

# HOUSE BILL REPORT

## HB 1423

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**As Reported by House Committee On:**  
Community Development & Housing

**Title:** An act relating to encouraging economic development by exempting certain counties from the forest land compensating tax.

**Brief Description:** Encouraging economic development by exempting certain counties from the forest land compensating tax.

**Sponsors:** Representatives Appleton, Rolfes, Haigh, Finn and Seaquist.

**Brief History:**

**Committee Activity:**

Community Development & Housing: 2/14/11, 2/17/11 [DP].

**Brief Summary of Bill**

- Extends the exception for payment of back taxes on designated forest land sold or transferred for the purpose of conserving open space land to include counties with a population density between 625 and 675 inhabitants per square mile (Kitsap County).

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### HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT & HOUSING

**Majority Report:** Do pass. Signed by 9 members: Representatives Kenney, Chair; Finn, Vice Chair; Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Maxwell, Ryu, Santos and Walsh.

**Staff:** Jennifer Thornton (786-7147).

**Background:**

Property that meets certain conditions may have property taxes determined on current use values rather than market values. There are four 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 fourth category, designated forest land, is in the timber tax law.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

When land is designated as forest land it is generally assessed at a lower value resulting in lower taxes. When land is removed from designation as forest land, back taxes must, with certain exceptions, be paid. The amount of the back tax owed for designated forest land is specified by formula and is equal to the tax benefit in the most recent year multiplied by the number of years in the current use program (but not more than nine).

There are some exceptions to the requirement for payment of back taxes, including: when land is transferred to an entity using the power of eminent domain; when the land is transferred to a government entity in exchange for other forest land within Washington; and when land is sold or transferred to a governmental entity or nonprofit nature conservancy corporation for conservation purposes of land, which has been recommended for state natural area preserve purposes by the Natural Heritage Council, or approved by the Department of Natural Resources for state natural resources conservation area purposes.

Additionally, in counties with populations greater than 600,000, an exception to the payment of back taxes is allowed for a sale or transfer to a governmental entity, nonprofit historic preservation, or nonprofit nature conservancy corporation for the purpose of conserving open space.

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**Summary of Bill:**

An exception for payment of back taxes on designated forest land is created for property located in counties with a population density between 625 and 675 inhabitants per square mile (Kitsap County). The exception is available when the land is transferred to a governmental entity, nonprofit historic preservation, or nonprofit nature conservancy corporation, for the purpose of conserving open space land.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The need for this measure became apparent two or three years ago. Kitsap County was working with a greenway group to buy a property that would allow completion along a trail. At closing, we found out the county was subject to the compensating tax. With \$1 million in grants at stake, the only solution was to remove 20 acres of prime wetland. Kitsap County is part of the Puget Sound Regional Council (PSRC) area. The other three PSRC counties were already exempt. Kitsap is a smaller county with less forest land to preserve and a high population density. This is a tool, and this is not just about one

experience. One heritage park is not complete. The compensating tax might be a deal breaker. Pope Timber is leaving the area. Their options are to sell 20-acre parcels, or wholesale 7,000–8,000 acres to another timber company. There is no compensating tax on either option. There is also an opportunity for the county to put 6,000–7,000 acres into permanent public ownership, however, the county could pay as much as \$7 million in compensating tax. In any scenario the tax will not be received. This is an opportunity.

(Opposed) None.

**Persons Testifying:** Steve Bauer, Kitsap County.

**Persons Signed In To Testify But Not Testifying:** None.