

SENATE BILL REPORT

SB 5814

As of March 28, 2011

Title: An act relating to extending current use valuation to the residential property of small farms that is integral to the use of classified land for agricultural purposes.

Brief Description: Extending current use valuation to the residential property of small farms that is integral to the use of classified land for agricultural purposes.

Sponsors: Senators Fraser, Honeyford, Shin, Swecker, Haugen and King.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/17/11.

SENATE COMMITTEE ON AGRICULTURE & 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 from in three of each five-year period.

For parcels of 20 acres and larger, land that the housing for farm and agricultural employees and the principal residence of the farm operator or owner are considered as an integral part of the farm, and the land is valued at the agricultural current use value.

For parcels under 20 acres, the land that 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, and parcels in five to 20 acre category, the land upon which employee housing or residence of the farm operator or owner is located is valued at current use value rather the fair market value.

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.

To satisfy the gross income requirements for parcels under 20 acres, products may only include horticultural products, floricultural products, plant cultivation products, viticultural products, fruit and vegetable products, and poultry and egg products.

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: Small farmers work very hard and sell at local farmers markets and through community supported agricultural programs. But their farms are often located on high value land near cities. The land that they farm is valued at current agricultural use but the portion of the parcel upon which the residence is located is valued at market value. By contrast, the portion of the parcel upon which the farm residence on large farms are located has more favorable treatment and is valued at the same per acre value as the surrounding farm land. As market values increase near cities, the difference in treatment becomes more significant and works to the financial detriment of the small farmers. Small farms should be granted the same treatment as larger farms.

CON: The legislation grants a reduction in property values and results in a significant tax shift to other residents in the same taxing district. It also reduces revenue collected to support local governments and the state. There are questions about how this would be implemented without opening it up for abuse.

Persons Testifying: PRO: Leslie Cushman, self; Nancy Laich, Julie Puhich,, Dick Bergenod, Common Ground Farm; Otis Bell, Phoenix Farm; Holli Johnson, WA State Grange; Ron Shultz, Washington State Conservation Commission.

CON: Debbie Wilke, Washington State Association of County Assessors.