

# HOUSE BILL REPORT

## EHB 1815

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### As Passed House:

March 6, 2009

**Title:** An act relating to current use valuation under the property tax open space program.

**Brief Description:** Concerning current use valuation under the property tax open space program.

**Sponsors:** Representatives Sullivan, Orcutt, Hinkle, Simpson, Blake, Kristiansen, Haigh, Ericks, Van De Wege, Hope, Newhouse, Roach, Armstrong, Morrell, Takko, Campbell, McCune and Rolfes.

### Brief History:

#### Committee Activity:

Finance: 2/24/09, 3/2/09 [DP].

#### Floor Activity

Passed House: 3/6/09, 95-0.

### Brief Summary of Engrossed Bill

- Makes five to 20 acre parcels of land with standing crops that have an expectation of harvest within 15 years eligible for current use valuation under the farm and agriculture program.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

**Staff:** Rick Peterson (786-7150)

### Background:

Most property is valued or assessed at its true and fair, or highest and best, value for the purposes of imposing property taxes. However, the state Constitution allows the Legislature to enact legislation assessing certain types of real property at its present or current use for

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purposes of imposing property taxes. Two programs of current use valuation have been established: one program for forest lands and a second program that includes open space lands, farm and agricultural lands, and timber lands.

Farm and agricultural lands must be devoted primarily to commercial agricultural purposes. To qualify for classification as farm and agricultural land, land of less than 20 acres must meet income tests for three of the previous five years. Applications made before January 1, 1993 and that has not been transferred to a new owner since January 1, 1993, must generate \$1,000 in farm gross income for parcels of less than five acres, and farm parcels between five to 20 acres must generate \$100 per acre. For other classified farm and agricultural land, farm parcels less than five acres must generate \$1,500 in farm gross income, and farm parcels of between five and 20 acres must generate \$200 per acre.

The Department of Revenue (DOR) rules, adopted to administer the open space current use laws, require that the income be from commercial agricultural production in order to meet the income requirement. Commercial agricultural activities include: raising, harvesting, and selling lawful crops; feeding, breeding, managing, and selling of livestock, poultry, fur-bearing animals, or honey bees; dairying or selling of dairy products, animal husbandry, aquaculture, horticulture, participating in a government-funded crop reduction or acreage set-aside program, or intensive cultivation of Christmas trees or short-rotation hardwoods.

If the property no longer satisfies the criteria for classification, the assessor notifies the owner in writing that the property will be removed from the program. When the property is removed from current use classification, back taxes plus interest must be paid. For open space categories, back taxes represent the tax benefit received over the most recent seven years. There are some exceptions to the requirement for payment of back taxes.

**Summary of Engrossed Bill:**

A five to 20 acre parcel of land with standing crops that have an expectation of harvest within 7 years or 15 years, in the case of short rotation hardwoods, is eligible for current use valuation under the farm and agriculture program if at least \$100 or more per acre of investment is made in the current or previous year.

When the assessor notifies the property owner that the property no long qualifies for current use assessment, then the assessor will provide information on appeal procedures, including timelines, petition forms, and county board of equalization contact information.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) Christmas trees are a vibrant part of the wide variety of Washington agriculture products. The open space program is a great fit for Christmas trees. Christmas tree farms are good neighbors. They tend to be located near population centers. It takes about seven years to raise a full-grown Christmas tree. The work around that is suggested to landowners is to change the classification of the land until an income can be earned. We feel that this is unnecessary. The land is being used for an agricultural purpose and should be in the agricultural program.

(With concerns) The 15 year allowance is too long for Christmas trees. Seven years would be more reasonable for Christmas trees.

(Opposed) The 15 year allowance is eight years longer than the county can collect back taxes. When we speak of current use that means that the use existed for three of the five years prior to application and subsequent to the application. This program is not for those who plan to do agriculture sometime in the future.

**Persons Testifying:** (In support) Brad Tower, Washington Christmas Tree Growers; and Bob Moore, Double Four Tree Farm.

(With concerns) Patricia Costello, Thurston County Assessor.

(Opposed) Robert Carlton, Washington Association of County Officials.

**Persons Signed In To Testify But Not Testifying:** None.