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HOUSE BILL 3079

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State of Washington                      55th Legislature                      1998 Regular Session

By Representatives Mastin and Grant

Read first time . Referred to Committee on .

1            AN ACT Relating to current use taxation; amending RCW 84.34.020 and  
2 84.34.065; reenacting and amending RCW 84.40.030; adding a new section  
3 to chapter 84.34 RCW; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            NEW SECTION.    **Sec. 1.** A new section is added to chapter 84.34 RCW  
6 to read as follows:

7            (1) When a county has adopted a comprehensive plan under chapter  
8 36.70A RCW and has zoned certain land not within an urban growth area  
9 as agricultural land or has designated land as agricultural land under  
10 RCW 36.70A.170, the county legislative authority shall promptly notify  
11 the assessor that such land has been zoned or designated accordingly.

12            (2) Within thirty days of receiving a notice under subsection (1)  
13 of this section, the assessor shall notify owners of land within these  
14 areas that they may participate in the open space taxation program,  
15 also known as the current use program, in the farm and agricultural  
16 classification and have the land valued as provided in this chapter.  
17 This notice shall include an explanation of all requirements imposed on  
18 land classified as farm and agricultural land. The assessor shall

1 include an application for the farm and agricultural classification  
2 under RCW 84.34.020 with this notice.

3 (3) If the landowner wants to participate in the current use  
4 program, the owner must return the completed application and all other  
5 required documentation to the assessor within forty-five days of the  
6 date the assessor mailed the original notice about eligibility for the  
7 current use program. Because the land was designated or zoned as  
8 agricultural land under chapter 36.70A RCW, an application for  
9 classification under these circumstances shall be presumed approved  
10 unless the land is not being used for commercial agricultural purposes.  
11 If the land does not qualify for classification, the assessor shall  
12 notify the owner of this fact and the owner may appeal the denial of  
13 classification to the county board of equalization. This appeal must  
14 be submitted to the board within thirty days of the date the notice is  
15 mailed. If the land is classified as farm and agricultural land under  
16 RCW 84.34.020, it must be valued in accordance with this chapter.

17 (4) If the landowner chooses not to participate in the current use  
18 program, the land must be valued in accordance with the provisions of  
19 chapter 84.40 RCW.

20 **Sec. 2.** RCW 84.34.020 and 1997 c 429 s 31 are each amended to read  
21 as follows:

22 As used in this chapter, unless a different meaning is required by  
23 the context:

24 (1) "Open space land" means (a) any land area so designated by an  
25 official comprehensive land use plan adopted by any city or county and  
26 zoned accordingly, or (b) any land area, the preservation of which in  
27 its present use would (i) conserve and enhance natural or scenic  
28 resources, or (ii) protect streams or water supply, or (iii) promote  
29 conservation of soils, wetlands, beaches or tidal marshes, or (iv)  
30 enhance the value to the public of abutting or neighboring parks,  
31 forests, wildlife preserves, nature reservations or sanctuaries or  
32 other open space, or (v) enhance recreation opportunities, or (vi)  
33 preserve historic sites, or (vii) preserve visual quality along  
34 highway, road, and street corridors or scenic vistas, or (viii) retain  
35 in its natural state tracts of land not less than one acre situated in  
36 an urban area and open to public use on such conditions as may be  
37 reasonably required by the legislative body granting the open space  
38 classification, or (c) any land meeting the definition of farm and

1 agricultural conservation land under subsection (8) of this section.  
2 As a condition of granting open space classification, the legislative  
3 body may not require public access on land classified under (b)(iii) of  
4 this subsection for the purpose of promoting conservation of wetlands.

5 (2) "Farm and agricultural land" means:

6 (a) Any parcel of land that is twenty or more acres or multiple  
7 parcels of land that are contiguous and total twenty or more acres:

8 (i) Devoted primarily to the production of livestock or  
9 agricultural commodities for commercial purposes;

10 (ii) Enrolled in the federal conservation reserve program or its  
11 successor administered by the United States department of agriculture;  
12 or

13 (iii) Other similar commercial activities as may be established by  
14 rule;

15 (b) Any parcel of land that is five acres or more but less than  
16 twenty acres devoted primarily to agricultural uses, which has produced  
17 a gross income from agricultural uses equivalent to, as of January 1,  
18 1993:

19 (i) One hundred dollars or more per acre per year for three of the  
20 five calendar years preceding the date of application for  
21 classification under this chapter for all parcels of land that are  
22 classified under this subsection or all parcels of land for which an  
23 application for classification under this subsection is made with the  
24 granting authority prior to January 1, 1993; and

25 (ii) On or after January 1, 1993, two hundred dollars or more per  
26 acre per year for three of the five calendar years preceding the date  
27 of application for classification under this chapter;

28 (c) Any parcel of land of less than five acres devoted primarily to  
29 agricultural uses which has produced a gross income as of January 1,  
30 1993, of:

31 (i) One thousand dollars or more per year for three of the five  
32 calendar years preceding the date of application for classification  
33 under this chapter for all parcels of land that are classified under  
34 this subsection or all parcels of land for which an application for  
35 classification under this subsection is made with the granting  
36 authority prior to January 1, 1993; and

37 (ii) On or after January 1, 1993, fifteen hundred dollars or more  
38 per year for three of the five calendar years preceding the date of  
39 application for classification under this chapter.

1 Parcels of land described in (b)(i) and (c)(i) of this subsection  
2 shall, upon any transfer of the property excluding a transfer to a  
3 surviving spouse, be subject to the limits of (b)(ii) and (c)(ii) of  
4 this subsection.

5 Agricultural lands shall also include such incidental uses as are  
6 compatible with agricultural purposes, including wetlands preservation,  
7 provided such incidental use does not exceed twenty percent of the  
8 classified land and the land on which appurtenances necessary to the  
9 production, preparation, or sale of the agricultural products exist in  
10 conjunction with the lands producing such products. Agricultural lands  
11 shall also include any parcel of land of one to five acres, which is  
12 not contiguous, but which otherwise constitutes an integral part of  
13 farming operations being conducted on land qualifying under this  
14 section as "farm and agricultural lands";

15 (d) The land on which housing for employees and the principal place  
16 of residence of the farm operator or owner of land classified pursuant  
17 to (a) of this subsection is sited if: The housing or residence is on  
18 or contiguous to the classified parcel; and the use of the housing or  
19 the residence is integral to the use of the classified land for  
20 agricultural purposes;

21 (e) Any parcel of land designated as agricultural land under RCW  
22 36.70A.170 and devoted primarily to agricultural uses; or

23 (f) Any parcel of land not within an urban growth area zoned as  
24 agricultural land under a comprehensive plan adopted under chapter  
25 36.70A RCW and devoted primarily to agricultural uses.

26 (3) "Timber land" means any parcel of land that is five or more  
27 acres or multiple parcels of land that are contiguous and total five or  
28 more acres which is or are devoted primarily to the growth and harvest  
29 of forest crops for commercial purposes. A timber management plan  
30 shall be filed with the county legislative authority at the time (a) an  
31 application is made for classification as timber land pursuant to this  
32 chapter or (b) when a sale or transfer of timber land occurs and a  
33 notice of classification continuance is signed. Timber land means the  
34 land only.

35 (4) "Current" or "currently" means as of the date on which property  
36 is to be listed and valued by the assessor.

37 (5) "Owner" means the party or parties having the fee interest in  
38 land, except that where land is subject to real estate contract "owner"  
39 shall mean the contract vendee.

1 (6) "Contiguous" means land adjoining and touching other property  
2 held by the same ownership. Land divided by a public road, but  
3 otherwise an integral part of a farming operation, shall be considered  
4 contiguous.

5 (7) "Granting authority" means the appropriate agency or official  
6 who acts on an application for classification of land pursuant to this  
7 chapter.

8 (8) "Farm and agricultural conservation land" means either:

9 (a) Land that was previously classified under subsection (2) of  
10 this section, that no longer meets the criteria of subsection (2) of  
11 this section, and that is reclassified under subsection (1) of this  
12 section; or

13 (b) Land that is traditional farmland that is not classified under  
14 chapter 84.33 or 84.34 RCW, that has not been irrevocably devoted to a  
15 use inconsistent with agricultural uses, and that has a high potential  
16 for returning to commercial agriculture.

17 **Sec. 3.** RCW 84.34.065 and 1997 c 429 s 33 are each amended to read  
18 as follows:

19 The true and fair value of farm and agricultural land, including  
20 land granted classification under RCW 84.34.020(2) (e) and (f), shall  
21 be determined by consideration of the earning or productive capacity of  
22 comparable lands from crops grown most typically in the area averaged  
23 over not less than five years, capitalized at indicative rates. The  
24 earning or productive capacity of farm and agricultural lands shall be  
25 the "net cash rental", capitalized at a "rate of interest" charged on  
26 long term loans secured by a mortgage on farm or agricultural land plus  
27 a component for property taxes. The current use value of land under  
28 RCW 84.34.020(2)(d) shall be established as: The prior year's average  
29 value of open space farm and agricultural land used in the county plus  
30 the value of land improvements such as septic, water, and power used to  
31 serve the residence. This shall not be interpreted to require the  
32 assessor to list improvements to the land with the value of the land.

33 ~~((In valuing any tract or parcel of real property designated and  
34 zoned under a comprehensive plan adopted under chapter 36.70A RCW as  
35 agricultural, forest, or open space land, the appraisal shall not be  
36 based on similar sales of parcels that have been converted to  
37 nonagricultural, nonforest, or nonopen space uses within five years  
38 after the sale.))~~

1 For the purposes of the above computation:

2 (1) The term "net cash rental" shall mean the average rental paid  
3 on an annual basis, in cash, for the land being appraised and other  
4 farm and agricultural land of similar quality and similarly situated  
5 that is available for lease for a period of at least three years to any  
6 reliable person without unreasonable restrictions on its use for  
7 production of agricultural crops. There shall be allowed as a  
8 deduction from the rental received or computed any costs of crop  
9 production charged against the landlord if the costs are such as are  
10 customarily paid by a landlord. If "net cash rental" data is not  
11 available, the earning or productive capacity of farm and agricultural  
12 lands shall be determined by the cash value of typical or usual crops  
13 grown on land of similar quality and similarly situated averaged over  
14 not less than five years. Standard costs of production shall be  
15 allowed as a deduction from the cash value of the crops.

16 The current "net cash rental" or "earning capacity" shall be  
17 determined by the assessor with the advice of the advisory committee as  
18 provided in RCW 84.34.145, and through a continuing internal study,  
19 assisted by studies of the department of revenue. This net cash rental  
20 figure as it applies to any farm and agricultural land may be  
21 challenged before the same boards or authorities as would be the case  
22 with regard to assessed values on general property.

23 (2) The term "rate of interest" shall mean the rate of interest  
24 charged by the farm credit administration and other large financial  
25 institutions regularly making loans secured by farm and agricultural  
26 lands through mortgages or similar legal instruments, averaged over the  
27 immediate past five years.

28 The "rate of interest" shall be determined annually by a rule  
29 adopted by the department of revenue and such rule shall be published  
30 in the state register not later than January 1 of each year for use in  
31 that assessment year. The department of revenue determination may be  
32 appealed to the state board of tax appeals within thirty days after the  
33 date of publication by any owner of farm or agricultural land or the  
34 assessor of any county containing farm and agricultural land.

35 (3) The "component for property taxes" shall be a figure obtained  
36 by dividing the assessed value of all property in the county into the  
37 property taxes levied within the county in the year preceding the  
38 assessment and multiplying the quotient obtained by one hundred.

1       **Sec. 4.** RCW 84.40.030 and 1997 c 429 s 34 (Referendum Bill No.  
2 47), 1997 c 134 s 1, and 1997 c 3 s 104 are each reenacted and amended  
3 to read as follows:

4       All personal property shall be valued at one hundred percent of its  
5 true and fair value in money and assessed on the same basis unless  
6 specifically provided otherwise by law.

7       All real property shall be appraised at one hundred percent of its  
8 true and fair value in money and assessed as provided in RCW 84.40.0305  
9 unless specifically provided otherwise by law.

10       Taxable leasehold estates shall be valued at such price as they  
11 would bring at a fair, voluntary sale for cash without any deductions  
12 for any indebtedness owed including rentals to be paid.

13       The true and fair value of real property for taxation purposes  
14 (including property upon which there is a coal or other mine, or stone  
15 or other quarry and all land that falls within the definition farm and  
16 agricultural land under RCW 84.34.020(2) (e) and (f) for which the  
17 landowner has chosen not to or that is not eligible to participate in  
18 the current use program) shall be based upon the following criteria:

19       (1) Any sales of the property being appraised or similar properties  
20 with respect to sales made within the past five years. The appraisal  
21 shall be consistent with the comprehensive land use plan, development  
22 regulations under chapter 36.70A RCW, zoning, and any other  
23 governmental policies or practices in effect at the time of appraisal  
24 that affect the use of property, as well as physical and environmental  
25 influences. An assessment may not be determined by a method that  
26 assumes a land usage not permitted, for that property being appraised,  
27 under existing zoning or land use planning ordinances or statutes. The  
28 appraisal shall also take into account: (a) In the use of sales by  
29 real estate contract as similar sales, the extent, if any, to which the  
30 stated selling price has been increased by reason of the down payment,  
31 interest rate, or other financing terms; and (b) the extent to which  
32 the sale of a similar property actually represents the general  
33 effective market demand for property of such type, in the geographical  
34 area in which such property is located. Sales involving deed releases  
35 or similar seller-developer financing arrangements shall not be used as  
36 sales of similar property.

37       (2) In addition to sales as defined in subsection (1) of this  
38 section, consideration may be given to cost, cost less depreciation,  
39 reconstruction cost less depreciation, or capitalization of income that

1 would be derived from prudent use of the property. In the case of  
2 property of a complex nature, or being used under terms of a franchise  
3 from a public agency, or operating as a public utility, or property not  
4 having a record of sale within five years and not having a significant  
5 number of sales of similar property in the general area, the provisions  
6 of this subsection ((+2)) shall be the dominant factors in valuation.  
7 When provisions of this subsection ((+2)) are relied upon for  
8 establishing values the property owner shall be advised upon request of  
9 the factors used in arriving at such value.

10 (3) In valuing any tract or parcel of real property, the true and  
11 fair value of the land, exclusive of structures thereon shall be  
12 determined; also the true and fair value of structures thereon, but the  
13 appraised valuation shall not exceed the true and fair value of the  
14 total property as it exists. In valuing agricultural land, growing  
15 crops shall be excluded.

16 ~~((4) In valuing any tract or parcel of real property designated  
17 and zoned under a comprehensive plan adopted under chapter 36.70A RCW  
18 as agricultural, forest, or open space land, the appraisal shall not be  
19 based on similar sales of parcels that have been converted to  
20 nonagricultural, nonforest, or nonopen space uses within five years  
21 after the sale.))~~

22 NEW SECTION. **Sec. 5.** This act is effective for taxes levied for  
23 collection in 1999 and thereafter.

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