

HOUSE BILL 26-033

By Senator(s) Chavez, Zamora
also Representative(s) Moore, Willis

AN ACT**CONCERNING THE CLASSIFICATION AND TAXATION OF AGRICULTURAL PROPERTY, AND, IN CONNECTION THEREWITH, PROVIDING PROPERTY TAX RELIEF AND A HOMESTEAD EXEMPTION FOR QUALIFYING AGRICULTURAL PROPERTIES.**

Be It Enacted by the General Assembly of the State of San Andreas:

SECTION 1. SHORT TITLE.

This Act shall be known and may be cited as the “Agricultural Property Tax Relief Act.”

SECTION 2. LEGISLATIVE DECLARATION.

The General Assembly hereby finds and declares that:

- (a) Agricultural land is essential to the economic stability and food security of the State of San Andreas;
- (b) Rising property tax burdens threaten the continued viability of family farms, ranches, and small-scale agricultural operations;
- (c) It is in the public interest to preserve agricultural land by providing targeted property tax relief; and
- (d) A homestead-style exemption for agricultural producers will promote long-term land stewardship and prevent unnecessary conversion of agricultural land to non-agricultural uses.

SECTION 3. DEFINITIONS.

For purposes of this Act, unless the context otherwise requires:

- (a) “Agricultural property” means real property that is actively used for the production of crops, livestock, or other agricultural products for commercial purposes, and that such use constitutes the primary use of the property.
- (b) “Qualified agricultural owner” means an individual or entity that:
 - (I) Owns and operates agricultural property; and
 - (II) Derives at least twenty percent of gross revenue from the sale of agricultural products or the lease of water rights for agricultural use conducted on such property;
 - (III) shall not include any corporation whose stock is publicly traded on a national exchange or any entity controlled by a non-resident alien or foreign principal.
- (c) “Primary agricultural residence” means a dwelling located on agricultural property that is occupied by a qualified agricultural owner as their primary residence.

(d) "Assessed value" means the value assigned to property for property tax purposes under state law.

SECTION 4. AGRICULTURAL PROPERTY TAX CLASSIFICATION.

- (a) Agricultural property shall be classified as a distinct property class for taxation purposes.
- (b) The assessment rate for agricultural property shall be frozen at 5.0 percent of its actual value for family-owned operations.
- (c) Agricultural property shall be valued based on its productive agricultural use value, rather than its highest and best market value.
- (d) Corporate Conversion Penalty. Conversion of agricultural property to commercial or industrial use by a corporate entity rather than an individual shall trigger an immediate assessment at triple the highest market value.
- (e) Drought Hardship Waiver. The Department of Revenue shall establish a procedure whereby a qualified agricultural owner may maintain their classification during a year of declared drought or natural disaster notwithstanding a failure to meet the minimum income requirements established in Section 6.

SECTION 5. AGRICULTURAL HOMESTEAD EXEMPTION.

- (a) A qualified agricultural owner may claim a homestead exemption on their primary agricultural residence.
- (b) The exemption shall:
- (I) Exclude the first \$65,000 of assessed value of the primary agricultural residence from taxation; or
- (II) Reduce the taxable value of such residence by 35 percent, whichever provides greater benefit.
- (c) The exemption shall apply only to one primary agricultural residence per qualified agricultural owner.
- (d) The exemption shall not apply to secondary residences, rental properties, or non-agricultural structures.

SECTION 6. ELIGIBILITY REQUIREMENTS.

- (a) To qualify for benefits under this Act, property must:
- (I) consist of no fewer than 80 contiguous acres, except that: specialty agriculture (orchards, vineyards, greenhouses, apiaries, or intensive farming operations) may qualify with a minimum of 5 acres;
- (II) Demonstrate active agricultural use for at least 3 consecutive years immediately preceding application; and
- (III) generate a minimum of \$500 in annual gross agricultural income, it being the intent of the general assembly to protect subsistence and hobby farming operations from urban tax expansion.

(b) The department of revenue shall require the annual submission of federal schedule F tax forms to verify compliance with income requirements; failure to submit such forms constitutes requisite ground for immediate revocation of classification.

SECTION 7. APPLICATION AND VERIFICATION.

(a) Property owners must apply on or before April 15 of each tax year for classification and exemption under this Act.

(b) Applications shall include:

(I) Proof of agricultural activity;

(II) Income documentation, if required; and

(III) Certification of primary residence status.

(c) County assessors shall review applications and may conduct audits or inspections to verify eligibility.

SECTION 8. ABSOLUTE RECAPTURE.

(a) if property receiving benefits under this act is converted to non-agricultural use within twenty years of receiving such benefits, the owner shall be liable for all back-taxes saved under this act plus a preventative land-conversion surcharge of twenty-five percent of the sale price.

SECTION 9. RULEMAKING AUTHORITY.

The department of revenue, in consultation with the department of agriculture, is authorized to promulgate rules necessary to implement and administer this Act.

SECTION 10. SEVERABILITY.

If any provision of this Act is held invalid, such invalidity shall not affect other provisions of the Act.