

# FINAL BILL REPORT

## HB 1554

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C 57 L 05

Synopsis as Enacted

**Brief Description:** Clarifying the definition of "farm and agricultural land" for purposes of current use property taxation.

**Sponsors:** By Representatives Morrell, Buri, Grant, Holmquist, Newhouse, McDonald, Conway, Blake, Quall, Linville and Miloscia.

**House Committee on Finance**

**Senate Committee on Agriculture & Rural Economic Development**

**Background:**

Most property is valued or assessed at its true and fair, or highest and best, value for purposes of imposing property taxes. The state Constitution, however, allows the Legislature to enact legislation assessing certain types of real property at its present or current use for purposes of imposing property taxes. Two programs of current use valuation have been established: one program for forest lands and a second program that includes open space lands, farm and agricultural lands, and timber lands.

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 of 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.

Department of Revenue rules adopted to administer the open space current use laws require cash income from agricultural production in order to meet the income requirement of the farm and agriculture current use program.

**Summary:**

Participants in the farm and agricultural current use property program may use the wholesale value of agricultural products donated to nonprofit food banks and feeding programs to satisfy the farm income test.

**Votes on Final Passage:**

House 98 0

Senate 49 0

**Effective:** July 24, 2005