

SENATE BILL REPORT

SHB 1261

As Reported by Senate Committee On:
Agriculture & Natural Resources, March 24, 2025
Ways & Means, April 8, 2025

Title: An act relating to providing tax relief for certain incidental uses on open space land.

Brief Description: Providing tax relief for certain incidental uses on open space land.

Sponsors: House Committee on Finance (originally sponsored by Representatives Low, Berg, Peterson and Nance).

Brief History: Passed House: 3/7/25, 97-0.

Committee Activity: Agriculture & Natural Resources: 3/17/25, 3/24/25 [DP-WM].
Ways & Means: 4/03/25, 4/08/25 [DP, w/oRec].

Brief Summary of Bill

- Adds the wholesale value of agricultural products sold to the consumers participating in harvest-your-own operations to the definition of income for the open space farm and agriculture land classification.
- Adds definitions of appurtenance and incidental use.
- Reduces the penalty for removal of classified open space farm and agricultural land from the amount of tax otherwise due for the past seven years to the past four years.

SENATE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Chapman, Chair; Krishnadasan, Vice Chair; Short, Ranking Member; Liias, Muzzall, Saldaña, Schoesler, Shewmake and Wagoner.

Staff: Jeff Olsen (786-7428)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Gildon, Ranking Member, Operating; Torres, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Dozier, Assistant Ranking Member, Capital; Boehnke, Braun, Cleveland, Conway, Dhingra, Hansen, Kauffman, Muzzall, Pedersen, Riccelli, Saldaña, Wagoner, Warnick, Wellman and Wilson, C..

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Tianyi Lan (786-7432)

Background: Most property is valued or assessed at its highest and best use value for the purposes of imposing property taxes. The Washington State Constitution allows the Legislature to enact legislation assessing certain types of real property at its present or current use for 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.

To qualify for the Open Space Program, farm and agricultural lands must be 20 or more acres and devoted primarily to commercial agricultural purposes or enrolled in the federal Conservation Reserve Program. Parcels of land less than 20 acres devoted primarily to agriculture may qualify for the Current Use Valuation Program if certain income tests are met. Farm and agricultural land also includes certain incidental uses compatible with agricultural purposes, provided such use does not exceed 20 percent of the classified land.

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.

Tax preferences confer reduced tax liability upon a designated class of taxpayers. These include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Summary of Bill: The wholesale value of agricultural products sold to consumers

participating in harvest-your-own operations is added to the definition of income that qualifies land for the open space farm and agricultural land classification.

Land classified as open space farm and agricultural land upon which an existing appurtenance is located may not be removed from classification as a result of minor upgrades and alterations including the addition of a cement pad, plumbing, or electrical. Land may also not be removed from open space farm and agricultural classification due to limited compatible uses including educational and recreational farming programs, seasonal farm festivals, and celebratory gatherings such as weddings. The land can be removed from open space farm and agricultural classification if:

- retaining the classification of the land exceeds the 20 percent incidental use limitation; or
- the upgraded or altered structure no longer meets the definition of appurtenance.

An existing appurtenance does not include a newly constructed structure or major redevelopment of an existing structure.

Beginning September 1, 2025, the additional tax penalty amount for open space farm and agricultural land classification removal is reduced to four years of back taxes.

The tax preference is exempt from the tax preference expiration date and TPPS requirements.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony (Agriculture & Natural Resources): PRO: Due to high property taxes, many farmers are under pressure to convert their farms. Washington needs to preserve farms, and clarifying certain incidental uses that are allowed is necessary. Several farms in Snohomish County were assessed back taxes for conducting agrotourism activities. This bill provides clarity about what activities are allowed. The refund process has been removed from the bill and other clarifying changes have been made to improve implementation of the bill. This is a step in the right direction and allows smaller farms to diversify their income while maintaining the primary use of the land in agriculture.

Persons Testifying (Agriculture & Natural Resources): PRO: Representative Sam Low, Prime Sponsor; Brad Tower, Washington Christmas Tree Growers; Linda Neunzig, Snohomish County; Scott Luckie, Luckie Farms.

Persons Signed In To Testify But Not Testifying (Agriculture & Natural Resources):
No one.

Staff Summary of Public Testimony (Ways & Means): PRO: The activities currently allowed for the current use program is limited. The bill updates the state tax code to provide farmers an opportunity to use the program.

The bill provides financial predictability for farmers in Snohomish County by clarifying the open space tax statutes. Farmers are diversifying their operations to cope with rising costs. The statute does not specify what incidental uses are allowable. Protecting and incentivizing the agricultural community to remain local is of utmost importance to our country. The bill is an important step to ensure the long-term viability.

Persons Testifying (Ways & Means): PRO: Brad Tower, Washington Christmas Tree Growers; Megan Dunn, Snohomish County.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.