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SENATE BILL 6209

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State of Washington

55th Legislature

1998 Regular Session

By Senators Prince and Loveland

Read first time 01/13/98. Referred to Committee on Government Operations.

1 AN ACT Relating to current use taxation; amending RCW 84.34.065;  
2 reenacting and amending RCW 84.40.030; adding a new section to chapter  
3 84.34 RCW; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 84.34 RCW  
6 to read as follows:

7 (1) When a county has adopted a comprehensive plan under chapter  
8 36.70A RCW and has zoned certain land not within an urban growth area  
9 as agricultural land or has designated land as agricultural land under  
10 RCW 36.70A.170, the county legislative authority shall promptly notify  
11 the assessor that the land has been zoned or designated accordingly.

12 (2) Within thirty days of receiving a notice under subsection (1)  
13 of this section, the assessor shall notify owners of land within these  
14 areas that the owners may participate in the open space taxation  
15 program, also known as the current use program, in the farm and  
16 agricultural classification and have the land valued as provided in  
17 this chapter. This notice must include an explanation of all  
18 requirements imposed on land classified as farm and agricultural land.

1 The assessor shall include an application for the farm and agricultural  
2 classification with this notice.

3 (3) If the landowner wants to participate in the current use  
4 program, the owner must return the completed application and all other  
5 required documentation to the assessor within forty-five days of the  
6 date the assessor mailed the original notice about eligibility for the  
7 current use program. Because the land was designated or zoned as  
8 "agricultural land" under chapter 36.70A RCW, an application for  
9 classification under these circumstances is presumed approved unless  
10 the land is not being used for commercial agricultural purposes. If  
11 the land does not qualify for classification, the assessor shall notify  
12 the owner of this fact and the owner may appeal the denial of  
13 classification to the county board of equalization. This appeal must  
14 be submitted to the board within thirty days of the date the notice is  
15 mailed. If the land has been classified as farm and agricultural land  
16 under this chapter, it must be valued in accordance with that chapter.

17 (4) If the landowner chooses not to participate in the current use  
18 program, the land must be valued in accordance with chapter 84.40 RCW.

19 **Sec. 2.** RCW 84.34.065 and 1997 c 429 s 33 are each amended to read  
20 as follows:

21 The true and fair value of farm and agricultural land (~~shall be~~  
22 ~~determined by consideration of the earning or productive capacity of~~  
23 ~~comparable lands from crops grown most typically in the area averaged~~  
24 ~~over not less than five years, capitalized at indicative rates. The~~  
25 ~~earning or productive capacity of farm and agricultural lands shall be~~  
26 ~~the "net cash rental", capitalized at a "rate of interest" charged on~~  
27 ~~long term loans secured by a mortgage on farm or agricultural land plus~~  
28 ~~a component for property taxes. The current use value of land under~~  
29 ~~RCW 84.34.020(2)(d) shall be established as: The prior year's average~~  
30 ~~value of open space farm and agricultural land used in the county plus~~  
31 ~~the value of land improvements such as septic, water, and power used to~~  
32 ~~serve the residence. This shall not be interpreted to require the~~  
33 ~~assessor to list improvements to the land with the value of the land.~~

34 In valuing any tract or parcel of real property designated and  
35 zoned under a comprehensive plan adopted under chapter 36.70A RCW as  
36 agricultural, forest, or open space land, the appraisal shall not be  
37 based on similar sales of parcels that have been converted to

1 nonagricultural, nonforest, or nonopen space uses within five years  
2 after the sale.

3 For the purposes of the above computation:

4 (1) The term "net cash rental" shall mean the average rental paid  
5 on an annual basis, in cash, for the land being appraised and other  
6 farm and agricultural land of similar quality and similarly situated  
7 that is available for lease for a period of at least three years to any  
8 reliable person without unreasonable restrictions on its use for  
9 production of agricultural crops. There shall be allowed as a  
10 deduction from the rental received or computed any costs of crop  
11 production charged against the landlord if the costs are such as are  
12 customarily paid by a landlord. If "net cash rental" data is not  
13 available, the earning or productive capacity of farm and agricultural  
14 lands shall be determined by the cash value of typical or usual crops  
15 grown on land of similar quality and similarly situated averaged over  
16 not less than five years. Standard costs of production shall be  
17 allowed as a deduction from the cash value of the crops.

18 The current "net cash rental" or "earning capacity" shall be  
19 determined by the assessor with the advice of the advisory committee as  
20 provided in RCW 84.34.145, and through a continuing internal study,  
21 assisted by studies of the department of revenue. This net cash rental  
22 figure as it applies to any farm and agricultural land may be  
23 challenged before the same boards or authorities as would be the case  
24 with regard to assessed values on general property.

25 (2) The term "rate of interest" shall mean the rate of interest  
26 charged by the farm credit administration and other large financial  
27 institutions regularly making loans secured by farm and agricultural  
28 lands through mortgages or similar legal instruments, averaged over the  
29 immediate past five years.

30 The "rate of interest" shall be determined annually by a rule  
31 adopted by the department of revenue and such rule shall be published  
32 in the state register not later than January 1 of each year for use in  
33 that assessment year. The department of revenue determination may be  
34 appealed to the state board of tax appeals within thirty days after the  
35 date of publication by any owner of farm or agricultural land or the  
36 assessor of any county containing farm and agricultural land.

37 (3) The "component for property taxes" shall be a figure obtained  
38 by dividing the assessed value of all property in the county into the  
39 property taxes levied within the county in the year preceding the

1 ~~assessment and multiplying the quotient obtained by one hundred)),~~  
2 including land granted classification under RCW 84.34.020(2) (e) and  
3 (f), shall be determined by consideration of the earning or productive  
4 capacity of comparable lands from crops grown most typically in the  
5 area averaged over not less than five years, capitalized at indicative  
6 rates. The earning or productive capacity of farm and agricultural  
7 lands shall be the "net cash rental," capitalized at a "rate of  
8 interest" charged on long-term loans secured by a mortgage on farm or  
9 agricultural land plus a component for property taxes. The current use  
10 value of land under RCW 84.34.020(2)(d) shall be established as the  
11 prior year's average value of open space farm and agricultural land  
12 used in the county plus the value of land improvements such as septic,  
13 water, and power used to serve the residence. This section shall not  
14 be interpreted to require the assessor to list improvements to the land  
15 with the value of the land.

16 **Sec. 3.** RCW 84.40.030 and 1997 c 429 s 34 (Referendum Bill No.  
17 47), 1997 c 134 s 1, and 1997 c 3 s 104 are each reenacted and amended  
18 to read as follows:

19 All personal property shall be valued at one hundred percent of its  
20 true and fair value in money and assessed (~~on the same basis~~) as  
21 provided in RCW 82.40.0305 unless specifically provided otherwise by  
22 law.

23 (~~All real property shall be appraised at one hundred percent of~~  
24 ~~its true and fair value in money and assessed as provided in RCW~~  
25 ~~84.40.0305 unless specifically provided otherwise by law.))~~

26 Taxable leasehold estates shall be valued at such price as they  
27 would bring at a fair, voluntary sale for cash without any deductions  
28 for any indebtedness owed including rentals to be paid.

29 The true and fair value of real property for taxation purposes  
30 (including property upon which there is a coal or other mine, or stone  
31 or other quarry and all land that falls within the definition farm and  
32 agricultural land under RCW 84.34.020(2) (e) and (f) for which the  
33 landowner has chosen not to or that is not eligible to participate in  
34 the current use program) shall be based upon the following criteria:

35 (1) Any sales of the property being appraised or similar properties  
36 with respect to sales made within the past five years. The appraisal  
37 shall be consistent with the comprehensive land use plan, development  
38 regulations under chapter 36.70A RCW, zoning, and any other

1 governmental policies or practices in effect at the time of appraisal  
2 that affect the use of property, as well as physical and environmental  
3 influences. (~~An assessment may not be determined by a method that~~  
4 ~~assumes a land usage not permitted, for that property being appraised,~~  
5 ~~under existing zoning or land use planning ordinances or statutes.))  
6 The appraisal shall also take into account: (a) In the use of sales by  
7 real estate contract as similar sales, the extent, if any, to which the  
8 stated selling price has been increased by reason of the down payment,  
9 interest rate, or other financing terms; and (b) the extent to which  
10 the sale of a similar property actually represents the general  
11 effective market demand for property of such type, in the geographical  
12 area in which such property is located. Sales involving deed releases  
13 or similar seller-developer financing arrangements shall not be used as  
14 sales of similar property.~~

15 (2) In addition to sales as defined in subsection (1) of this  
16 section, consideration may be given to cost, cost less depreciation,  
17 reconstruction cost less depreciation, or capitalization of income that  
18 would be derived from prudent use of the property. In the case of  
19 property of a complex nature, or being used under terms of a franchise  
20 from a public agency, or operating as a public utility, or property not  
21 having a record of sale within five years and not having a significant  
22 number of sales of similar property in the general area, the provisions  
23 of this subsection (~~((2))~~) shall be the dominant factors in valuation.  
24 When provisions of this subsection (~~((2))~~) are relied upon for  
25 establishing values the property owner shall be advised upon request of  
26 the factors used in arriving at such value.

27 (3) In valuing any tract or parcel of real property, the true and  
28 fair value of the land, exclusive of structures thereon shall be  
29 determined; also the true and fair value of structures thereon, but the  
30 appraised valuation shall not exceed the true and fair value of the  
31 total property as it exists. In valuing agricultural land, growing  
32 crops shall be excluded.

33 (~~((4) In valuing any tract or parcel of real property designated~~  
34 ~~and zoned under a comprehensive plan adopted under chapter 36.70A RCW~~  
35 ~~as agricultural, forest, or open space land, the appraisal shall not be~~  
36 ~~based on similar sales of parcels that have been converted to~~  
37 ~~nonagricultural, nonforest, or nonopen space uses within five years~~  
38 ~~after the sale.))~~

1        NEW SECTION.   **Sec. 4.**   This act is effective for taxes levied for  
2   collection in 1999 and thereafter.

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