

July 1998

Introduced by

1 A BILL for an Act to amend and reenact subsection 15 of section 57-02-08 of the North Dakota  
2 Century Code, relating to application of the property tax exemption for farm buildings for  
3 beginning farmers; and to provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Subsection 15 of section 57-02-08 of the 1997  
6 Supplement to the North Dakota Century Code is amended and reenacted as follows:

7 15. a. All farm structures and improvements located on agricultural lands. This  
8 subsection shall be construed to exempt farm buildings and improvements  
9 only, and shall not be construed to exempt from taxation industrial plants, or  
10 structures of any kind not used or intended for use as a part of a farm plant, or  
11 as a farm residence. Any structure or improvement used in connection with a  
12 retail or wholesale business other than farming, any structure or improvement  
13 located on platted land within the corporate limits of a city, or any structure or  
14 improvement located on railroad operating property subject to assessment  
15 under chapter 57-05 is not exempt under this subsection.

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

22 (1) "Farm" means a single tract or contiguous tracts of agricultural land  
23 containing a minimum of ten acres [4.05 hectares] and for which the  
24 farmer, actually farming the land or engaged in the raising of livestock

1 or other similar operations normally associated with farming and  
2 ranching, has ~~not~~ received ~~more than~~ fifty percent or more of annual  
3 net income from ~~nonfarm income~~ farming activities, including ~~that net~~ net  
4 income of a spouse if married, during ~~each~~ any of the three preceding  
5 calendar years.

6 (2) "Farmer" means an individual who normally devotes the major portion  
7 of time to the activities of producing products of the soil, poultry,  
8 livestock, or dairy farming in such products' unmanufactured state and  
9 has ~~not~~ received ~~more than~~ fifty percent or more of annual net income  
10 from ~~nonfarm income~~ farming activities, including ~~that net income~~ of a  
11 spouse if married, during ~~each~~ any of the three preceding calendar  
12 years. "Farmer" includes ~~an individual~~ a "retired farmer" who is retired  
13 because of illness or age and who at the time of retirement owned and  
14 occupied as a farmer ~~as defined above~~ the residence in which the  
15 person lives and for which the exemption is claimed. "Farmer" includes  
16 a "beginning farmer" who has acquired ownership and occupancy of a  
17 farm within the three preceding calendar years; who normally devotes  
18 the major portion of time to the activities of producing products of the  
19 soil, poultry, livestock, or dairy farming in such products'  
20 unmanufactured state; and who does not have a history of farm income  
21 from farm ownership for each of the three preceding calendar years.

22 (3) "Net income from farming activities" ~~described in paragraph 2~~ means  
23 taxable income from those activities as computed for income tax  
24 purposes pursuant to chapter 57-38 adjusted to include the following:

- 25 (a) The difference between gross sales price less expenses of sale  
26 and the amount reported for sales of agricultural products for  
27 which the farmer reported a capital gain.
- 28 (b) Interest expenses from farming activities which have been  
29 deducted in computing taxable income.

30 (4) When exemption is claimed under this subdivision for a residence, the  
31 assessor may require that the occupant of the residence who it is

1 claimed is a farmer provide to the assessor for the year or years  
2 specified by the assessor a written statement in which it is stated that  
3 fifty percent or more of the net income of that occupant, and spouse if  
4 married and both spouses occupy the residence, was, or was not, net  
5 income from farming activities; ~~provided, that if that occupant is married~~  
6 ~~and both spouses occupy the residence, it shall be stated in the written~~  
7 ~~statement whether their net income from farming activities was fifty~~  
8 ~~percent or more of their combined net income from all sources.~~

9 (5) In addition to any of the provisions of this subsection or any other  
10 provision of law, a residence situated on agricultural land is not exempt  
11 for the year if it is occupied by an individual engaged in farming who  
12 had nonfarm income, including that of a spouse if married, of more than  
13 forty thousand dollars during each of the three preceding calendar  
14 years. ~~The provisions of this~~ This paragraph ~~de~~ does not apply to an  
15 individual who is retired because of illness or age and who at the time  
16 of retirement owned and occupied as a farmer the residence in which  
17 the person lives and for which the exemption is claimed a retired farmer  
18 or a beginning farmer as defined in paragraph 2.

19 (6) For purposes of this section, "livestock" includes "nontraditional  
20 livestock" as defined in section 36-01-00.1.

21 (7) A farmer operating a bed and breakfast facility in the farm residence  
22 occupied by that farmer is entitled to the exemption under this section  
23 for that residence if the farmer and the residence would qualify for  
24 exemption under this section except for the use of the residence as a  
25 bed and breakfast facility.

26 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
27 December 31, 1998.