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**Finance Committee**

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**HB 1544**

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

**Sponsors:** Representatives Doglio, Pike, Blake, McBride, Hudgins, Tharinger, Chapman, Macri and Lovick.

**Brief Summary of Bill**

- Allows homesites on agricultural or equestrian parcels less than 20 acres qualify for current use valuation.

**Hearing Date:** 1/31/17

**Staff:** Richelle Geiger (786-7139).

**Background:**

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The Washington Constitution authorizes qualifying agricultural, timber, and open space lands to be valued on the basis of their current use rather than fair market value.

Currently a homesite, defined as land under a residential structure, on farm and agricultural land that is 20 acres or more can be eligible for current use valuation if the residence is integral to the operation of the farm and agricultural land as employee housing or the principal place of residence of the farm operator or owner.

**Summary of Bill:**

Homesites on classified land that is less than 20 acres and that is devoted primarily to agricultural uses (agricultural land) or used for equestrian related activities (equestrian land) can enter the current use valuation program if certain criteria are met.

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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 agricultural land is less than 5 acres, the land must produce a gross income of \$10,000 or more per year for three of the five years preceding the date of the application for classification.

If equestrian land is less than 5 acres, the land must produce a gross income of \$1,500 for three of the five years preceding the date of the application for classification.

If the agricultural or equestrian land is at least 5 acres but less than 20 acres, the land must:

- produce an annual gross income from agriculture or equestrian related activities of \$200 or more per acre for three of the five calendar years preceding the date of application for classification; or
- have standing crops with an expected income within seven years and can produce an investment in the production of crops equivalent to \$100 or more per acre in the current or previous calendar year.

The Department of Revenue is directed to develop guidance for administration of the new current use provisions in consultation with stakeholders by December 31, 2017.

**Appropriation:** None.

**Fiscal Note:** Available.

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