

July 2018

Revenue and Transportation Interim Committee
Megan Moore, Research Analyst

HJ 22: IDAHO AND WASHINGTON INFO REQUEST

BACKGROUND

The committee requested additional information about how Idaho and Washington determine eligibility for agricultural property valuation, especially for smaller parcels of property. The request is for the House Joint Resolution 22 study of agricultural property classification and valuation.

An [overview](#) prepared for the study and presented in December 2017 provides information on eligibility for agricultural valuation in Idaho, North Dakota, South Dakota, and Wyoming. This report includes additional detail about Idaho's practices and new information about Washington's laws with a focus on eligibility for small parcels.

IDAHO

Idaho exempts the speculative portion of the value of agricultural land for land actively devoted to agriculture, which includes production of field crops or nursery stock, use for grazing of livestock, and enrollment in a cropland retirement or rotation program.

Parcels that are 5 contiguous acres or larger are not required to meet income requirements. Parcels of 5 contiguous acres or less must have been actively devoted to agriculture during the last 3 growing seasons and must produce agriculturally:

- for sale or home consumption the equivalent of 15% or more of the owner's or lessee's annual gross income; or
- gross revenues in the preceding year of \$1,000 or more.¹

An administrative rule requires annual certification of income.²

Research did not indicate a minimum parcel size requirement or provisions specific to agricultural land used for fruit trees or vines.

WASHINGTON

The state of Washington values farm and agricultural land based on current use of the property and does not consider potential uses of the property.³ Farm and agricultural land is defined in three general categories:

¹ Idaho Statutes, [Section 63-604](#).

² Idaho Administrative Code 35.01.03c.

³ RCW 84.34.060. Washington also has a definition for open space land that is subject to its own classification rules and is valued based on a public benefit rating system.

HJ 22: Idaho and Washington Info Request

Revenue and Transportation Interim Committee

Megan Moore, Research Analyst

- Parcels of 20 acres or more or multiple contiguous parcels that total 20 or more acres and that are devoted primarily to the production of livestock or agricultural commodities for commercial purposes or are enrolled in the federal conservation reserve program or its successor;
- Parcels of 5 acres or more and less than 20 acres, devoted primarily to agricultural uses, and:
 - produced gross income from agricultural use equivalent to \$200⁴ or more per acre per year for 3 of the 5 calendar years preceding the date of application for all parcels of land that are classified as agricultural, including the value of products donated to nonprofit food banks or feeding programs; or
 - has standing crops with an expectation of harvest within 7 years and a demonstrable investment in the production of those crops equivalent to \$100 or more per acre in the current or previous calendar year. Standing crops include Christmas trees, vineyards, fruit trees, or other perennial crops that are planted using agricultural methods normally used in the commercial production of that particular crop and typically do not produce harvestable quantities in the initial years after planting, and short rotation hardwoods with an expectation of harvest within 15 years.
- Parcels of less than 5 acres, devoted primarily to agricultural use, and that produced a gross income of \$1,500⁵ or more for 3 of the 5 calendar years preceding the date of application for all parcels classified as agricultural.⁶

Washington law requires an application to the county assessor for farm and agricultural classification⁷ and the city or county legislative authority may require a processing fee that covers processing costs of the application.⁸

Once farm and agricultural classification is granted, the land must be classified as such for at least 10 years from the date of classification unless withdrawn from classification.⁹ The land is considered to be withdrawn from classification upon request of the owner, upon sale of the property if the new owner does not sign a notice of classification continuance, or upon determination by the assessor that the land no longer meets the criteria for agricultural classification.¹⁰

Land withdrawn from classification is revalued as of January 1 of the year of removal from classification, and taxes are assessed based on when the classification was withdrawn. Additional tax, interest, and penalties are also assessed as follows:

- The additional tax is the difference between the property taxes paid on farm and agricultural land and the property taxes that would have been payable for the previous 7 years if the land had not been classified as farm and agricultural land.
- The interest is the statutory rate charged on delinquent property taxes applied to the additional taxes owed.

⁴ Requirement is \$100 or more for land classified before January 1, 1993.

⁵ Requirement is \$1,000 or more for land classified before January 1, 1993.

⁶ RCW 84.34.020.

⁷ RCW 84.34.030.

⁸ WAC 458-30-220.

⁹ RCW 84.34.070.

¹⁰RCW 84.34.108.

July 2018

HJ 22: Idaho and Washington Info Request
Revenue and Transportation Interim Committee
Megan Moore, Research Analyst

- The penalty is 20% of the additional taxes plus interest.

The additional tax, interest, and penalty do not apply in certain situations such as land exchanges, land taken by eminent domain, land subject to a natural disaster, and other circumstances.¹¹

CONCLUSION

If the committee wishes to borrow ideas from Idaho or Washington for smaller parcel agricultural classification eligibility, possible ideas include:

- Requiring agricultural use for a period of time before eligibility for agricultural classification (Idaho requires agricultural use for previous 3 years, Washington requires agricultural use and showing of income for 3 of 5 years preceding application);
- Requiring annual certification of income (Idaho);
- Requiring income per acre for certain parcels (Washington: \$200 per acre income requirement for parcels of 5 acres or more and less than 20 acres);
- Allowing agricultural classification for crops that do not produce income immediately if demonstrable investment is made (Washington parcels of 5 acres or more and less than 20 acres, \$100 investment per acre if harvest is expected within 7 years for certain trees/vines);
- Require agricultural classification for a set time period and levy additional tax if property is withdrawn early (Washington: minimum of 10 years).

CI0106 8166MEQA.DOCX

¹¹RCW 84.34.108 and RCW 84.34.080.