

SENATE BILL REPORT

E2SHB 2493

As of February 24, 2014

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: House Committee on Finance (originally sponsored by Representatives Wilcox, Tharinger, Buys, Lytton, Vick, Orcutt, Reykdal, Springer and Haigh).

Brief History: Passed House: 2/17/14, 98-0.

Committee Activity: Agriculture, Water & Rural Economic Development: 2/25/14.

SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

Staff: Diane Smith (786-7410)

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 State Constitution authorizes 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 the following:

- parcels 20 acres and larger devoted primarily to agricultural production;
- parcels 5 to 20 acres that generate gross income from the sale of agricultural products \$200 or more per acre in three of each five-year period;
- parcels that are less than 5 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 established certain conditions on the creation of new tax preferences. A default expiration date of ten years for new tax preferences is required, unless the

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

Certain limitations are placed on commercial horticultural lands that can qualify for the farm and agricultural use 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.
- Qualifying commercial horticulture lands may not exceed a reasonably necessary area.
- Lands smaller than 5 acres may not have more than 25 percent of the land open to the general public for on-site retail sales.

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 ten-year expiration date.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.