

HOUSE BILL REPORT

HB 1700

As Reported By House Committee On:
Finance

Title: An act relating to current use taxation provisions.

Brief Description: Changing current use taxation provisions.

Sponsors: Representatives Sehlin, Chopp, Quall and B. Thomas.

Brief History:

Committee Activity:

Finance: 3/1/95, 3/3/95 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Property meeting certain conditions may have property taxes determined on current use values rather than market values. There are five categories of lands that may be classified and assessed on current use. Three categories are covered in the open space law: open space lands, farm and agriculture lands, and timber lands; and two are in the timber tax law: classified and designated forest land. Applications for farm and agricultural classification and designated forest land are made to the county assessor. Land that has no higher and better use than growing and harvesting timber may be classified as forest land by the assessor. Applications for open space or timber land are made to the county legislative authority. If the open space or timber land is within an incorporated area, then a joint committee of three members of the county legislative body and three members of the city legislative body act on the application.

The land remains in current use classification as long as it continues to be used for the purpose it was placed in the current use program. Land is removed from the program: at the request of the owner; by sale or transfer to an ownership making the

land exempt from property tax; or by sale or transfer of the land to a new owner, unless the new owner signs a notice of classification continuance. The assessor may also remove land from the program if the land is not longer devoted to its open space purpose.

Back Taxes

When property is removed from current use classification, back taxes plus interest must be paid. For open space categories, back taxes represent the tax benefit received over the most recent seven years. For classified and designated forest land, back taxes are equal to the tax benefit in the most recent year times the number of years in the program (but not more than 10). There are some exceptions to the requirement for payment of back taxes. For example, back taxes are not required on the transfer of the land to an entity using the power of eminent domain or in anticipation of the exercise of that power.

The back tax exceptions are slightly different for the open space program and the forest land program. For example, an exception is allowed under the open space program if government action no longer permits the present use of the property. The forest land program does not have this exception.

In the open space program, an exception to the paying of back taxes is allowed for a sale or transfer to a governmental entity or nonprofit historic preservation or nonprofit nature conservancy corporation for the purpose of conserving open space land. However, in the forest land category, the similar exception is much more restrictive. The forest land exception is restricted to a sale or transfer to a governmental entity or nonprofit nature conservancy corporation for conservation purposes of land recommended for state natural area preserve purposes by the Natural Heritage Council.

Transfers among classifications

Transfers without payment of back taxes can be made between all categories of current use valuation except for transfers out of open space. However, land classified as farm and agricultural conservation land within open space may be transferred to the farm and agricultural land category.

Summary of Substitute Bill: City legislative bodies provide written recommendations to grant or deny applications for open space classification that are within an incorporated area. If the county disagrees with the city recommendation, then the joint committee process provided in current law takes place.

The exceptions for the payment of back taxes upon removal from the forest land current use program are changed to be similar to the exceptions allowed in the open

space program. The back taxes are not due if removal from forest land classification or designation results from official governmental action that disallows the present use of the land. Back taxes are not due on a sale or transfer of land to a governmental agency or to a nonprofit historic preservation or nature conservancy corporation for the conservation of open space, or academic or scientific research.

Assessors are instructed not to remove land from forest land classification or designation if the land is expected to be acquired in a transaction exempt from paying the back taxes.

Transfers are allowed from open space land category to farm and agricultural land if the land is permanently required to be used for agricultural purposes by a conservation easement.

Substitute Bill Compared to Original Bill: The substitute bill narrows the exemption from back tax payments involving land transfers to governments. Only transfers for purpose of conserving open space or academic or scientific research are exempt. The exemption is still broader than current law. It expands an option for transfer from farm and agricultural conservation open space land to farm and agricultural land to include all types of open space land.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 6, 1995.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: At present, it is very difficult for a private land owner to donate land to the state government. Some transfers have taken well over a decade to negotiate. This bill will encourage others to donate land as currently there is a major disincentive to make such donations. It is important to remember that state parks are revenue sources for local and state governments.

Testimony Against: There is always a good reason to acquire land and take it off the tax rolls. The taxpayers pay for this shift. The original bill provides an exception to paying the back taxes that is too broad.

Testified: Representative Barry Sehlin, prime sponsor (pro); Gary Worthington, citizen and Cam Beach land transfer (pro); Larry Fairleigh, State Parks (pro); Mike Ryherd, Evergreen Alliance (pro); John Ehrenreich, Washington Forest Protection Association (pro); and Fred Saeger, Washington Association of County Officials (con, original bill).