

HOUSE BILL REPORT

ESSB 6286

As Reported by House Committee On: Agriculture & Natural Resources

Title: An act relating to current use valuation for land primarily used for commercial horticultural purposes.

Brief Description: Concerning current use valuation for land primarily used for commercial horticultural purposes.

Sponsors: Senate Committee on Agriculture, Water & Rural Economic Development (originally sponsored by Senators Rivers, Dammeier, Hobbs, Honeyford, Hatfield, Fraser and Roach).

Brief History:

Committee Activity:

Agriculture & Natural Resources: 2/25/14, 2/26/14 [DPA].

Brief Summary of Engrossed Substitute Bill (As Amended by Committee)

- Defines farm and agricultural lands eligible for current use tax classification to include certain commercial horticultural lands used to grow plants in containers.

HOUSE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Majority Report: Do pass as amended. Signed by 15 members: Representatives Blake, Chair; Lytton, Vice Chair; Buys, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Chandler, Dunshee, Haigh, Hurst, Kretz, Orcutt, Pettigrew, Schmick, Stanford, Van De Wege and Warnick.

Staff: Jacob Lipson (786-7196).

Background:

All property is subject to a property tax each year based on the property's highest and best use, unless a specific exemption is provided by law. The Washington Constitution authorizes

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agricultural, timber, and open space lands to be valued on the basis of their current use rather than fair market value.

The Open Space Taxation Act (Act) allows for current use valuations of qualifying farm and agricultural land, which includes:

- parcels 20 acres and larger devoted primarily to agricultural production;
- parcels five to 20 acres that generate gross income from the sale of agricultural products of \$200 or more per acre in three of each five-year period;
- parcels that are less than five acres that generate a gross income of at least \$1,500 per year in three of each five-year period; and
- lands whose use is compatible with agricultural purposes, so long as the compatible use lands do not exceed 20 percent of the land classified for farm and agricultural use, and the compatible use is necessary to the production, preparation or sale of an agricultural product.

In 2013 the Legislature passed Engrossed Substitute Senate Bill 5882, which established certain conditions on the creation of new tax preferences. A default expiration date of 10 years for new tax preferences is required, unless the legislation specifies an alternate date. All new tax preference legislation must include a tax preference performance or legislative intent statement. Legislation that clarifies or makes technical amendments to existing tax preferences is not subject to the tax preference performance or legislative intent statement requirements.

Summary of Amended Bill:

Land used primarily for commercial horticulture is included within the definition of the farm and agricultural land use classification. Commercial horticulture practices which qualify for farm and agricultural use classification include the indoor or outdoor growing of trees, fruits, vegetables, and other plants in containers.

Commercial horticulture lands used to grow plants in containers must meet certain conditions in order to qualify for the farm and agricultural land use tax classification:

- Parcels that are smaller than 20 acres must meet the same income qualifications that apply to other lands that are classified for farm and agricultural uses.
- Lands smaller than five acres do not qualify if more than 25 percent of the land is open to the general public for on-site retail sales.
- Lands used for the storage, care, or selling of plants purchased from other growers for resale do not qualify for the farm and agricultural land use tax classification.
- If more than 20 percent of commercial horticulture lands are covered by pavement, the paved area does not qualify for farm and agricultural land use tax classification unless the land otherwise qualifies under current law as an incidental use compatible with farm and agricultural land use.

The inclusion of commercial horticulture within the definition of farm and agricultural land is declared to clarify an ambiguity in an existing tax preference, and to not require a performance statement or be subject to the default 10-year expiration date.

Amended Bill Compared to Engrossed Substitute Bill:

The amended bill adds language to clarify that the reason the bill is not subject to tax preference review, expiration date, and intent statement requirements is because the bill is intended to clarify an existing tax preference. The amended bill also:

- removes a requirement that commercial horticulture lands not exceed a reasonably necessary area;
- disqualifies lands smaller than five acres if more than 25 percent of the land is open to the public for on-site retail sales; and
- clarifies that paved portions of commercial horticultural lands do not qualify for the farm and agricultural use tax rate if more than 20 percent of the land is paved, unless those paved areas qualify for the tax rate as an incidental use.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The committee has already passed out the companion bill to this bill. The only changes to this bill have been to refine the intent of the amendments previously adopted to the underlying bill. The amendments which clarify when commercial horticulture lands qualify under the farm and agricultural land use tax classification are good.

(Opposed) None.

Persons Testifying: Heather Hanson, Washington State Nursery and Landscape Association; and Evan Sheffels, Washington Farm Bureau.

Persons Signed In To Testify But Not Testifying: None.