year, the owner or lessee may submit an affidavit affirming that 10 percent of gross income for the past three years was from farming.

(d) Subject to legislative appropriations for the purpose, the state shall reimburse a borough or city, as appropriate, for the property tax revenues lost to it by the operation of this section.

(e) All land that is classified by the state for agricultural use or that is restricted by the state for agricultural purposes shall be assessed on the basis of full and true value based upon that restricted use.

(f) This section does not apply to land for which the owner has granted, and has outstanding, a lease or option to buy the surface rights. A property owner wishing to file for farm use classification having no history of farm-related income may submit a declaration of intent at the time of filing the application with the assessor setting out the intended use of the land and the anticipated percentage of income. An applicant using this procedure shall file with the assessor before February 1 of the following year a notarized statement of the percentage of gross income attributable to the land. Failure to make the filing required in this subsection forfeits the exemption.

(g) In this section, "farm use" means the use of land for profit for raising and harvesting crops, for the feeding, breeding, and management of livestock, for dairying, or another agricultural use, or any combination of these. To be farm use land, the owner or lessee must be actively engaged in farming the land, and derive at least 10 percent of yearly gross income from the land.