

HB 1263

Bill Analysis

March 6, 1997

Brief Description: Revising current use taxation provisions.

Bill Sponsors: Representatives Robertson, Ogden, Dunn, Carrell, Dyer, Cairnes and Benson.

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 not 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 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 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, 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.

Summary of Bill: 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 the transfer of classified or designated forest land to a governmental agency or to a nature conservancy corporation for the conservation of the land transferred.

Fiscal Note: Available.

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