

# SENATE BILL REPORT

## SB 5646

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As of February 24, 1997

**Title:** An act relating to including land and structures used in farming operations in definition of "farm and agricultural land".

**Brief Description:** Including land and structures used for farming operation in definition of "farm and agricultural land" for tax purposes.

**Sponsors:** Senators Prince, Hochstatter, Morton and Roach.

**Brief History:**

**Committee Activity:** Agriculture & Environment: 2/25/97.

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### SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

**Staff:** Richard Duggan (786-7414)

**Background:** In 1968, the people of this state adopted the 53<sup>rd</sup> amendment to the state Constitution. The amendment established an exception to the Article VII guarantee of uniform taxation which allowed taxation of farms, agricultural lands, standing timber and timberlands, and other open space lands on a basis different from other lands. Instead of evaluating those lands based on their highest and best use, taxation on the basis of current use was authorized.

Current use valuation was introduced into the tax code of this state in 1970. The eligible property was defined at that time as "farm and agricultural land," open space land," and "timber land." Included in the definition of agricultural land was "land on which appurtenances necessary to the production, preparation, or sale of the agricultural products exist in conjunction with the lands producing such products."

In an extensive revision of the current use tax law in 1992, the Legislature extended that definition to include land on which a farm owner or operator had a principal residence and employee housing was located. To qualify, the use of these residential structures was required to be integral to the use of contiguous property already recognized as farm and agricultural land. The 1992 amendments preserved the distinction between land and improvements, which has been observed since the inception of the current use program. The newly extended definition was supplemented by the inclusion of septic, water, and power improvements in value computations. Interpretation of the amendments as requiring inclusion of other improvements was specifically repudiated.

**Summary of Bill:** Structures, such as commodity storage and handling facilities, are made eligible for current use tax treatment if they are located on land qualifying as farm and agricultural land and are used for purposes integral to the farm operation.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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