

# SENATE BILL REPORT

## SHB 1450

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As Reported By Senate Committee On:  
Ways & Means, April 2, 2001

**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:** By House Committee on Finance (originally sponsored by Representatives Rockefeller and Morris).

**Brief History:**

**Committee Activity:** Ways & Means: 4/2/01 [DPA].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fraser, Hewitt, Honeyford, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

**Staff:** Terry Wilson (786-7433)

**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.

**Summary of Amended Bill:** Back taxes are not due when property is sold or transferred within two years of the effective date of the act if the death of an owner of at least 50 percent interest in the property occurred after January 1, 1991, and the property has been in current use programs continuously since 1993.

**Amended Bill Compared to Substitute Bill:** The substitute bill also exempted from back taxes property sold or transferred within two years of the death of an owner of at least 50 percent interest in the property if the property had been in current use programs continuously since 1993.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Individuals relied on the opportunity prior to 1992 that back taxes would not be owed if property sold within two years of death of a spouse and the other could not afford to continue to run the farm. A small number of people did not know of the repeal. This is an issue of fairness. It is about government keeping a promise.

**Testimony Against:** None.

**Testified:** PRO: Representative Rockefeller, prime sponsor; Fred Sanger, WACO.