

WAC 458-30-260 Valuation procedures for farm and agricultural land. (1) **Introduction.** This section outlines the methods an assessor may use to determine the value of land classified as farm and agricultural land under chapter 84.34 RCW. The valuation procedures are outlined in RCW 84.34.065. The method used to value the principal residence of the farm operator or owner and the housing of farm and agricultural employees on classified farm and agricultural land is described in WAC 458-30-317.

(2) **Definitions.** For purposes of this section, the following definitions apply:

(a) "Landlord" means the person(s) or business enterprise that leases or rents classified farm and agricultural land to another person(s) or business entity.

(b) "Net cash rental" means the average rental paid on an annual basis, in cash, for the land being appraised and other farm and agricultural land of similar quality and similarly situated that is available for lease for a period of at least three years to any reliable person without unreasonable restrictions on its use for the production of agricultural crops.

(c) "Rate of interest" means the rate of interest charged by the farm credit administration and other large financial institutions regularly making loans secured by farm and agricultural lands through mortgages or similar legal instruments averaged over the immediate past five years.

(3) **General considerations.** The assessor shall use all available information to determine the productive or earning capacity of classified farm and agricultural land including, but not limited to, farm production information, actual crop production within an area averaged over not less than five years, and other relevant data. The assessor may also use reliable statistical sources. Additionally, a soil capability analysis may be considered in determining the productive or earning capacity of classified land.

(4) **Determination of current use value.** The value of classified farm and agricultural land shall be determined by the productive or earning capacity of comparable land from crops typically grown in the area averaged over not less than five years, capitalized at indicative rates. The assessor shall use the capitalization of income method to value this type of classified land.

(a) The earning or productive capacity of comparable land is the "net cash rental," capitalized at a "rate of interest" charged on long-term loans secured by a mortgage on farm or agricultural land plus a component for property taxes. The rate of interest and the property tax component for each county are set forth in WAC 458-30-262.

(b) The value of classified farm and agricultural land shall be the net cash rental of the land divided by the capitalization rate.

(5) **Net cash rental.** The net cash rental to be capitalized shall be determined as follows:

(a) Based on leases. Leases of farm and agricultural land paid on an annual basis, in cash, shall be used in determining the net cash rental. The cash value of these leases shall include government subsidies if the subsidies are based on the earning or productive capacity of the land. Only leases of land that is available for rent for a period of at least three years to any reliable person without unreasonable restrictions on its use to produce agricultural crops may be used in this determination. Lease payments shall be averaged as follows:

(i) Each annual lease or rental payment for the land being valued and for other farm and agricultural land within the area of similar quality and upon which typical crops in the area are grown shall be averaged for at least the preceding five crop years; and

(ii) The typical cash rental for each year shall be averaged for at least the preceding five crop years.

(A) Costs of crop production customarily paid by the landlord may be deducted from the typical cash rental. All costs and expenses shall be averaged for at least the preceding five crop years.

(B) If the land is irrigated by a sprinkler system, the amount of rent attributable, if any, to the irrigation equipment shall be deducted from the gross cash rent to determine the net cash rental of the land only. However, the value of irrigation equipment will be placed on the assessment roll at its true and fair value.

(b) Earning or productive capacity of land. If only an insufficient number of leases are available, the earning or productive capacity of farm and agricultural land shall be calculated by determining the cash value of typical crops grown on land of similar quality and similarly situated within the area then subtracting the standard production costs of the crops. The cash value minus the production costs of typical crops are to be averaged over at least five crop years. Cash value shall include, but is not limited to, government subsidies if the subsidies are based on the earning or productive capacity of the land. Any acreage kept out of production because of government subsidies shall be included in the total acreage valued by the capitalization of the income method.

(c) When the land being valued is not being used for commercial agricultural purposes or when the available information is insufficient to determine the earning or productive capacity of the land, the assessor shall compute a reasonable amount based on the land's estimated productive capacity to be capitalized as income.

(6) **Capitalization rate.** The capitalization rate that is used to value classified farm and agricultural land is the sum of the following:

(a) An interest rate determined by the department on or before January 1st each year. This rate shall be the rate of interest charged on long-term loans secured by mortgages or similar legal instruments averaged over the immediate past five years; plus

(b) A component for property taxes determined by dividing the total taxes levied within the county for the year preceding the assessment by the total assessed value of all property within the county and multiplying the quotient by one hundred.

(7) **Appeal of interest rate determination.** The department shall annually determine a rate of interest and property tax component that shall be announced in a rule. (WAC 458-30-262.) This rule will be published in the *Washington State Register* before January 1st each year so that it may be used in that assessment year. The department's determination of the interest rate may be appealed to the state board of tax appeals within thirty calendar days after the date of publication by:

(a) Any owner of a parcel(s) of land classified as farm and agricultural; or

(b) The assessor of any county containing parcels of land that are classified as farm and agricultural under chapter 84.34 RCW.

(8) **Valuation of principal residence or housing for employees.** Land classified as farm and agricultural land because it is the site of the principal residence of the operator or owner of the land and

the housing for farm and agricultural employees will be valued in accordance with RCW 84.34.065 and WAC 458-30-317. If the residence or housing for employees does not meet all the requirements for classification, the land may not be classified as farm and agricultural land and it must be valued at its true and fair value in accordance with WAC 458-12-301.

[Statutory Authority: RCW 84.08.110, 84.08.070, 84.34.141 and 84.34.360. WSR 95-21-002, § 458-30-260, filed 10/4/95, effective 11/4/95. Statutory Authority: RCW 84.08.010(2) and 84.34.141. WSR 90-02-080 (Order PT 90-1), § 458-30-260, filed 1/2/90, effective 2/2/90. Statutory Authority: RCW 84.08.010(2) and 84.34.065. WSR 89-05-009 (Order PT 89-2), § 458-30-260, filed 2/8/89. Statutory Authority: RCW 84.08.010(2), 84.34.141 and chapter 84.34 RCW. WSR 88-23-062 (Order PT 88-12), § 458-30-260, filed 11/15/88.]