

# SENATE BILL REPORT

## 2SHB 2080

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As Reported By Senate Committee On:  
Ways & Means, April 4, 1997

**Title:** An act relating to agricultural lands with long-term commercial significance for the production of food or other agricultural products.

**Brief Description:** Regulating classification of lands with long-term commercial significance.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Parlette, Reams, Mulliken, Chandler and Boldt).

**Brief History:**

**Committee Activity:** Ways & Means: 4/3/97, 4/4/97 [DPA, DNP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Fraser, Hochstatter, McDonald, Rossi, Schow, Swecker, Winsley and Zarelli.

**Minority Report:** Do not pass.

Signed by Senators Brown, Loveland and Thibaudeau.

**Staff:** Terry Wilson (786-7433)

**Background:** The Washington Constitution authorizes, and current law provides, agricultural, timber, and open space lands to be valued on the basis of their current use rather than fair market value for property tax purposes. Current use valuation reduces the taxable value against which taxing districts levy their taxes.

Two programs currently implement this constitutional exception to fair market value: the open space program and the forest land program. There are three categories of land under the open space program: (1) open space lands, (2) farm and agricultural lands, and (3) timber lands. There are two categories of land under the forest land program: classified and designated forest land.

Farm and agricultural lands must be devoted primarily to commercial agricultural purposes. To qualify for classification as farm and agricultural land, land of less than 20 acres must meet income tests for three of the previous five years. For classified farm and agricultural land for which an application was made before January 1, 1993, and that has not been transferred to a new owner since January 1, 1993, farm parcels of less than five acres must generate \$1,000 in farm gross income, and farm parcels of between five and 20 acres must generate \$100 per acre. For other classified farm and agricultural land, farm parcels less than five acres must generate \$1,500 in farm gross income, and farm parcels of between five and 20 acres must generate \$200 per acre.

The land remains in current use classification as long as it continues to be used for the purpose for which it was placed in the current use program. Land is removed from classification under the following circumstances:

- the owner requests its removal;
- a property sale or transfer occurs making the land exempt from property tax;
- the land is transferred or sold to a new owner, unless the new owner signs a notice of classification continuance; or
- the assessor removes the land from the program if the land is no longer devoted to its open space purpose.

When property is removed from current use classification, back taxes plus interest must be paid. Back taxes represent the tax benefit received over the most recent seven years, plus interest at the rate of 12 percent from the time the taxes could have been paid. In addition, a penalty equal to 20 percent of the back taxes and interest is applied. The penalty may be avoided if the property remains in the program for at least ten years and a two-year waiting period after notice of withdrawal is satisfied.

There are some exceptions to the requirement for payment of back taxes. For example, back taxes are not required on the transfer of the land to an entity using the power of eminent domain or in anticipation of the exercise of that power.

**Summary of Amended Bill:** A new classification of land as agricultural land with long-term commercial significance is created in the open space program. To be eligible for the new classification, the lands must be designated agricultural under the Growth Management Act, the land must be devoted primarily to agricultural uses, and the jurisdiction must have a comprehensive plan and land use regulations under the Growth Management Act. The owner must apply with the county assessor for classification.

The valuation of agricultural lands with long-term commercial significance is the lesser of (1) the current use value of farm and agricultural land or (2) one-half of the property's true and fair value.

The land is withdrawn from classification upon change in designation under the Growth Management Act or change in use. When withdrawn, no back taxes, penalties, or interest is paid.

**Amended Bill Compared to Substitute Bill:** The substitute bill allowed the transfer of land classified as farm and agricultural land into the agricultural lands with long-term commercial significance classification without payment of compensating taxes or penalties. The substitute bill was contingent on funding in the budget.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** People have no choice on the use of the property when it is designated as agricultural under the Growth Management Act. They should be entitled to lower valuation and not have to pay penalties when the designation is changed. It is not the intent of the bill to let currently classified agricultural lands escape taxes by transferring in to the new classification.

**Testimony Against:** None.

**Testified:** Representative Parlette, prime sponsor (pro).