
Ways & Means Committee

HB 2502

Brief Description: Modifying exceptions to the compensating tax provisions for removal from forest land classification to more closely parallel open space property tax provisions.

Sponsors: Representatives Hansen and Appleton.

Brief Summary of Bill

- Conforming certain exemptions from the compensating tax under the designated forest land program found under the open space program.

Hearing Date: 1/24/12

Staff: Jeff Olsen (786-7175).

Background:

Property Taxes.

Property taxes are imposed by state and local governments. The county assessor determines assessed value for each property. The county assessor also calculates the tax rate necessary to raise the correct amount of property taxes for each taxing district. The assessor calculates the rate so the individual district rate limit, the district revenue limit, and the aggregate rate limits are all satisfied. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located.

Current Use Programs.

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 Taxation Act: open space lands, farm and agriculture lands, and timber lands. The fourth category, designated forest land, is in Chapter 84.33, timber and forest lands.

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.

Compensating Taxes.

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 be paid, unless certain exceptions are met. 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 classification, but not more than nine.

Exceptions to the Payment of Compensating Taxes.

The compensating tax is not imposed if the removal is from one of the following actions:

1. land is transferred to a government entity in exchange for other forest land within Washington;
2. land is transferred to an entity using the power of eminent domain;
3. land is sold or transferred to a governmental entity or nonprofit nature conservancy corporation; (The sale of land for conservation purposes must be exclusively for the protection 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.)
4. land is sold to the Parks and Recreation Commission for park purposes;
5. the present use of the land is disallowed because of an official action by an agency of the state or local government;
6. the creation, sale, or transfer of forestry riparian easements or conservation easements;
7. the sale of land within two years after the death of the owner of at least a 50 percent interest in the land if the land has been designated continuously since 1993; and
8. removal of the land because it was classified in error.

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. This exception is similar to the third exception above for acquisition of conservation property, but contains a broader exception, similar to the exception in the open space classification.

The Open Space Taxation Act has a list of exceptions that are similar to the exceptions for designated forest land. However, the following exceptions are not parallel including:

- the transfer of land to a church;
- removal of land after enactment of a statutory exemption; and
- a natural disaster changing the use of the property.

Summary of Bill:

Additional exceptions from payment of forest land compensating tax are added including:

1. the acquisition of property interests by state agencies or nonprofit historic preservation or nature conservancy organizations for the protection and conservation of open space, farm and agricultural land, timber land, and forest land for public use;
2. a natural disaster that changes the use of the property;

3. transfer of land to a church; and
4. removal of land from designation after enactment of a statutory exemption.

The following exceptions for the payment of forest land compensating tax, covered under exception one above, are eliminated including:

- the transfer of property interests for public use and enjoyment in a county with a population of more than 600,000 inhabitants;
- the donation of property rights to a government agency or nonprofit organization; and
- the purchase of lands by a government entity or nonprofit corporation for state natural area preserve purposes or state natural resources conservation area purposes.

Appropriation: None.

Fiscal Note: Requested on January 17, 2012.

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