

# HOUSE BILL REPORT

## SSB 5230

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### As Passed House-Amended:

April 10, 1997

**Title:** An act relating to current use taxation provisions.

**Brief Description:** Revising current use taxation provisions.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Rossi, Haugen, McCaslin, McDonald and Hale).

### Brief History:

#### Committee Activity:

Finance: 4/1/97, 4/7/97 [DPA].

#### Floor Activity:

Passed House-Amended: 4/10/97, 98-0.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass as amended. Signed by 15 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler; Thompson 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. The two remaining categories 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.

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 no longer devoted to its open space purpose.

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 multiplied by 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 paying back taxes is allowed for a sale or transfer to a governmental entity, a nonprofit historic preservation, or a 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 which has been recommended for state natural area preserve purposes by the Natural Heritage Council.

**Summary of Bill:** Back taxes do not have to be paid for forest land that is removed from classification or designation if official action disallows the present use of the land. In King County, an exception to the payment 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.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The compensating taxes are a impediment to the transfer of forest lands for purposes of conservation. This bill concerns a forest land transfer to King County for incorporation into the mountains to sound greenway. There are some

additional property and real estate tax issues related to forest land swaps with state lands that are not addressed in this bill, but should be corrected.

**Testimony Against:** None.

**Testified:** Senator Rossi, prime sponsor; Don Nettleton and Steve Gano, Plum Creek Timber Company; Paul Kriegel, Goodyear Nelson Hardwood; and Maggie Coon, The Nature Conservancy.