

# SENATE BILL REPORT

## ESHB 2306

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As of February 26, 2014

**Title:** An act relating to current use valuation for farm and agricultural land.

**Brief Description:** Concerning current use valuation for farm and agricultural land.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Lytton, Morris and Blake).

**Brief History:** Passed House: 2/13/14, 97-0.

**Committee Activity:** Ways & Means: 2/27/14.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Dean Carlson (786-7305)

**Background:** All property is subject to a property tax each year based on its assessed value, which is generally its fair market value. The state Constitution authorizes agricultural, timber, and open space lands to be valued on the basis of their current use value rather than fair market value.

The Open Space Program (Program) is one of two programs that implement the constitutional exception allowing property to be valued at less than fair market value if the land is used for agricultural, timber, or open space purposes. Under the Program, property may be valued at current use value within three different classifications: farm and agricultural land; timber land; and open space land.

With respect to farm and agricultural land, the parcel must be 20 or more acres and (1) devoted primarily to the production of agricultural products for commercial purposes, or (2) enrolled in the Federal Conservation Reserve Program. Farm and agricultural land that is less than 20 acres and devoted primarily to agricultural uses may qualify; however, state law provides minimum gross income-per-acre thresholds to qualify.

For farm and agricultural land, multiple parcels may be combined to meet the 20-acre threshold if the parcels are contiguous. Also for farm and agricultural land qualifying under the 20-acre threshold, land used for housing or as the principal place of residence of the farm operator or owner of the land may qualify if the land on which the housing or residence is located on or is contiguous to the classified parcel and integral to the use of the classified

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land. Integral is defined in the Washington Administrative Code to mean central or inherent to the use or operation of the classified land.

Portions of classified lands that are used for incidental purposes that are compatible with agricultural purposes, such as wetlands preservation, do not disqualify the classified land as long as the land used for incidental purposes does not exceed 20 percent of the classified land.

**Summary of Bill:** The Department of Revenue (Department), in consultation with a farm and agricultural stakeholder group, must conduct a study and prepare a report to the Legislature, by December 31, 2014. The primary objectives of the study are to evaluate and make recommendations on improving the current use program for farm and agricultural lands, with an emphasis on the viability of small farms. The Department's report must specifically include recommendations to update program eligibility requirements, recommendations to modify the program based on current farming practices, and recommendations to allow small farm home sites to qualify for current use valuation.

**Appropriation:** None.

**Fiscal Note:** Requested on February 25, 2014.

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

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