

## General instructions

### Purpose of form

To qualify as an active farmer for purposes of the farm residence property tax exemption under North Dakota Century Code (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. This applies whether they file joint or separate federal income tax returns.

**Occupant other than property owner.** If the occupant is someone other than the property owner, the property owner must 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 2025 property tax year, the occupant must complete and provide a Statement of Farm Gross Income for either the 2023 or 2024 calendar year. If the farm gross income requirement is satisfied based on income information for the 2024 calendar year, a Statement of Farm Gross Income needs to be filed for only the 2024 calendar year; a statement does not have to be filed for the 2023 calendar year.

**Example 2:** Same as Example 1, except that the occupant is unable to satisfy the farm gross income requirement based on the 2024 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 2023 calendar year.

### Use the proper year's form.

The information needed to complete the Statement of Farm Gross Income is derived from the occupant's Form 1040 or Form 1040-SR, U.S. Individual Income Tax Return, filed for the same year for which the statement is being completed. Be sure to use the Statement of Farm Gross Income corresponding to the tax year used to comply with the farm gross income requirement.

**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 2025 property tax year, and if the income information from the 2024 federal income tax return supports compliance with the farm gross income requirement, complete and file the 2024 Statement of Farm Gross Income.

**Example 4:** Same as Example 3, except that the income information from the 2024 federal income tax return 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 from the 2023 federal income tax return. If it does, complete and file the 2023 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.

## 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.

This generally means income received in the form of money, goods, property, and services that is not exempt from tax that is reportable on the federal income tax return. In the case of a business, it means the amount of gross income received before any business expenses are subtracted. In the case of the sale or exchange of property, the gain from the sale or exchange is included in gross income.

**Qualifying farm machinery adjustment.** See the specific line instructions for line 26 on the statement for an adjustment that may be made to reduce gross income by any gain from the sale or exchange of qualifying farm machinery.

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

This generally means income from cultivating the soil or raising agricultural commodities.

Gross income from farming activities **does not** include:

1. Wages received as a farm employee;
2. Income received from contract grain harvesting and hauling using workers and machines furnished by the applicant, or;
3. Gains from the sale or exchange of farmland and depreciable farm machinery and equipment.

**Federal definitions.** For more information on what is included in gross income and gross income from farming activities, 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 2025 property tax year, file the Statement of Farm Gross Income with the Application For Property Tax Exemption of a Farm Residence that is due by February 1, 2025. Alternatively, the Statement of Farm Gross Income may be submitted separately from the application by March 31, 2025.

Submit the completed Statement of Gross Income with the assessor’s office where the application for the farm residence property tax exemption is filed.

**Late filed statement.** If a Statement of Farm Gross Income is not filed by March 31, resulting in the denial of the exemption, an applicant may apply for an abatement under N.D.C.C. Ch. 57-23, by filing an Application for Abatement or Refund of Taxes with the county auditor.

## **Specific line instructions**

**IMPORTANT—These specific line instructions only apply to the 2024 Statement of Farm Gross Income. The amounts provided on the 2024 statement must match the amounts from the 2024 federal income tax return used to determine if an individual is a farmer for purposes of the special federal estimated income tax rules for farmers under Internal Revenue Code § 6654.**

### **Occupant’s total gross income from both farm and non-farm sources**

#### **Lines 6 through 24**

Enter the gross income from all sources, both farm and non-farm, from the occupant’s 2024 Form 1040 or 1040-SR, U.S. Individual Income Tax Return. For guidance, the federal form and line number on which the gross income is reported on the federal return is provided on each line of the statement. If the occupant is married, the spouse’s gross income must be included whether they file joint or separate federal income tax returns.

#### **Lines 12 and 15 Capital Gains and gains from Form 4797**

Only include gains from the sale or exchange of property. Do not include any loss. If the amount on the federal return is a net amount that includes both gains and losses, the amount must be adjusted to remove the losses.

**Important: All gains reported on the federal return must be included on line 12 or line 15 of the statement. See the instructions to line 26 for an adjustment for gains from the sale or exchange of qualifying farm machinery.**

#### **Line 17 Total other income**

If the amount on Form 1040 or 1040-SR, Schedule 1, line 9 (Total other income), includes a net operating loss, the amount must be adjusted to remove the net operating loss before entering it on line 17 of the statement.

#### **Line 21**

##### **Partnerships and S corporations**

Enter on this line the gross income (both farm and non-farm) included in the amount entered on Schedule E, Part II, line 32. The amount on Schedule E, Part II, line 32, is not a gross income amount; rather, it is a net amount consisting of the taxpayer’s share of gross income, losses, and deductions received from partnerships and S corporations. Determining the amount of gross income included in the amounts from a partnership or S corporation will generally require contacting the partnership or S corporation directly to request the taxpayer’s share of gross income from it.

**Note:** In the case of a partnership, it may be possible to determine the total gross income from information on the taxpayer’s Schedule K-1 (Form 1065) if there are amounts shown in Box 14, Self-employment earnings (loss), with Codes B and C. The Code B amount is the taxpayer’s share of gross farming or fishing income. The Code C amount is the partner’s share of gross non-farm income. Combine the Code B and Code C amounts to determine the total gross income from the partnership.

**Important:** To avoid duplication of numbers, do not enter on line 21 gross income items from a partnership or S corporation reported on federal forms other than Schedule E, which are reported on other lines of the statement.

#### **Line 22**

##### **Estates and trusts**

Enter on this line gross income from an estate or trust included in the amount entered on Schedule E, Part III, Line 37. The amount on Schedule E, Part III, line 37, is not a gross income amount; rather, it is a net amount consisting of the taxpayer’s share of gross income, losses, and deductions received from estates and trusts. Determining the amount of gross income included in the amounts from an estate or trust will generally require contacting the estate or trust directly to request the taxpayer’s share of gross income from it.

**Important:** To avoid duplication of numbers, do not enter on line 22 gross income items from an estate or trust reported on federal forms other than Schedule E, which are entered on other lines of the statement.

**Line 26**

**Adjustment for gains from sale or exchange of farm machinery**

Enter on this line any gain from the sale or exchange of farm machinery included in the amounts, if any, reported on line 12 (capital gains) and line 15 (gains from Form 4797).

“Farm machinery” means vehicular implements and attachment units designed and sold for direct use in planting, cultivating, or harvesting farm products, or used in connection with the production of agricultural produce or products, livestock, or poultry on farms, which are operated, drawn, or propelled by motor or animal power. Generally, this includes farm machinery that qualifies for either (1) the North Dakota new farm machinery 3% gross receipts tax or (2) the North Dakota used farm machinery gross receipts tax exemption. **See page 4 of these instructions for a list of qualifying farm machinery.**

“Farm machinery” **does not** include vehicular implements operated wholly by hand or a motor vehicle required to be registered under North Dakota law and subject to North Dakota’s motor vehicle excise tax, including any vehicle that otherwise would be subject to this tax if not specifically exempted from it by law. **See page 4 of these instructions for a list of items that DO NOT qualify as farm machinery.**

**Occupant’s gross income from farming activities**

**Lines 29 through 31**

Enter the gross income from farming activities from the occupant’s 2024 Form 1040 or 1040-SR, U.S. Individual Income Tax Return. For guidance, the federal form and line number on which the gross income is reported on the federal return is provided on each line of the statement. If the occupant is married, the spouse’s gross income from farming activities must be included whether they file joint or separate federal income tax returns.

**Line 30**

**Gross farm income from pass through entities and Form 4835**

Enter the amount from Schedule E (Form 1040), Part V, line 42. There should be an amount on this line of Schedule E if the taxpayer received farm gross income from a partnership, S corporation, estate, or trust, or reported income on Form 4835. In the case of a partnership, S corporation, estate, or trust, the entity is required to report the taxpayer’s share of farm gross income as follows:

- If a partnership, see Schedule K-1 (Form 1065), Box 14, Code B.
- If an S corporation, see Schedule K-1 (Form 1120-S), Box 17, Code AD.
- If an estate or trust, see Schedule K-1 (Form 1041), Box 14, Code F.

**Note:** If an amount is entered on the Statement of Farm Gross Income, line 30, there must be an entry on the Statement of Farm Gross Income, line 21, 22, and/or 24.

**Line 31**

**Gains from sale or exchange of qualifying livestock**

Enter on this line gains reported on Form 4797 from the sale or exchange of livestock used for draft, breeding, sport, or dairy purposes. Do not include any loss.

**Do not** enter on this line a gain from the sale or exchange of farm machinery or any other type of asset.

There is no specific line on Form 4797 on which the net amount of gains from the sale or exchange of qualifying livestock is reported. These gains may be reported on Form 4797, Part I, line 2, or Part II, line 10, or Part III, line 19. If a gain reported in any of the three sections of the Form 4797 is from a partnership, S corporation, estate, or trust, and the type of property sold is not separately identified on the Schedule K-1 received from the entity, it may be necessary to contact the entity to obtain this information.

## Qualifying farm machinery

Following is a representative list of farm machinery, implements, and attachments which qualify as farm machinery for purposes of the adjustment on line 26 of the Statement of Farm Gross Income.

Aeration equipment (portable)	Feed mixer	Land levelers and laser systems	Silage feeder
Aeration duct - grain dryer (portable)	Feed wagon	Land roller	Silage loader
Applicator	Fertilizer spreader	Livestock scale (portable)	Silage wagon
Bale wagon	Flax roller	Loader	Skid steer
Bin sweep (portable)	Forage harvester	Loading chutes (portable)	Solar water circulators
Chaff saver	Forage hay pickup	Manure pumps	Sprayers (self-propelled)
Chaff spreader	Grain bin (portable on wheels)	Milk coolers	Spreader
Combine	Grain cart	Milking machines (portable)	Squeeze chute (portable)
Combine header	Grain cleaner (portable)	Milk unit washer	Stack liner
Combine pickup	Grain drill	Mixer-feeder wagon	Stack mover
Corn picker	Grain dryer	Plow	Stacker and hay cage
Corn planter	Grain heater	Potato conveyors (portable)	Stalk cutter
Corn sheller	Grain vac	Potato digger	Straw chopper
Creep feeder (w/wheels)	Grain auger	Powered post drivers	Sunflower drum
Crop divider	Grain dryer fan (portable)	Powered post hole diggers	Sunflower pans
Cultivator	Grain screener	Rock picker	Sunflower header
Disc	Hammer mill	Roller mill	Swath roller
Drag	Harrow	Rotary cutter	Swather
Drill transport	Hay baler	Rotary hoe	Swather transport
Farm wagons (non-highway use)	Hay crusher	Rotary tiller	Tillage hitch
Feed grinder	Hay mower	Seed cleaner	Torque limiter
Feed mill (portable)	Head gate (portable)	Seed treater	Tractor
Feed rack (portable on wheels)	Header transport	Seeder	Windrower
Feed treater	Hopper bottom skid bins w/ installed aeration	Silage blower	

## Attachments

Attachments are items that are essential to and contribute directly to the operation of farm machinery. The following attachments are regarded as qualifying farm machinery:

After market lighting	Electronic wind monitor	Sprayer control
Agricultural global positioning system	Grain yield monitor	Tractor-mounted loader/scoop/grapple/fork
Combine head	Planter monitoring system	Tractor-mounted snowplow or snow blower
Combine pick-up	Radar ground speed sensor	Tractor or combine cab

**Non-qualifying farm machinery**

The following items **do not** qualify as farm machinery for purposes of the adjustment on line 26 of the Statement of Farm Gross Income:

All-terrain vehicles (ATVs) - see <b>Motor Vehicles</b> below for exception	Garden tractors	Motor vehicles - see <b>Motor Vehicles</b> below	Snow blowers (except tractor mounted)
Bee cages	Gasoline storage tanks	Pig flooring (portable)	Sprayers (high pressure for cleaning equipment)
Bird cannons	Gas powered engines	Portable chute	Stock tank heaters
Brooder stoves	Gate closers	Portable corral	Stock tanks
Cattle feeder	Generator units	Portable farrowing pens	Tire changers
Cattle oiler	GPS monthly fees/updates	Portable generators	Trailer jacks
Chicken & duck pluckers	Grain bin (plastic)	Portable moisture testers	Truck box
Corral panels	Grain box	Portable pens	Truck mounted tarp systems
Dockers	Grain drill filler (mounted on truck)	Potato truck boxes	Truck hoist
Feeder panels	Grain storage bins	Power washers	Truck racks
Feeders or feed bunks	Horse trailers	Service tanks (for transport of fuel to field)	Udder washer
Fountains	Lawn mowers	Service tank pumps	Water well heaters
Free stall partitions	Livestock fountains	Shop equipment	Welding equipment
Garden tillers	Mineral feeders	Shop heaters	

**Motor Vehicles**

Automobiles, trucks, and other motor vehicles, including trailers and semi-trailers, required to be titled and licensed for use on the streets and highways of North Dakota **do not** qualify as farm machinery. This also applies to any vehicle that otherwise would be subject to this tax if not specifically exempted from it by law.

All-terrain vehicles (ATVs) **do not** qualify as farm machinery. However, an ATV that was purchased with a mounted spray kit and is used exclusively in agricultural production is regarded as farm machinery.