
**Agriculture & Natural Resources
Committee**

HB 1232

Brief Description: Defining commercial agricultural purposes to include current farming practices and activities related to the raising, harvesting, feeding, breeding, managing, selling, care, or training of a farm product.

Sponsors: Representatives Hinkle, Quall, Bailey, Ross, Cody, Newhouse, DeBolt, Herrera, Moeller, Nelson, Warnick, Shea, Morrell, Smith, Kristiansen, Pearson and Schmick.

Brief Summary of Bill

- Expands the definition of "commercial agricultural purpose" for tax assessment purposes.
- Applies retroactively to taxes levied for collection in 2008, as well as prospectively.

Hearing Date: 2/13/09

Staff: Anna Jackson (786-7190)

Background:

For tax purposes, farm and agricultural land in Washington is valued on the basis of its current value for use, rather than on its market value [RCW 84.34.010]. This concept is known as the Current Use Program, which dictates that assessment practices must be designed to ensure that open space lands are available for the production of food, fiber, and forest crops, as well as to ensure the use and enjoyment of natural resources and scenic beauty [RCW 84.34.010].

Valuation based on value for use means that only the use to which the property is *currently* applied is considered by the assessor, and not the *potential* uses of the property. The true and fair value of farm and agricultural land is determined by considering the earning or productive capacity of comparable lands from crops typically grown in the area, averaged over at least five

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years, and then capitalized at indicative rates [RCW 84.34.065]. If land is classified as farm and agricultural land, it qualifies for the Current Use Program and a reduced valuation.

"Farm and agricultural land" is currently defined under statute as any parcel of land, 20 acres or more, that is devoted primarily to the production of livestock or agricultural commodities for commercial purposes, and any land, less than 20 acres, devoted primarily to agricultural uses with specified gross income requirements [RCW 84.34.020(2)]. "Commercial agricultural purpose," in turn, is defined by administrative rule as the use of land on a continuous and regular basis in a manner that demonstrates that the owner or lessee is engaged in and intends to obtain, through lawful means, a monetary profit from cash income received for certain commercial agricultural activities on the land, including:

- raising, harvesting, and selling crops;
- feeding, breeding, managing, and selling livestock, poultry, fur-bearing animals, or honey bees, or any products from these animals;
- dairying or selling dairy products;
- animal husbandry;
- aquaculture;
- horticulture;
- participating in a government-funded crop reduction or acreage set-aside program; or
- cultivating Christmas trees or short-rotation hardwoods [WAC 458-30-200(2)].

Summary of Bill:

The current definition of "commercial agricultural purpose" contained in administrative rule is usurped with the following statutory definition: the commercial raising, harvesting, feeding, breeding, managing, selling, care, or training of a farm product where the owner or lessee intends to obtain, through lawful means, a monetary profit from cash income. "Farm product" in this context means products from plants and animals that incorporate the use of food, feed, fiber, or fur that are useful to humans, such as dairy products, poultry products, livestock, fruits, seeds, vegetables, flowers, and trees.

A state agency, county, or municipality may not impose a more restrictive definition of "commercial agricultural purpose" or any other defined term for tax assessment purposes.

The definition of "commercial agricultural purpose" applies retroactively to taxes levied for collection in 2008, as well as prospectively.

The term "agricultural uses" is replaced with the term "commercial agricultural purposes" throughout the definitions section of the current use statute.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect immediately.