

HOUSE BILL REPORT

HB 1544

As Reported by House Committee On: Finance

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

Brief History:

Committee Activity:

Finance: 1/31/17, 2/14/17 [DPS].

Brief Summary of Substitute Bill

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

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Dolan, Pollet, Springer, Stokesbary, Wilcox and Wylie.

Minority Report: Do not pass. Signed by 1 member: Representative Condotta.

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

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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 Substitute Bill:

Homesites on classified land that are less than 20 acres and that are devoted primarily to agricultural uses (agricultural land), or used for equestrian related activities (equestrian land), can enter the current use valuation program if the land produces a gross income of \$5,000 or more per year for three of the five years preceding the date of the application for classification.

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.

Substitute Bill Compared to Original Bill:

The income requirement for agricultural land and equestrian land less than 20 acres is changed to \$5,000 or more per year for three of the five years preceding the date of the application for classification.

The income requirements in the original bill are as follows:

Agricultural land less than 5 acres 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.

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

Agricultural or equestrian land at least 5 acres but less than 20 acres 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.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Under current law, small farms are not permitted to have a homesite valued at current use like larger farms. This bill brings parity between farms of all sizes. The state's agricultural economy is stronger with diverse farms of all shapes and sizes.

The property taxation is burdensome to small farmers trying to make ends meet, especially farms in suburban and urban areas. Things are getting tougher for small agricultural operations, and this bill provides a bit of relief.

The bill has evolved and been improved over a few legislative sessions.

(Opposed) None.

Persons Testifying: Representative Doglio, prime sponsor; Brad Tower, Washington Christmas Tree Growers; Heather Hanson, Washington State Nursery and Landscape Association; and James Johnson, Johnson Berry Farm.

Persons Signed In To Testify But Not Testifying: None.