

# FINAL BILL REPORT

## EHB 1815

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### C 513 L 09

Synopsis as Enacted

**Brief Description:** Concerning current use valuation under the property tax open space program.

**Sponsors:** Representatives Sullivan, Orcutt, Hinkle, Simpson, Blake, Kristiansen, Haigh, Ericks, Van De Wege, Hope, Newhouse, Roach, Armstrong, Morrell, Takko, Campbell, McCune and Rolfes.

**House Committee on Finance**  
**Senate Committee on Agriculture & Rural Economic Development**  
**Senate Committee on Ways & Means**

#### **Background:**

Most property is valued or assessed at its true and fair, or highest and best, value for the purposes of imposing property taxes. However, the state Constitution 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. 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.

Department of Revenue (DOR) rules, adopted to administer the open space current use laws, require that the income be from commercial agricultural production in order to meet the income requirement. Commercial agricultural activities include: raising, harvesting, and selling lawful crops; feeding, breeding, managing, and selling of livestock, poultry, fur-bearing animals, or honey bees; dairying or selling of dairy products, animal husbandry, aquaculture, horticulture, participating in a government-funded crop reduction or acreage set-aside program, or intensive cultivation of Christmas trees or short-rotation hardwoods.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

If the property no longer satisfies the criteria for classification, the assessor notifies the owner in writing that the property will be removed from the program. When the property is removed from current use classification, back taxes plus interest must be paid. For open space categories, back taxes represent the tax benefit received over the most recent seven years. There are some exceptions to the requirement for payment of back taxes.

**Summary:**

A five to 20 acre parcel of land planted in Christmas trees, vineyards, fruit trees, or other perennial crops is eligible for current use valuation under the farm and agriculture program if crops are expected to be harvested within seven years. Parcels of five to 20 acres planted in short rotation hardwoods that are expected to be harvested in 15 years are also eligible. To be eligible, at least \$100 per acre of investment in crop production must be made in the current or previous year.

When the assessor notifies the property owner that property has been removed from current use assessment the assessor will also provide information on appeal procedures, including timelines, petition forms, and county Board of Equalization contact information.

**Votes on Final Passage:**

House	95	0	
Senate	48	0	(Senate amended)
House	93	0	(House concurred)

**Effective:** July 26, 2009