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**Finance Committee**

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**HB 2306**

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

**Sponsors:** Representatives Lytton, Morris and Blake.

**Brief Summary of Bill**

- Allows non-adjoining multiple parcels to be combined to meet the 20 acre threshold for current use valuation under the farm and agricultural classification as long as the parcels are part of a single, integrated farming operation.
- Clarifies that individual parcels combining to meet the 20 acre threshold for current use valuation under the farm and agricultural classification do not have to directly produce gross income as long as the single, integrated farming operation generates cash income by producing one or more agricultural products.
- Allows land included in the implementation of a work plan under the state voluntary stewardship program to qualify as farm and agricultural land.
- Increases the 20 percent cap on incidental uses for farm and agricultural land to 25 percent.
- Clarifies the use of housing and principal residences qualifying for current use valuation where the housing or residence relates to the operation of farm and agricultural lands.

**Hearing Date:** 1/21/14

**Staff:** Jeff Mitchell (786-7139).

**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.

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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.*

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 is on or contiguous to the classified parcel and integral to the use of the classified 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.

In 2011 the Voluntary Stewardship Program (VSP) was enacted. The VSP uses incentives to promote agricultural and environmental stewardship. The 28 counties participating in the program are eligible for funding for base stewardship program operations and may nominate specific watersheds as priority watersheds for additional incentives and project funding. The Washington State Conservation Commission provides administrative oversight for the VSP.

### **Summary of Bill:**

Multiple parcels that are not adjoining may be combined to meet the 20 acre requirement for farm and agricultural land if the parcels are all part of a single, integrated farming operation.

For farm and agricultural land meeting the 20 acre threshold, it is clarified that individual parcels do not have to directly generate income as long as the single, integrated farming operation generates cash income by producing one or more agricultural products.

Land included in the implementation of a work plan under the VSP may qualify as farm and agricultural land, similar to land enrolled in the Federal Conservation Reserve Program.

The 20 percent cap for classified land with incidental uses is increased to 25 percent.

With respect to housing or a principal place of residence qualifying for farm and agricultural, the integral requirement is replaced with a more specific requirement that housing must be used for employees working on the classified land and a residence must be used to conduct the farming business.

**Appropriation:** None.

**Fiscal Note:** Requested on 1/17/2014.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.