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:

- * **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
- of a municipality, state property, property of the University of Alaska, or land that is
- 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

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

1	(A) exempt from taxation under 45 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 <u>:</u>
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

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

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

- (a) Except as provided in AS 04.21.010(c), AS 29.45.750, and in (f), (h), (i), [AND] (j), and (I) of this section, a borough may levy and collect a sales tax on sales, rents, and on services provided in the borough. The sales tax may apply to any or all of these sources. Notwithstanding other statutes, exemptions may be granted by ordinance. A borough may wholly or partially exempt a source from a borough sales tax that is taxed by a city in that borough under AS 29.45.700.
- * Sec. 5. AS 29.45.650 is amended by adding a new subsection to read:
 - (*l*) A borough may not levy or collect a sales or use tax on agriculture business or timber business. For the purposes of this subsection, "agriculture business" and "timber business" have the meanings given in AS 43.20.012(e).
- * **Sec. 6.** AS 29.45.700(a) is amended to read:
 - (a) A city in a borough that levies and collects areawide sales and use taxes may levy sales and use taxes on all sources taxed by the borough in the manner provided for boroughs. Except as provided in (d)₂ [AND] (e), and (h) of this section, the assembly may by ordinance authorize a city to levy and collect sales and use taxes on other sources.
- * Sec. 7. AS 29.45.700 is amended by adding a new subsection to read:
 - (h) A city may not levy or collect a sales or use tax on agriculture business or timber business. For the purposes of this subsection, "agriculture business" and "timber business" have the meanings given in AS 43.20.012(e).
- * **Sec. 8.** AS 43.20.012(a) is amended to read:
 - (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(<i>l</i>), 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.