

# SENATE BILL REPORT

## SB 5327

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As of February 13, 2013

**Title:** An act relating to small farms under the current use property tax program for farm and agricultural lands.

**Brief Description:** Concerning small farms under the current use property tax program for farm and agricultural lands.

**Sponsors:** Senators Fraser, Hobbs and Becker.

**Brief History:**

**Committee Activity:** Agriculture, Water & Rural Economic Development: 2/04/13.

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### SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

**Staff:** Bob Lee (786-7404)

**Background:** The Open Space Taxation Act allows for current use valuation of qualifying agricultural land. The three categories are based on the size of the agricultural parcel:

- Parcels 20 acres and larger must be devoted primarily to agricultural production.
- Parcels between five and 20 acres must generate gross income from the sale of farm products of \$200 or more per acre in three of each five-year period.
- Parcels that are five acres and under, must generate gross income from the sale of farm products of at least \$1,500 per year in three of each five-year period.

For parcels 20 acres and larger, lands for the housing of farm and agricultural employees and the principal residence of the farm operator or owner are considered an integral part of the farm, and the land is valued at the agricultural current use value. For parcels under 20 acres, the land where the house is situated is valued at fair market value, while the remainder of the parcel is valued at current use value.

**Summary of Bill:** For parcels that are in the five acre and under category, or in the five to 20 acre category, the land upon which employee housing or the residence of the farm operator or owner is located, is valued at current use value rather the fair market value. However, land may not be classified as farm and agricultural lands if the land is tidelands or any parcel of land adjacent to tidelands that is under 20 acres upon which the sole agricultural activity is aquaculture.

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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.*

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** None.

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

**Staff Summary of Public Testimony:** PRO: The goal is to help make very small farms be viable. The fiscal impact is low in each county. Small farms are a growing part of the local economy and are an essential part of food security. Small farms that grow high value nursery crops do not presently qualify for having the home site valued according to the current use of the surrounding farm land. This bill will support the local food economy. There is pressure on retaining farms in urbanizing areas and this bill will help keep it in agricultural use.

CON: This represents a tax shift of \$7.5 million per year. There can be only so many tax shifts onto other folks. It would not take much agricultural production for a small farm to qualify for this preferential tax treatment. The bill treats shellfish growers unfairly.

**Persons Testifying:** PRO: Leslie Cushman, Nancy Laich, Heather Hansen, WA State Nursery and Landscape Assn.; Steven Drew, Thurston County Assessor; Karen Valenzuala, Thurston County Commissioner; Diane Grace, Loretta Seppanen, South of Sound Community Farm Land Trust; Holli Johnson, WA State Grange; Steve Hallstrom, Let Us Farm LLC; David Muehleisen, The Evergreen State College; James Goche, Friendly Grove Farm; Josh Giuntolie, WA State Conservation Commission; E Zita, Thurston County Agriculture Advisory Board.

CON: Diane Dorey, Monty Cobb, WA State Assn. of County Assessors; Jim Jesernig, Pacific Coast Shellfish Growers.