

Bill/Resolution No.: \_\_\_\_\_ Amendment to: HB 1652

Requested by: Legislative Council Date of Receipt: 2/16/83

Please estimate the fiscal impact of the above measure for:

State general or special funds     Counties     Cities

In the following space note the fiscal effect in dollars of this measure:

Narrative:

HB 1652 as amended (amendments attached) proposes to remove the property tax exemption of farm residences. If HB 1652 is enacted as amended, it would increase the tax base of property in the rural areas and would allow the counties to increase their revenue by the amount shown below. The bill would affect assessments made in 1984 for taxes due and payable in 1985. Cities would have little, if any fiscal impact, as there are so few, if any, exempt farm residences within city boundaries.

State Fiscal Effect:


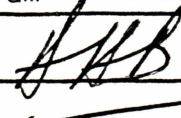
<u>1983-84</u>		<u>1984-85</u>		<u>Biennium Total</u>	
<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>
NONE	NONE	+\$2,100,000	Less than +\$5,000	+\$2,100,000	Less than +\$5,000

County and City Fiscal Effect:

<u>1983-84</u>		<u>1984-85</u>		<u>Biennium Total</u>	
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Date prepared: 2/17/83

Signed   
 Typed Name C. William Cydworth  
 Department TAX 

*adopted  
2/15/83*

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1652

On page 1, line 1, delete the word "repeal" and insert in lieu thereof the words "amend and reenact"

On page 1, line 6, delete the word "REPEAL" and insert in lieu thereof the word "AMENDMENT"

On page 1, line 7, delete the word "repealed" and insert in lieu thereof the following: "amended and reenacted to read as follows:

15. a- All farm structures, and improvements located on agricultural lands, except any farm structure which is occupied as a residence shall not be exempt. This subsection shall be construed to exempt farm buildings and improvements only, and shall not be construed to exempt from taxation industrial plants, or structures of any kind not used or intended for use as a part of a farm plant, or as a farm residence. Any structure or structures used in connection with a retail or wholesale business other than farming, even though situated on agricultural land, shall not be exempt under this subsection.

b- It is the intent of the legislative assembly that this exemption as applied to a residence shall be strictly construed and interpreted to exempt only a residence which is situated on a farm and which is occupied or used by a person who is a farmer and that the exemption shall not be applied to property which is occupied or used by a person who is not a farmer. For purposes of this subdivision-

(1) "Farm" means a single tract or contiguous tracts of agricultural land containing a minimum of ten acres {4.05 hectares} and which normally provides a farmer, who is actually farming the land or engaged in the raising of livestock or other similar operations normally associated with farming and ranching, with not less than fifty percent of his annual net income.

- (2) "Farmer" means an individual who normally devotes the major portion of his time to the activities of producing products of the soil, poultry, livestock, or dairy farming in such products in unmanufactured state and who normally receives not less than fifty percent of his annual net income from any one or more of the foregoing activities, and the term also includes an individual who is retired because of illness or age and who at the time of retirement owned and occupied as a farmer as defined above the residence in which he lives and for which the exemption is claimed.
- (3) "Net income from farming activities" described in paragraph 2 means taxable income from those activities as computed for income tax purposes pursuant to chapter 57-38 adjusted to include the following:
- (a) The difference between gross sales price less expenses of sale and the amount reported for sales of agricultural products for which the farmer reported a capital gain.
  - (b) Interest expenses from farming activities which have been deducted in computing taxable income.
- (4) For purposes of applying the income requirements of this subdivision, if a husband and wife reside together in a residence claimed as exempt under this subdivision because both or one of them is a farmer, not less than fifty percent of their combined net income from all sources must be net income from farming activities as defined in paragraph 3 in order for the residence to qualify for the exemption.
- (5) When exemption is claimed under this subdivision for a residence, the assessor may require that the occupant of the residence who it is claimed is a farmer provide to the assessor for the year or years specified by the assessor a written statement in which it is stated that fifty percent or more of the net income of that occupant was, or was not, net income from farming activities, provided, that if that occupant is married and they both occupy

the residence, it shall be stated in the written statement that their net income from farming activities was, or was not, fifty percent or more of their combined net income from all sources."

And renumber the lines and pages accordingly