

Finance Committee

HB 2005

Brief Description: *Changing the taxation of property previously owned by the federal government.*

Sponsors: *Representatives Morris, Schoesler, Grant, Barlean, Kessler, Doumit, Poulsen and Linville.*

Brief Summary of Bill

- *Back taxes are owed by the buyer on property transferred from the United States for a period of up to 20 years.*

Hearing Date: *3/1/01*

Staff: *Mark Matteson (786-7145).*

Background:

All property in this state is subject to property tax each year based on the property's value unless a specific exemption is provided by law. The Constitution exempts property owned by the United States, the state, counties, school districts, and other municipal corporations from property taxes. A number of other statutory exemptions exist for nonprofit organizations, agriculture, and certain other specific classes of persons. In addition, the Constitution allows current use valuation for forest, agriculture and open space lands.

When property is removed from exempt status or special valuation classification, in certain cases the seller must pay back taxes and associated interest. For certain exempt nonprofit organizations, back taxes represent the tax benefit received over the most recent three years, if the organization has been granted an exemption for less than ten years. Similarly, ten years of back taxes are owed when land is removed from forest land status, and seven years of back taxes are owed when land is removed from the open space program. For non-profits, back-taxes must be paid only for transactions when the ownership of the property is transferred or when 51 percent or more of the area of the property loses its exempt status.

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. Back taxes are not due when forest land is transferred to a government entity in exchange for other forest land in Washington.

Property taxes that go unpaid become a lien against the property and must be paid prior to the payment of any other obligation associated with the property.

There is no requirement that back taxes must be paid for the transfer of property from the United States or any of its instrumentalities.

Summary of Bill:

Back taxes are owed on property that is transferred from the United States or any of its instrumentalities to a person under which the use would be non-exempt. Back taxes and interest must be paid by the buyer for the tax benefit received by the U.S. over the most recent twenty years or the life of the exemption, if less. The requirement to pay back taxes only applies when the property is transferred or when 51 percent or more of the area of the property loses exempt status.

The requirement to pay back taxes does not apply if the property is transferred to another organization that receives a property tax exemption under 84.36 RCW or if the property, after transferal, would qualify as forest land under the current use program.

Back taxes are the obligation of the buyer and are a lien against the property if unpaid.

Appropriation: None.

Fiscal Note: Requested on February 21, 2001.

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