

HOUSE BILL REPORT

ESB 5169

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: Senators Rockefeller, Kilmer and Shin.

Brief History:

Committee Activity:

Community Development & Housing: 3/16/11 [DP].

Brief Summary of Engrossed 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 of at least 245,000 inhabitants that border Puget Sound (Kitsap and Thurston counties).

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.

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.

Summary of Bill:

An exception for payment of back taxes on designated forest land is created for property located in counties with a population of at least 245,000 inhabitants that border Puget Sound (Kitsap and Thurston counties). 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.

Appropriation: None.

Fiscal Note: Preliminary 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) This bill is important to the Kitsap County government. Kitsap County is the second most densely populated county in the state, and this provides a way to acquire and preserve an area with great natural assets. This legislation will extend to Kitsap and Thurston counties, the same treatment that King, Snohomish, and Pierce counties receive.

The county would like to acquire about 7,000 acres of forest land and preserve it as open space for the long-term. It is a unique opportunity due to a parcel of land that Pope

Resources is expected to put up for sale. The land will be used in the same manner, but will also add some trails, public access to waterfront, and recreation options. This provides an economic development opportunity the county has not seen. It will bring people in and create jobs. Payment of compensating tax adds up to 10 percent to the cost of a property sale, and can make or break a transaction. Grant funding is not typically available to cover this cost.

(Opposed) None.

Persons Testifying: Senator Rockefeller, prime sponsor; Tom McBride, Kitsap County; and Leda Chahim, Cascade Land Conservancy.

Persons Signed In To Testify But Not Testifying: None.