

# HOUSE BILL REPORT

## HB 1450

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### As Reported by House Committee On:

Finance

**Title:** An act relating to relief from taxes resulting from transfers of land after the death of the owner.

**Brief Description:** Providing property tax relief for certain land transfers.

**Sponsors:** Representatives Rockefeller and Morris.

### Brief History:

#### Committee Activity:

Finance: 2/7/01, 2/15/01 [DPS].

#### Brief Summary of Substitute Bill

- Restores the exception for payment of back property taxes when property is sold within two years of the death of an owner of at least a 50 percent interest for properties in current use programs continuously since 1993.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

**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.

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.

In 1992 the Legislature removed an exception to the payment of back taxes for property sold within two years of the death of an owner of at least 50 percent interest in the property.

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**Summary of Substitute Bill:**

The exception for payment of back property taxes when property is sold or transferred within two years of the death of an owner of at least 50 percent interest in the property is restored for properties that have been in current use programs continuously since 1993.

**Substitute Bill Compared to Original Bill:**

The substitute bill adds language that clarifies that the date of death is the date shown on a death certificate and limits the application of the bill to deaths that occurred after January 1, 1991.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** It is a matter of fairness to restore this exception to paying back taxes. Property owners placed their property in restricted categories and then the Legislature repealed the statute. They did this without consideration for the participants who had entered into the program with the understanding they would have the two-year window.

This bill deals with promises - promises kept and promises broken. A deal is a deal. The land owners entered into a contract with the counties and the state changed the contract. The bill restores the exception only to those that were in current use programs before the repeal of the two year window. Newer participants were not made this promise and are not included.

**Testimony Against:** None.

**Testified:** Representative Rockefeller, prime sponsor; Sophie Browning, property owner; Ron Ross, Kitsap Board of Realtors; Fred Saeger, Washington Association of County Officials; Diane Dorey, Lewis County Assessor; and Nels Hanson, Washington Forum Forestry Association.