

## General instructions

### Purpose of form

To qualify as an active farmer for purposes of the farm residence property tax exemption under N.D.C.C. § 57-02-08(15)(b), the individual occupying the residence must satisfy certain requirements. One of the requirements is that 66% or more of the occupant's total annual gross income must be from farming activities in one of the two calendar years preceding the year for which the exemption is claimed. The statute requires the occupant to complete and provide to the county a *Statement of Farm Gross Income* for one of the two preceding years to state and demonstrate compliance with the farm gross income requirement.

*Note: The farm residence exemption must be renewed each year to continue the exemption, which requires the submission of a new application each year. A Statement of Farm Gross Income must be submitted with each year's application form.*

**Spouse's income.** If the occupant is married, the spouse's gross income must be included for purposes of the farm gross income requirement.

**Occupant other than property owner.** If the occupant is someone other than the property owner, the property owner will complete and submit the application for the exemption, but the occupant must complete and submit the *Statement of Farm Gross Income*.

*Example 1: If claiming the farm residence exemption for the 2020 property tax year, the occupant must complete and provide a Statement of Farm Gross Income for either the 2018 or 2019 calendar year. If the farm gross income requirement is satisfied in the 2019 calendar year, a Statement of Farm Gross Income needs to be filed for only the 2019 calendar year; a statement does not have to be filed for the 2018 calendar year.*

*Example 2: Same as Example 1, except that the occupant is unable to satisfy the farm gross income requirement based on the 2019 calendar year income information. In this case, eligibility for*

*the exemption will depend on whether the occupant is able to satisfy the requirement using the income information for the 2018 calendar year.*

### Use the proper year's form

The source of information used to complete the *Statement of Farm Gross Income* is derived from the occupant's federal income tax return filed for the same year. Because the federal income tax return can change from year to year, it's important to use the correct year's *Statement of Farm Gross Income*. If possible, use the **MORE RECENT** of the two calendar years preceding the year for which the exemption is being claimed to show compliance.

*Example 3: If applying for the farm residence exemption for the 2020 property tax year, and if the income information for the 2019 calendar year supports compliance with the farm gross income requirement, complete and file the 2019 Statement of Farm Gross Income.*

*Example 4: Same as Example 3, except that the income information for the 2019 calendar year does not support compliance with the farm gross income requirement. In this case, eligibility for the exemption will depend on whether the occupant is able to satisfy the requirement using the income information for the 2018 calendar year. If it does, complete and file the 2018 Statement of Farm Gross Income.*

### Farm gross income requirement

To meet the farm gross income requirement, 66% or more of the occupant's annual gross income must be from farming activities in either of the two calendar years preceding the year for which the exemption is being applied for. If the occupant is married, the spouse's farm gross income must be included in the calculation.

**Zero gross income year.** If there is no gross income (farm and nonfarm) for the year, the gross income from farming activities is deemed to be 100% for the year, and the farm gross income requirement is considered satisfied for the

year. To use a zero gross income year to show compliance with the farm gross income requirement, an occupant must complete and file a *Statement of Farm Gross Income* for that year. See the instructions to line 6 under "Specific instructions" below for how to complete the *Statement of Farm Gross Income* for a zero gross income year.

### Definitions

For purposes of the farm gross income requirement, the following definitions apply:

- "Gross income" means gross income as defined under the federal Internal Revenue Code.
- "Gross income from farming activities" means gross income from farming as defined for purposes of determining if an individual is a farmer eligible to use the special estimated income tax payment rules for farmers under Internal Revenue Code § 6654.

**Federal definitions.** For details on what is included in farm and nonfarm gross income for federal income tax purposes, see "Special Estimated Tax Rules For Farmers" in IRS Publication 225, *Farmer's Tax Guide*.

### When and where to file

Submit the completed *Statement of Farm Gross Income* with the *Application For Property Tax Exemption of a Farm Residence*, which is due on or before February 1 of the year for which the exemption is claimed. If for some reason the statement cannot be filed with the application form by February 1, it must be submitted no later than March 31 of the year for which the exemption is claimed.

*Example 5: If applying for the farm residence exemption for the 2020 property tax year, the Statement of Farm Gross Income may be filed along with the Application For Property Tax Exemption of a Farm Residence on or before February 1, 2020. Or, the Statement of Farm Gross Income may be submitted separately from the application on or before March 31, 2020.*