

SENATE BILL REPORT

ESHB 2871

As Reported By Senate Committee On:
Ways & Means, March 2, 1998

Title: An act relating to current use valuation.

Brief Description: Creating a system of classifying land as agricultural land with long-term commercial significance for tax purposes.

Sponsors: House Committee on Finance (originally sponsored by Representatives Parlette, Chandler, Wensman, Anderson, Reams, Clements, Romero, Linville, Gardner and Thompson).

Brief History:

Committee Activity: Ways & Means: 3/2/98 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Fraser, Kohl, Long, Loveland, Roach, Rossi, Schow, Snyder, Spanel, Swecker, Thibaudeau and Zarelli.

Staff: Terry Wilson (786-7433)

Background: The Growth Management Act (GMA) requires certain cities and counties to develop comprehensive plans. As part of this process they must designate appropriate lands as agricultural land that are not already characterized by urban growth and have long-term significance for the commercial production of food or other agricultural products. In addition, cities and counties are required to adopt development regulations to conserve these lands.

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 agricultural lands; and timber lands. The two remaining categories are in the timber tax law: classified and designated forest land.

Land eligible for current use taxation as farm and agricultural land is land:

A. Devoted primarily to commercial agricultural purposes that is:

1. Greater than 20 acres;
2. Between 5 and 20 acres and produces gross farm income greater than \$200 per acre for three of five years;

3. Less than 5 acres and produces \$1,500 in farm gross income for three of five years; or
- B. Designated as agricultural lands of long term commercial significance under the Growth Management Act (GMA); or
- C. Zoned as agricultural land under GMA and is not within an urban growth area.

Applications for farm and agricultural classification are made to the county assessor. A denial by the assessor can be appealed to the County Board of Equalization.

Open space land is land designated as open space in an adopted comprehensive plan, or land that conserves natural or scenic resources, protects streams or water supply, promotes conservation of soils, wetlands, beaches or tidal marshes, enhances neighboring parks, enhances recreational opportunities, preserves historic sites, preserves visual quality along road corridors, retains land in urban areas in its natural state, or preserves land meeting the definition of farm and agricultural conservation land. The legislative body granting open space classification may require the land be open to public use.

Applications for open space classification are made to the county legislative authority. If the land is in an area subject to a comprehensive plan, the classification may be acted upon in the same manner as an amendment to the comprehensive plan. If the land is in an area not subject to a comprehensive plan, the classification may be acted upon after a public hearing.

A county legislative authority may also adopt an open space plan after public hearing. The plan must include criteria for determining eligibility of lands, a process for establishing a public benefit rating system, and an assessed valuation schedule. Owners of lands classified as open space in the plan are notified of the classification and new assessed value. The land may be removed from classification on request of the owner.

The land remains in current use classification as long as it continues to meet the criteria for classification. 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 no longer meets the criteria for classification.

When property is removed from classification, back taxes, plus interest, must be paid. Back taxes represent the tax benefit received over the most recent seven years plus interest. In some cases an additional penalty of 20 percent of the back taxes is also imposed. There are some exceptions to the requirement for payment of back taxes.

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 Amended Bill: A new current use program is created for land designated as agricultural lands of long-term commercial significance by counties and cities planning under

the Growth Management Act. To qualify, the land must be devoted primarily to agricultural uses and not used for residential, industrial, or other commercial purposes. Also, the city or county must have adopted development regulations required under GMA to conserve the agricultural land.

The assessor is instructed to automatically classify all qualified agricultural land into the new current use program. Land in the existing open space farm and agricultural land program that qualifies for the new program shall be reclassified into the new program without payment of back taxes. The current use value is determined in the same manner as the existing open space program for farm and agricultural land.

Land is removed from the current use program if county or city removes the designation as agricultural land of long-term commercial significance or the use of the land is changed to a use not permitted for designation as agricultural land for long-term commercial significance.

There is no recovery of the tax benefit enjoyed by the property when it is removed from the program, except that when land that was reclassified into the new program from the existing open space farm and agricultural land program is removed, a portion of the back taxes may become due. For each year the land is in the new program one year of back taxes from the old program is abated.

Land removed from the agricultural lands of long-term commercial significance current use program may be reclassified into the open space farm and agricultural land current use program without payment of back taxes.

Language is removed from current law that qualifies all land within an agricultural zone located outside an urban growth area for current use valuation.

Land areas that protect or enhance aquatic habitat are added to the definition of open space land. The criteria for determining the eligibility of lands in an open space plan must include aquatic habitat protection and enhancement. In determining the eligibility of land under the criteria for aquatic habitat, the lack of eligibility under other criteria must not be considered.

Shoreline areas that do not have dwellings and are used in a manner that protect or enhance aquatic habitat are added to the definition of open space. The Department of Fish and Wildlife or a conservation district must certify that the lands are used in a manner that protect or enhance aquatic habitat.

Amended Bill Compared to Original Bill: The amendment added the changes to the open space program.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Counties may designate lands as agricultural lands of long-term commercial significance under the Growth Management Act. There is no choice on the landowner's part. This bill gives the same tax advantage as exists for farm and agricultural land, but no back taxes are due on removal because there is no choice.

Testimony Against: None.

Testified: Representative Parlette, original prime sponsor (pro).