

# SENATE BILL REPORT

## ESSB 6286

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As Passed Senate, February 17, 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:** 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, Water & Rural Economic Development: 1/27/14, 1/30/14 [DPS-WM].

Ways & Means: 2/05/14, 2/11/14 [DPS(AWRD), DNP, w/oRec].

Passed Senate: 2/17/14, 42-5.

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### SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6286 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Hatfield, Chair; Honeyford, Ranking Member; Brown, Eide, Hobbs and Schoesler.

**Staff:** Diane Smith (786-7410)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6286 as recommended by Committee on Agriculture, Water & Rural Economic Development be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Bailey, Becker, Braun, Dammeier, Hatfield, Hewitt, Padden, Parlette, Rivers, Schoesler and Tom.

**Minority Report:** Do not pass.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Signed by Senators Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Billig, Conway and Kohl-Welles.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Hargrove, Ranking Member; Frockt and Hasegawa.

**Staff:** Dean Carlson (786-7305)

**Background:** The assessed value of most real property is determined by the county assessor. The goal of the appraisal process is arriving at the fair market value of the property, according to its highest and best use.

Open space lands are lands which conserve natural resources, promote conservation, enhance public value and recreation, preserve visual quality, or have other legislatively identified attributes which are of public benefit. Agricultural and timber lands are subject to various requirements regarding size, use, and income.

A constitutional amendment in 1968 established a current use assessment for open space, timber, and agricultural lands.

The open space program allows agricultural lands, timberlands, and other open space lands to be assessed according to their value as they are currently being used, rather than the market value. This current use value is typically much lower than market value and is, therefore, a tax benefit for the property owner.

When property is removed from the current use valuation program, either by the owner or the assessor due to a change in use, back taxes must be paid for the previous seven years, together with interest and penalties, if applicable.

Within the definition of farm and agricultural lands for purposes of the open space program, are lands including incidental uses that are compatible with agricultural purposes so long as the incidental use does not exceed 20 percent of the classified land, with qualifications. Agricultural lands also include parcels of one to five acres that are not contiguous but that otherwise constitute an integral part of farming operations being conducted on the qualifying land.

**Summary of Engrossed Substitute Bill:** Land on which commercial horticultural plants are grown in containers, whether the containers are under a structure or not, is farm and agricultural land. However, if more than 20 percent of the land used primarily to grow plants in containers is covered by a permanent impervious surface, that land does not qualify as farm and agricultural land. Existing acreage and income requirements must be met. Land specifically not qualifying under this section cannot qualify as an incidental use. Storing, caring for, or selling plants purchased from other growers for resale does not meet the criteria for commercial horticulture.

This act does not constitute a new tax preference for purposes of requiring a ten-year expiration date or a tax preference performance statement.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee (Agriculture, Water & Rural Economic Development):** PRO: These businesses provide employment that we want to preserve. They are using horticultural practices that preserve top soil, allowing customization of soil composition and nutrients specific to the individual plant's needs. The counties are not uniform in their application of the highest and best use valuation to wholesale potted horticultural nurseries. Some counties have even changed their own interpretations in the last couple years in order to increase tax collections. If nurseries are left with only bare-root operations qualifying for open space, then the selling season is limited to December through March.

**Persons Testifying (Agriculture, Water & Rural Economic Development):** PRO: Senator Rivers, prime sponsor; Ingrid Wachtler, owner, Woodbrook Native Plant Nursery.

**Staff Summary of Public Testimony on Substitute as Passed by Agriculture, Water & Rural Economic Development (Ways & Means):** PRO: Nurseries have moved to grow more and more crops in containers. The bill clarifies that it is still farming and still agriculture land. Most nurseries have been in open space. My assessor sent me a letter that said that my land was no longer in the farm and agricultural classification. This is because I had plants in containers rather than in the land. Other nurseries did not get redefined. Our business has been in the open space agriculture. Now we are under the microscope determining how many plants we have on the land versus in the land. We are growing what is demanded of us by the industry. The WAC says that what we are doing is primarily livestock and agriculture. That is what we are doing. However, it is all in containers. That is the industry standard. It is not fair that we are not a nursery if we grow in containers, because we are a nursery.

**Persons Testifying (Ways & Means):** PRO: Ingrid Wachtler, Woodbrook Native Plant Nursery; Heather Hansen, WA State Nursery and Landscape Assn.; Mary Schactler, King-Pierce Farm Bureau; Dave Schactler, Eatonville Nursery.