

SENATE BILL REPORT

ESHB 2502

As of February 13, 2012

Title: An act relating to modifying exceptions to the compensating tax provisions for removal from forest land classification to more closely parallel open space property tax provisions.

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: House Committee on Ways & Means (originally sponsored by Representatives Hansen and Appleton).

Brief History: Passed House: 2/10/12, 95-1.

Committee Activity: Government Operations, Tribal Relations & Elections:

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

Staff: Karen Epps (786-7424)

Background: All property in this state is subject to property tax each year based on the property's market value unless a specific exemption is provided by law. Property meeting certain conditions may have property taxes determined on current use values rather than market values.

There are four categories of lands that are classified and assessed on current use. Three categories are covered in the open space law: open space lands, farm and agricultural lands, and timber lands. The fourth category is designated forest land in the forest land program.

The land remains in the current use classification as long as it continues to be used for the purpose for which 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 county assessor may also remove land from the program if the land no longer meets the criteria for classification.

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

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

- land is transferred to a government entity in exchange for other forest land within Washington;
- land is transferred to an entity using the power of eminent domain;
- 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);
- land is sold to the Parks and Recreation Commission for park purposes;
- the present use of the land is disallowed because of an official action by an agency of the state or local government;
- the creation, sale, or transfer of forestry riparian easements or conservation easements;
- 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
- removal of the land because it was classified in error.

Additionally, an exception to the payment of back taxes is allowed in counties with populations greater than 600,000 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.

Summary of Bill: The exception for the payment of back taxes on designated forest land when the transfer of property interests is for public use and enjoyment in a county with a population of more than 600,000 inhabitants is changed to include transfers in a county with a population of at least 245,000 inhabitants that borders Puget Sound. In addition, the exception for removal of land that has been transferred from designated forest land to open space and then removed from the open space classification under one of the authorized exceptions is expanded from a county with a population of more than 600,000 inhabitants to a county with a population of at least 245,000 inhabitants that borders Puget Sound.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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