

# SENATE BILL REPORT

## SB 6470

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As Reported By Senate Committee On:  
Agriculture & International Trade, January 30, 2002

**Title:** An act relating to penalties assessed when farm and agricultural land is removed from open space classification.

**Brief Description:** Revising penalty provisions when land is removed from open space classification.

**Sponsors:** Senators Honeyford, Rasmussen, Swecker, Sheahan, Morton and Hewitt.

**Brief History:**

**Committee Activity:** Agriculture & International Trade: 1/30/02 [DP].

**Ways & Means:** 2/6/02.

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### SENATE COMMITTEE ON AGRICULTURE & INTERNATIONAL TRADE

**Majority Report:** Do pass.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Parlette, Sheahan and Swecker.

**Staff:** Bob Lee (786-7404)

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### SENATE COMMITTEE ON WAYS & MEANS

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

**Background:** Current use valuation of agricultural land was authorized in the State Constitution by voters in 1968. The Open Spaces Taxation Act implements the constitutional provision. Under this program, the agricultural land owner may enroll into the program to receive reduced property taxes on the condition that the land remain in an agricultural use.

If the owner of the land wishes to remove the land from the program and to convert the land to a non-agricultural use, there are two ways that this can be done. The first way is for the landowner to provide notification to the county assessor two years prior to the change in use. Under this option, the landowner is required to pay the amount of the taxes saved under the program for the seven prior years, plus interest.

The other option applies when the land is removed from agricultural use without at least two years prior notice. In that case, the amount of the taxes saved during the previous seven-year period, plus interest, are again determined. In addition, a 20 percent penalty is assessed on the amount due.

When land enrolled in the program is divided, each new parcel must meet certain criteria in order to remain in the program. For parcels less than five acres, the parcel must generate

at least \$1,000 in three of the most recent five-year periods. If the land does not generate that minimum amount, the parcel no longer qualifies for the program. In this event, the amount of the taxes saved plus interest must be paid. If two years prior notice was not provided, an additional penalty of 20 percent is charged.

**Summary of Bill:** If up to five acres of land classified under the program that includes a residential homesite is removed from the program and the owner sells or transfers the remainder of the property, the owner of the up to a five-acre parcel does not have to pay the 20 percent penalty if the new owner signs a notice of continuance and qualifies for continued classification as agricultural land, and the removed land is not transferred to a new owner within five years of the initial removal.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For (Agriculture & International Trade):** This bill allows a farmer who is retiring to sell the farm land and retain the home and buildings without having to pay a 20 percent penalty. The farmer would still have to pay the tax differential for the prior seven-year period plus interest, but would not be required to pay the 20 percent penalty.

**Testimony Against (Agriculture & International Trade):** None.

**Testified (Agriculture & International Trade):** PRO: Senator Honeyford, prime sponsor.

**Testimony For (Ways & Means):** Farmers want to retire but remain on the land. This allows them to do that without having to pay a 20 percent penalty. The farmer would still have to pay the additional tax plus interest.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** PRO: Senator Honeyford, prime sponsor.