

October 2, 2009

Wheat Prices Used to Determine the Assessed Value of Farm & Agricultural Land

This Special Notice is in response to recent inquiries regarding the methods used by county assessors when calculating the assessed value of wheat land in the farm and agricultural classification during periods of volatile wheat prices.

Background

In early 2009, it became apparent that unusually high wheat prices would impact the valuation of land classified in the farm and agricultural classification of the Current Use Program. In late 2007 and early 2008, wheat prices were unusually high due in part to a drought occurring in Australia. Wheat prices historically range from \$2.00 to \$5.00 per bushel but rose to \$12.00 to \$14.00 per bushel during this period. However, this anomaly only lasted a few months, and wheat prices fell rather quickly back to a range of \$5.00 to \$6.00 per bushel.

WAC 458-30-205 requires the Department of Revenue (Department) to annually provide assessors with a 5-year average wheat price. However, RCW 84.34.065 also allows the use of crop prices averaged over longer periods of time. Consequently, the Department provided assessors with a 10-year average wheat price for use in valuing property for the 2009 assessment year while actively studying the issue to address it on a long-term basis.

Solution

The Department completed a study of this issue and has determined that issuing a 10-year average, along with the 5-year average, will minimize the impact of unusually high wheat prices on the overall average and help to ensure the accuracy of land valuations. A 10-year average is simple to calculate and meets the statutory language in RCW 84.34.065 requiring assessors to use crop data "averaged over not less than five years" when valuing farm and agricultural land. Assessors who use the 10-year average wheat price must also use a 10-year average for expenses and farm subsidies.

Conclusion

Beginning December 2009, the Department will annually publish both 5- and 10-year average wheat prices. Each county assessor will be responsible for determining the corresponding 5- or 10-year average expense and subsidy information.

Questions

If you have questions or need additional information about this Special Notice, please contact the Property Tax Division at (360) 570-5900.