RCW 83.100.046 Deduction—Property used for farming—Requirements, conditions. (1) For the purposes of determining the Washington taxable estate, a deduction is allowed from the federal taxable estate for:

(a) The value of qualified real property reduced by any amounts allowable as a deduction in respect of the qualified real property under 26 U.S.C. Sec. 2053(a)(4) of the federal internal revenue code, if the decedent was at the time of his or her death a citizen or resident of the United States.

(b) The value of any tangible personal property used by the decedent, a member of the decedent's family, or any qualified nonfamilial heir for a qualified use on the date of the decedent's death, reduced by any amounts allowable as a deduction in respect of the tangible personal property under 26 U.S.C. Sec. 2053(a)(4) of the federal internal revenue code, if all of the requirements of subsection (10)(h)(i)(A) of this section are met and the decedent was at the time of his or her death a citizen or resident of the United States.

(c) The value of real property that is not deductible under (a) of this subsection solely by reason of subsection (10)(h)(i)(B) of this section, reduced by any amounts allowable as a deduction in respect of the real property under 26 U.S.C. Sec. 2053(a)(4) of the federal internal revenue code, if the requirements of subsection (10)(h)(i)(C) of this section are met with respect to the property and the decedent was at the time of his or her death a citizen or resident of the United States.

(2) Property will be considered to have been acquired from or to have passed from the decedent if:

(a) The property is so considered under 26 U.S.C. Sec. 1014(b) of the federal internal revenue code;

(b) The property is acquired by any person from the estate; or

(c) The property is acquired by any person from a trust, to the extent the property is includible in the gross estate of the decedent.

(3) If the decedent and the decedent's surviving spouse at any time held qualified real property as community property, the interest of the surviving spouse in the property must be taken into account under this section to the extent necessary to provide a result under this section with respect to the property which is consistent with the result which would have obtained under this section if the property had not been community property.

(4) In the case of any qualified woodland, the value of trees growing on the woodland may be deducted if otherwise qualified under this section.

(5) If property is qualified real property with respect to a decedent, hereinafter in this subsection referred to as the "first decedent," and the property was acquired from or passed from the first decedent to the surviving spouse of the first decedent, active management of the farm by the surviving spouse must be treated as material participation by the surviving spouse in the operation of the farm.

(6) Property owned indirectly by the decedent may qualify for a deduction under this section if owned through an interest in a corporation, partnership, or trust as the terms corporation, partnership, or trust are used in 26 U.S.C. Sec. 2032A(g) of the federal internal revenue code. In order to qualify for a deduction under this subsection, the interest, in addition to meeting the other

tests for qualification under this section, must qualify under 26 U.S.C. Sec. 6166(b)(1) of the federal internal revenue code as an interest in a closely held business on the date of the decedent's death and for sufficient other time, combined with periods of direct ownership, to equal at least five years of the eight-year period preceding the death.

(7)(a) If, on the date of the decedent's death, the requirements of subsection (10)(h)(i)(C)(II) of this section with respect to the decedent for any property are not met, and the decedent (i) was receiving old age benefits under Title II of the social security act for a continuous period ending on such date, or (ii) was disabled for a continuous period ending on this date, then subsection (10)(h)(i)(C)(II) of this section must be applied with respect to the property by substituting "the date on which the longer of such continuous periods began" for "the date of the decedent's death" in subsection (10)(h)(i)(C) of this section.

(b) For the purposes of (a) of this subsection, an individual is disabled if the individual has a mental or physical impairment which renders that individual unable to materially participate in the operation of the farm.

(8) Property may be deducted under this section whether or not special valuation is elected under 26 U.S.C. Sec. 2032A of the federal internal revenue code on the federal return. For the purposes of determining the deduction under this section, the value of property is its value as used to determine the value of the gross estate.

(9)(a) In the case of any qualified replacement property, any period during which there was ownership, qualified use, or material participation with respect to the replaced property by the decedent or any member of the decedent's family must be treated as a period during which there was ownership, use, or material participation, as the case may be, with respect to the qualified replacement property.

(b) Subsection (9)(a) of this section does not apply to the extent that the fair market value of the qualified replacement property, as of the date of its acquisition, exceeds the fair market value of the replaced property, as of the date of its disposition.

(c) For the purposes of this subsection (9), the following definitions apply:

(i)(A) "Qualified replacement property" means any real property:

(I) Which is acquired in an exchange which qualifies under 26 U.S.C. Sec. 1031 of the federal internal revenue code; or

(II) The acquisition of which results in the nonrecognition of gain under 26 U.S.C. Sec. 1033 of the federal internal revenue code.

(B) The term "qualified replacement property" only includes property which is used for the same qualified use as the replaced property was being used before the exchange.

(ii) "Replaced property" means the property was:

(A) Transferred in the exchange which qualifies under 26 U.S.C. Sec. 1031 of the federal internal revenue code; or

(B) Compulsorily or involuntarily converted within the meaning of 26 U.S.C. Sec. 1033 of the federal internal revenue code.

(10) For the purposes of this section, the following definitions apply:

(a) "Active management" means the making of the management decisions of a farm, other than the daily operating decisions.

(b) "Employee of a farm" means a person hired by the decedent, or a member of the decedent's family, to work on the farm and who receives a set wage, salary, or benefits. The person must be an active

employee of the farm on the date of the death of the decedent. "Employee of a farm" does not include a self-employed person, independent contractor, or tenant farmer.

(c) "Farm" includes stock, dairy, poultry, fruit, furbearing animal, and truck farms; plantations; ranches; nurseries; ranges; greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities; and orchards and woodlands.

(d) "Farming purposes" means:

(i) Cultivating the soil or raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of animals on a farm;

(ii) Handling, drying, packing, grading, or storing on a farm any agricultural or horticultural commodity in its unmanufactured state, but only if the owner, tenant, or operator of the farm regularly produces more than one-half of the commodity so treated; and

(iii)(A) The planting, cultivating, caring for, or cutting of trees; or

(B) The preparation, other than milling, of trees for market.

(e)(i) "Member of the family" means, with respect to any individual, only:

(A) An ancestor of the individual;

(B) The spouse or state registered domestic partner of the individual;

(C) A lineal descendant of the individual, of the individual's spouse or state registered domestic partner, or of a parent of the individual; or

(D) The spouse or state registered domestic partner of any lineal descendant described in (e)(i)(C) of this subsection.

(ii) For the purposes of this subsection (10)(e), a legally adopted child of an individual must be treated as the child of such individual by blood.

(f) "Qualified heir" means, with respect to any property, a member of the decedent's family who acquired property, or to whom property passed, from the decedent.

(g) "Qualified nonfamilial heir" means an employee of a farm who materially participated in the operation of the farm and who acquired property, or to whom property passed, from the decedent. For the purposes of this subsection (10)(g), material participation must be determined in a manner similar to the manner used for purposes of 26 U.S.C. Sec. 1402(a)(1) of the federal internal revenue code.

(h)(i) "Qualified real property" means real property which was acquired from or passed from the decedent to a qualified heir of the decedent and which, on the date of the decedent's death, was being used for a qualified use by the decedent or a member of the decedent's family, but only if:

(A) Fifty percent or more of the adjusted value of the gross estate consists of the adjusted value of real or personal property which:

(I) On the date of the decedent's death, was being used for a qualified use by the decedent or a member of the decedent's family; and

(II) Was acquired from or passed from the decedent to a qualified heir of the decedent;

(B) Twenty-five percent or more of the adjusted value of the gross estate consists of the adjusted value of real property which

meets the requirements of (h)(i)(A)(II) and (h)(i)(C) of this subsection; and

(C) During the eight-year period ending on the date of the decedent's death there have been periods aggregating five years or more during which:

(I) The real property was owned by the decedent or a member of the decedent's family and used for a qualified use by the decedent or a member of the decedent's family; and

(II) There was material participation by the decedent or a member of the decedent's family in the operation of the farm. For the purposes of this subsection (10)(h)(i)(C)(II), material participation must be determined in a manner similar to the manner used for purposes of 26 U.S.C. Sec. 1402(a)(1) of the federal internal revenue code.

(ii) For the purposes of this subsection, the term "adjusted value" means:

(A) In the case of the gross estate, the value of the gross estate, determined without regard to any special valuation under 26 U.S.C. Sec. 2032A of the federal internal revenue code, reduced by any amounts allowable as a deduction under 26 U.S.C. Sec. 2053(a)(4) of the federal internal revenue code; or

(B) In the case of any real or personal property, the value of the property for purposes of chapter 11 of the federal internal revenue code, determined without regard to any special valuation under 26 U.S.C. Sec. 2032A of the federal internal revenue code, reduced by any amounts allowable as a deduction in respect of such property under 26 U.S.C. Sec. 2053(a)(4) of the federal internal revenue code.

(i) "Qualified use" means the property is used as a farm for farming purposes. In the case of real property which meets the requirements of (h)(i)(C) of this subsection, residential buildings and related improvements on the real property occupied on a regular basis by the owner or lessee of the real property or by persons employed by the owner or lessee for the purpose of operating or maintaining the real property, and roads, buildings, and other structures and improvements functionally related to the qualified use must be treated as real property devoted to the qualified use. For tangible personal property eligible for a deduction under subsection (1)(b) of this section, "qualified use" means the property is used primarily for farming purposes on a farm.

(j) "Qualified woodland" means any real property which:

(i) Is used in timber operations; and

(ii) Is an identifiable area of land such as an acre or other area for which records are normally maintained in conducting timber operations.

(k) "Timber operations" means:

(i) The planting, cultivating, caring for, or cutting of trees; or

(ii) The preparation, other than milling, of trees for market. [2025 c 421 s 204; 2010 c 106 s 236; (2010 c 106 s 235 expired January 1, 2014); 2009 c 521 s 191; 2005 c 514 s 1201; 2005 c 516 s 4.]

Application—2025 c 421 ss 201-204: See note following RCW 83.100.040.

Findings—Intent—Savings—Effective date—2025 c 421: See notes following RCW 82.87.040.

Effective date—2010 c 106 s 236: "Section 236 of this act takes effect January 1, 2014." [2010 c 106 s 412.]

Expiration date—2010 c 106 s 235: "Section 235 of this act expires January 1, 2014." [2010 c 106 s 411.]

Effective date—2010 c 106: See note following RCW 35.102.145.

Effective dates—2009 c 521 ss 5-8, 79, 87-103, 107, 151, 165, 166, 173-175, and 190-192: See note following RCW 2.10.900.

Finding—Intent—Application—Severability—Effective date—2005 c 516: See notes following RCW 83.100.040.

Effective date—2005 c 514: See note following RCW 82.04.4272.

Part headings not law—Severability—2005 c 514: See notes following RCW 82.12.808.