

SENATE BILL REPORT

SB 6099

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 11, 1992

Brief Description: Compensating taxes on lands valued at current use.

SPONSORS: Senators L. Smith and Bauer

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6099 be substituted therefor, and the substitute bill do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Matson, Metcalf, Newhouse, Owen, Saling, L. Smith, West, and Williams.

Staff: Terry Wilson (78-7715)

Hearing Dates: February 10, 1992; February 11, 1992

BACKGROUND:

The Constitution requires all taxes on real estate to be uniform within a taxing district. This requires all taxes imposed by any taxing district to be the same on property of the same market value. Market value is the value of the property at its highest and best use. The one exception to this is for farms and agricultural land, timber and timberlands, and open space land. The Constitution authorizes these lands to be valued on the basis of their current use rather than their highest and best use.

Current law provides that timber land of 5 or more acres, open space land designated as such under a comprehensive land use plan or the preservation of which would preserve or enhance scenic or natural resources, and certain farm and agricultural land may be valued at current use upon application by the landowner. The land is required to remain in current use classification for 10 years. Upon removal from classification, the land is subject to an additional tax equal to the tax savings for the past seven years plus interest at the rate of 12 percent. If the land is removed from classification prior to the 10-year period, a penalty of 20 percent of the tax is also due.

SUMMARY:

The interest rate imposed on the additional tax is changed to a variable rate equal to the lesser of 12 percent or two percentage points above the average of the federal short-term rate for the months of January, April, July, and October of the immediately preceding year.

EFFECT OF PROPOSED SUBSTITUTE:

The interest rate is adjusted on January 1 of each year.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one