

1 **SHB 2871 - H AMDS 991 ADOPTED 2-17-98**

2 By Representative Parlette

3 On page 5, after line 20, insert:

4 **"Sec. 7.** RCW 84.34.020 and 1997 c 429 s 31 are each amended to
5 read as follows:

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

8 (1) "Open space land" means (a) any land area so designated by an
9 official comprehensive land use plan adopted by any city or county and
10 zoned accordingly, or (b) any land area, the preservation of which in
11 its present use would (i) conserve and enhance natural or scenic
12 resources, or (ii) protect streams or water supply, or (iii) promote
13 conservation of soils, wetlands, beaches or tidal marshes, or (iv)
14 enhance the value to the public of abutting or neighboring parks,
15 forests, wildlife preserves, nature reservations or sanctuaries or
16 other open space, or (v) enhance recreation opportunities, or (vi)
17 preserve historic sites, or (vii) preserve visual quality along
18 highway, road, and street corridors or scenic vistas, or (viii) retain
19 in its natural state tracts of land not less than one acre situated in
20 an urban area and open to public use on such conditions as may be
21 reasonably required by the legislative body granting the open space
22 classification, or (c) any land meeting the definition of farm and
23 agricultural conservation land under subsection (8) of this section.
24 As a condition of granting open space classification, the legislative
25 body may not require public access on land classified under (b)(iii) of
26 this subsection for the purpose of promoting conservation of wetlands.

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

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

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

32 (ii) Enrolled in the federal conservation reserve program or its
33 successor administered by the United States department of agriculture;
34 or

35 (iii) Other similar commercial activities as may be established by
36 rule;

1 (b) Any parcel of land that is five acres or more but less than
2 twenty acres devoted primarily to agricultural uses, which has produced
3 a gross income from agricultural uses equivalent to, as of January 1,
4 1993:

5 (i) One hundred dollars or more per acre per year for three of the
6 five calendar years preceding the date of application for
7 classification under this chapter for all parcels of land that are
8 classified under this subsection or all parcels of land for which an
9 application for classification under this subsection is made with the
10 granting authority prior to January 1, 1993; and

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

14 (c) Any parcel of land of less than five acres devoted primarily
15 to agricultural uses which has produced a gross income as of January 1,
16 1993, of:

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

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

26 Parcels of land described in (b)(i) and (c)(i) of this subsection
27 shall, upon any transfer of the property excluding a transfer to a
28 surviving spouse, be subject to the limits of (b)(ii) and (c)(ii) of
29 this subsection.

30 Agricultural lands shall also include such incidental uses as are
31 compatible with agricultural purposes, including wetlands preservation,
32 provided such incidental use does not exceed twenty percent of the
33 classified land and the land on which appurtenances necessary to the
34 production, preparation, or sale of the agricultural products exist in
35 conjunction with the lands producing such products. Agricultural lands
36 shall also include any parcel of land of one to five acres, which is
37 not contiguous, but which otherwise constitutes an integral part of

1 farming operations being conducted on land qualifying under this
2 section as "farm and agricultural lands"; or

3 (d) The land on which housing for employees and the principal
4 place of residence of the farm operator or owner of land classified
5 pursuant to (a) of this subsection is sited if: The housing or
6 residence is on or contiguous to the classified parcel; and the use of
7 the housing or the residence is integral to the use of the classified
8 land for agricultural purposes((;

9 ~~(e) Any parcel of land designated as agricultural land under RCW~~
10 ~~36.70A.170; or~~

11 ~~(f) Any parcel of land not within an urban growth area zoned as~~
12 ~~agricultural land under a comprehensive plan adopted under chapter~~
13 ~~36.70A RCW)).~~

14 (3) "Timber land" means any parcel of land that is five or more
15 acres or multiple parcels of land that are contiguous and total five or
16 more acres which is or are devoted primarily to the growth and harvest
17 of forest crops for commercial purposes. A timber management plan
18 shall be filed with the county legislative authority at the time (a) an
19 application is made for classification as timber land pursuant to this
20 chapter or (b) when a sale or transfer of timber land occurs and a
21 notice of classification continuance is signed. Timber land means the
22 land only.

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

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

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

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

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

36 (a) Land that was previously classified under subsection (2) of
37 this section, that no longer meets the criteria of subsection (2) of

1 this section, and that is reclassified under subsection (1) of this
2 section; or

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

7 **Sec. 8.** RCW 84.34.065 and 1997 c 429 s 33 are each amended to
8 read as follows:

9 The true and fair value of farm and agricultural land, including
10 land classified under section 2 of this act, shall be determined by
11 consideration of the earning or productive capacity of comparable lands
12 from crops grown most typically in the area averaged over not less than
13 five years, capitalized at indicative rates. The earning or productive
14 capacity of farm and agricultural lands shall be the "net cash rental",
15 capitalized at a "rate of interest" charged on long term loans secured
16 by a mortgage on farm or agricultural land plus a component for
17 property taxes. The current use value of land under RCW
18 84.34.020(2)(d) shall be established as: The prior year's average
19 value of open space farm and agricultural land used in the county plus
20 the value of land improvements such as septic, water, and power used to
21 serve the residence. This shall not be interpreted to require the
22 assessor to list improvements to the land with the value of the land.

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

29 For the purposes of the above computation:

30 (1) The term "net cash rental" shall mean the average rental paid
31 on an annual basis, in cash, for the land being appraised and other
32 farm and agricultural land of similar quality and similarly situated
33 that is available for lease for a period of at least three years to any
34 reliable person without unreasonable restrictions on its use for
35 production of agricultural crops. There shall be allowed as a
36 deduction from the rental received or computed any costs of crop
37 production charged against the landlord if the costs are such as are

1 customarily paid by a landlord. If "net cash rental" data is not
2 available, the earning or productive capacity of farm and agricultural
3 lands shall be determined by the cash value of typical or usual crops
4 grown on land of similar quality and similarly situated averaged over
5 not less than five years. Standard costs of production shall be
6 allowed as a deduction from the cash value of the crops.

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

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

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

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

30 **Sec. 9.** RCW 84.40.030 and 1997 c 429 s 34 (Referendum Bill No.
31 47), 1997 c 134 s 1, and 1997 c 3 s 104 are each reenacted and amended
32 to read as follows:

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

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

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

7 The true and fair value of real property for taxation purposes
8 (including property upon which there is a coal or other mine, or stone
9 or other quarry) shall be based upon the following criteria:

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

28 (2) In addition to sales as defined in subsection (1) of this
29 section, consideration may be given to cost, cost less depreciation,
30 reconstruction cost less depreciation, or capitalization of income that
31 would be derived from prudent use of the property. In the case of
32 property of a complex nature, or being used under terms of a franchise
33 from a public agency, or operating as a public utility, or property not
34 having a record of sale within five years and not having a significant
35 number of sales of similar property in the general area, the provisions
36 of this subsection (~~((+2))~~) shall be the dominant factors in valuation.
37 When provisions of this subsection (~~((+2))~~) are relied upon for

1 establishing values the property owner shall be advised upon request of
2 the factors used in arriving at such value.

3 (3) In valuing any tract or parcel of real property, the true and
4 fair value of the land, exclusive of structures thereon shall be
5 determined; also the true and fair value of structures thereon, but the
6 appraised valuation shall not exceed the true and fair value of the
7 total property as it exists. In valuing agricultural land, growing
8 crops shall be excluded.

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

15 Renumber sections consecutively, correct any internal references
16 accordingly, and correct the title.

EFFECT: Removes language from current law that qualifies all land within an agricultural zone located outside the urban growth area for current use valuation. Removes language from current law related to the use of comparable sales on land designated as agricultural land, forest land, and open space land under the growth management act.