

Washington State Estate Tax Addendum # 2

Property Used for Farming

(Submit only if applicable; see instructions)

Part 1 - Decedent (type or print in ink):

1. Decedent's first name	2. M. I.	3. Decedent's last name	4. Social Security number
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Part 2 - Farming Property Requirements:

Complete Part 2 to determine if the estate meets the farm property requirements. **If the answer is "No" for any of the questions, the estate is not eligible to claim the farm deduction (do not complete rest of the form).** You must answer "Yes" or "No" to each question (if the decedent was a tenant farmer who only owned tangible personal property, question # 5 does not apply, mark the question as "Yes" in order to qualify for the farm deduction.):

1. Is the farm property included in the decedent's tentative taxable estate on the estate tax return (Page 1, Part 2, Line 3)? 1. Yes No
2. Was the decedent a citizen or resident of the United States at the time of his or her death?..... 2. Yes No
3. Does the farm property pass from the decedent to a qualified heir? 3. Yes No
4. On the date of death was the decedent or a member of the decedent's family using the land and/or equipment for a farming purpose? 4. Yes No
5. During the eight-year period ending on the date of death of the decedent, have there been periods aggregating five years or more during which the farm's real property was owned by the decedent or a member of the decedent's family and there was material participation by the decedent or a member of the decedent's family (For tenant farmer with only tangible personal property, mark "Yes")? 5. Yes No

Part 3 - Property Used for Farming Deduction Calculation:

1. Decedent's gross estate on the estate tax return (Page 1, Part 2, Line 1) 1. _____
2. Unpaid mortgages or other indebtedness in respect to farm property included in gross estate (see instructions) 2. _____
3. **Adjusted gross estate** for determining the farm deduction (Line 1 less Line 2) 3. _____
4. Farm property (qualified real property, tangible personal property or real property):

Schedule / Item	Brief Description	Fair Market Value at Valuation Date

Subtotal from sheets attached to this addendum, if any..... _____

Total value of farm property assets. 4. _____

5. **Percentage of adjusted gross:** (Line 4 divided by Line 3) 5. _____

If Line 5 equals less than 0.50 (less than 50%), STOP, the estate is not eligible to take the farm deduction. Do not enter a value on the estate tax return (Page 1, Part 2, Line 4a) or on Line 6 below.

If Line 5 equals 0.50 or more (50% or more) and all of Part 2 questions are answered "Yes" you are eligible to take the farm deduction. Enter the amount from Line 4 on Line 6 below.

6. **Amount from Line 4:** (Only enter an amount on this line if all of Part 2 is answered "Yes" and Line 5 is 50% or more.) You are eligible to take the farm deduction; take this amount to the estate tax return (Page 1, Part 2, Line 4a)..... 6. _____
The amount, or portion thereof, may also be used on Addendum # 3 or # 4, if either is applicable.

Under penalty of law, I declare that, to the best of my knowledge and belief, the above information is true, correct, and complete.

(Signature of executor)

(Date)

ADDENDUM # 2 - PROPERTY USED FOR FARMING (FARM DEDUCTION) INSTRUCTIONS

WHO MUST FILE This addendum must be completed and filed with the Washington State Estate and Transfer Tax Return if the decedent died on or after January 1, 2014, and the estate is eligible to deduct property used for farming.

APPLICABLE LAWS AND RULES The applicable laws and rules are Revised Code of Washington (RCW) 83.100.046 and Washington Administrative Code (WAC) 458-57-155. **These instructions contain a general overview; see the applicable laws and rules for complete details.**

PROPERTY USED FOR FARMING In determining the farm deduction, "farm property" is any tangible personal property or real property used for farming purposes. Farm property can include, but is not limited to, stock, dairy or furbearing animals, ranches, nurseries, greenhouses and other similar structures, orchards, woodlands, timber planting, cultivating or cutting, and/or the machinery and equipment used for farming purposes. "Farming purposes" can include, but is not limited to, cultivating the soil, raising agricultural commodities, harvesting horticultural commodities, or handling or packing of agricultural commodities in an unmanufactured state if over one-half of the commodities are produced by such farm.

WHAT CAN BE DEDUCTED The value of farm property, wherever located, included in the estate can be deducted as long as the requirements are met. This deduction is in addition to the applicable exclusion amount. The heirs to the farm property are not required to repay the tax if they do not continue farming. A tenant farmer may qualify for the farm deduction as long as certain requirements are met. The deduction amount is unlimited. Farm property in a closely-held partnership, corporation, or trust can qualify for the deduction as long as all requirements are met.

WHAT ARE THE GENERAL REQUIREMENTS The following requirements must be met to be eligible for the farm deduction whether the property is qualified real property (i.e. land, barn), tangible personal property (i.e. equipment) or real property (i.e. ranch house):

- The decedent was a citizen or resident of the United States,
- The farm property passes to or is acquired by a qualified heir (a member of the decedent's family),
- The farm property is used for a qualified use (farm property used for a farming purpose),
- The farm property is used by the decedent or a member of the decedent's family on the date of death of the decedent, and
- The farm property consists of 50% or more of the adjusted gross estate (gross estate less any mortgage or indebtedness on such farm property).

QUALIFIED REAL PROPERTY AND REAL PROPERTY ADDITIONAL REQUIREMENT The following requirement must be met with respect to qualified real property (i.e. land, barn) and real property (i.e. ranch house): during the eight-year period ending on the date of death, have an aggregate of five years or more such property is owned by the decedent or a member of the decedent's family and there is material participation by the decedent or a member of the decedent's family. (See RCW 83.100.046(7) for one exception to the period ending on "the date of death" for qualified real property.)

QUALIFIED REAL PROPERTY ADDITIONAL REQUIREMENT The following requirement must be met with respect to qualified real property (i.e. land, barn): such property makes up twenty-five percent or more of the adjusted gross value of the estate and during the eight-year period ending on the date of death, have an aggregate of five years or more is owned by the decedent or a member of the decedent's family and there is material participation by the decedent or a member of the decedent's family.

WHO QUALIFIES AS A MEMBER OF THE DECEDENT'S FAMILY A "member of the decedent's family" refers only to a decedent's ancestor, spouse, state registered domestic partner, lineal descendant, spouse's lineal descendant, state registered domestic partner's lineal descendant, parent's lineal descendant, or spouse of a lineal descendant. A legally adopted child of an individual is considered a child of an individual by blood.

WHAT IS MATERIAL PARTICIPATION The decedent or a member of the decedent's family (individual) is considered to materially participate if they work on a continuous and substantial basis in the operation of the farm. This generally means the individual works at least 35 hours each week, no one else works more hours than the individual in the operation of the farm, and no one else receives compensation for managing the operation (an agent or trustee does not qualify). The individual should be the one making a substantial number of the management decisions.

PART 1 - DECEDENT

Items 1-4 - Decedent's Information

Enter the decedent's full name and social security number.

PART 2 - FARMING PROPERTY REQUIREMENTS

Check the appropriate box for each question. The estate can only take the farm deduction, if all questions are answered "Yes." *If any question is answered "No," the estate may not take the farm deduction; do not complete or submit the addendum with your estate tax filing.*

Line 1 - Farm Property Included

Check the "Yes" box if the farm property to be deducted is included in the decedent's tentative taxable estate. Check the "No" box if farm property is not included in the decedent's tentative taxable estate.

Line 2 - Decedent Citizenship

Check the "Yes" box if the decedent was a United States citizen or resident at the time of their death. Check the "No" box if the decedent was not a United States citizen or resident.

Line 3 - Qualified Heir

Check the "Yes" box if the farm property passes to or is acquired by a qualified heir. Check the "No" box if the farm property does not pass to or is not acquired by a qualified heir.

A qualified heir is any member of the decedent's family ("member of decedent's family" is defined on Page 2 of these instructions).

Line 4 - Qualified Use

Check the "Yes" box if the farm property was being used for a farming purpose by the decedent or a member of the decedent's family on the date of death of the decedent. Check the "No" box if the farm property was not being used for a farming purpose by the decedent or a member of the decedent's family on the date of death of the decedent.

Farm property must be used for a qualified use to qualify for the farm deduction. The basic definition of "qualified use" is a farm or piece of equipment used for a farming purpose.

The farm property must be used by the decedent or a member of the decedent's family. Farm property leased to an unrelated individual cannot qualify for the farm deduction.

Line 5 - Five Year Aggregate Ownership and Material Participation

Check the "Yes" box if during the eight-year period ending on the date of death of the decedent, there have been periods aggregating five or more years during which farm real property was owned and there was material participation by the decedent or a member of the decedent's family. Check the "No" box if the farm real property was not owned or there was not material participation for an aggregate of five years or more during the eight-year period ending on the date of death of the decedent.

A tenant farmer that does not own any real property may check this line "Yes" to qualify for the farm deduction, as long as all other lines are answered "Yes." If a tenant farmer owns real property that is being included in the farm deduction, the ownership and material participation rules apply and this line must be answered appropriately.

PART 3 - PROPERTY USED FOR FARMING DEDUCTION CALCULATION

Line 1 - Gross Estate

Enter the decedent's gross estate from the Washington estate tax return. This amount can be found either on the first page (Page 1, Part 2, Line 1) or on the recapitulation's total gross less exclusion line (Page 3, Part 5, Item 12).

Line 2 - Mortgage or Indebtedness

Enter the total of any unpaid mortgages or indebtedness on any farm property that will be listed on Line 4.

The unpaid mortgages on, or any indebtedness in respect of, such farm property must have been reported as allowable deductions on Schedules J through L of the Washington estate tax return. The unpaid mortgages or indebtedness amount includes any accrued interest outstanding as of the date of death of the decedent.

Line 3 - Adjusted Gross Estate

Enter the result of Line 1 less Line 2. This is the adjusted gross estate for determining the farm deduction's 50% of adjusted gross estate qualification.

Line 4 - Farm Property

List each farm property included in the gross estate that meets the general requirements from Page 2 of these instructions.

Identify the farm property by schedule and item number from the estate tax return (Schedules A through I). Give a brief description of the farm property (a full description should already be included on the appropriate schedules). Enter the fair market value as reported on the schedule. If using alternate value, report the alternate value rather than the date of death value.

If there is more farm property than will fit on the addendum, attach a sheet with similar format to continue the farm property; bring the total forward to the subtotal line. Enter the sum of all farm property listed on the addendum and any attached sheets on Line 4.

Line 5 - Percentage of Adjusted Gross

Enter the result of Line 4 divided by Line 3.

If Line 5 is less than 0.50, the estate is not eligible for the farm deduction. **Do not complete or submit the addendum.**

If Line 5 is 0.50 or more and all lines of Part 2 are answered "Yes," the estate is eligible to take the farm deduction.

Line 6 - Farm Deduction Amount

If the Line 5 is 0.50 or more and all lines of Part 2 are marked "Yes," then you may enter the amount from Line 4 on Line 6. This amount can now be carried forward to the Washington estate tax return's first page (Page 1, Part 2, Line 4a).

If the estate is eligible, this amount or portion thereof may need to be carried to Addendum # 3 - Qualified Family-Owned Business Interests (Part 3, Line 3) or Addendum # 4 - Apportionment for Out of State Property (Part 4, Line 2).

SIGNATURE

The executor of the estate must sign and date this addendum. Attach the completed addendum to the end of the Washington estate tax return (after the applicable schedules).