

# SENATE BILL REPORT

## E2SHB 1437

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As of April 25, 2013

**Title:** An act relating to small farms under the current use property tax program for farm and agricultural lands.

**Brief Description:** Concerning small farms under the current use property tax program for farm and agricultural lands.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Reykdal, Blake, Haigh, Orcutt, Lytton, Van De Wege and Zeiger).

**Brief History:** Passed House: 4/18/13, 92-1.

**Committee Activity:** Ways & Means: 4/24/13.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Juliana Roe (786-7438)

**Background:** The Open Space Taxation Act allows for current use valuations of qualifying agricultural land, which includes the following:

- parcels 20 acres and larger devoted primarily to agricultural production;
- parcels five to 20 acres that generate gross income from the sale of farm products \$200 or more per acre in three of each five-year period; or
- parcels that are less than five acres that generate a gross income of at least \$1,500 per year in three of each five-year period.

A parcel or contiguous parcels classified as farm and agricultural land in the current use program must be 20 acres or more to receive a reduction in the taxable value of the home site. The housing or residence must be on or contiguous to the current use parcel(s) and integral to the use of the classified land for agricultural purposes. For parcels under 20 acres, the land where the housing is situated is valued at fair market value, while the remainder of the parcel is valued at current use.

**Summary of Bill:** The housing or residence of agricultural and farm land on the following parcels located in Thurston County may be eligible for current use valuation:

- parcels five to 20 acres devoted primarily to agricultural uses that generate gross income from the sale of farm products of \$200 or more per acre in three of each five-year period;

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- parcels smaller than five acres devoted primarily to agricultural uses that generate a gross income of at least \$1,500 per year in three of each five-year period;
- parcels five to 20 acres devoted primarily to agricultural production of longer-term crop rotations meeting income requirements; and
- any land used primarily for equestrian-related activities.

To qualify, the residential structure must:

- be on or contiguous to the current use parcel;
- be integral to the farming operation of the classified land; and
- be for farm and agricultural land ten acres or less, and the classified land produced a gross income of \$10,000 in three of the last five years before application for current use classification.

The Department of Revenue must develop guidance, in consultation with stakeholders, on how the eligibility requirements for current use valuation to the housing or residence that is on or contiguous to and integral to the current use classified agricultural land will be interpreted by July 1, 2014.

By December 1, 2018, the Joint Legislative Audit and Review Committee must provide a report to the Legislature that addresses the impact of extending the current use valuation to the housing or residences on farms smaller than 20 acres.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill will help small agriculture stay in business in high-growth areas. It puts small farms on the same footing as large farms. Property taxes are a major expense in running a farm. Shifting property taxes is a stable mechanism for encouraging a program's growth. The small farms in Thurston County are getting smaller and we hope to retain what is left.

CON: We were adamantly opposed to the original version of the bill. This version of the bill that limits the application of the bill geographically tames our opposition, but we remain opposed. The bill remains a camel's nose under the flap of the tent.

**Persons Testifying:** PRO: Senator Fraser; Steven Drew, Thurston County Assessor; Holli Johnson, WA State Grange; Leslie Cushman, citizen.

CON: Monty Cobb, WA Assn. of County Officials and County Assessors.