
**Agriculture & Natural Resources
Committee**

HB 2584

Brief Description: Allowing prepayment of the penalty for removal of land from the farm and agricultural land current use property tax classification.

Sponsors: Representative Blake.

Brief Summary of Bill

- Allows the prepayment of additional taxes owed as a result of the conversion of land from agricultural use, without the assessment of additional interest or penalties otherwise levied on agricultural land conversions.

Hearing Date: 1/31/14

Staff: Jacob Lipson (786-7196).

Background:

All property is subject to a property tax each year based on the property's highest and best use unless a specific exemption is provided by law. The State Constitution authorizes agricultural, timber, and open space lands to be valued on the basis of their current use rather than fair market value. The Open Space Taxation Act allows for current use valuations of qualifying agricultural land, which includes:

- Parcels 20 acres and larger devoted primarily to agricultural production;
- Parcels five to 20 acres that generate gross income from the sale of farm products \$200 or more per acre in three of each five-year period; or
- Parcels that are less than five acres that generate a gross income of at least \$1,500 per year in three of each five-year period.

Land classified for agricultural use generally must remain in that classification for at least 10 years from the date of original classification.

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.

Landowners must provide county assessors notice within 60 days of the conversion of land from open space, timberland, or farm and agricultural uses to other use types. When agricultural lands are converted from their current use designations, back taxes, an interest payment, and penalties are assessed on the land. Upon the conversion and reclassification of the agricultural land, a landowner normally owes:

- back taxes of an amount equal to the difference, tallied over the previous seven years, between (a) the amount paid under the agricultural use classification tax rate, and (b) the amount that would have been paid had the land not been classified for agricultural use;
- interest on the back taxes owed, which is assessed at the same rate as on delinquent property tax; and
- a penalty equal to 20 percent of the value of the back taxes and interest owed.

These payments are due to the county within 30 days of the county tax assessor's written notice to the landowner of the change in use classification. However, state law also provides for an alternative land use withdrawal process. This process allows a landowner, at any time after eight years under agricultural land classification, to provide notice of a request to withdraw from the classification, effective two years later. Landowners following this withdrawal process are subject only to the additional taxes and interest owed for the land conversion, but not the 20 percent penalty.

Summary of Bill:

Farm and agricultural landowners may make prepayments on additional future tax payments anticipated in the event that the land is converted from farm and agricultural use. If the landowner has prepaid the full value of additional taxes owed, the landowner is exempt from the additional interest payments and penalties that the owner would otherwise have been charged upon the conversion of the land.

The amount of a landowner's annual prepayment may not exceed the difference between the taxes that the owner would have owed had the land not been classified as farm and agricultural land, and the actual taxes paid that year under the agricultural use classification.

If, after making prepayments toward future tax penalties, a landowner elects not to move the land out of farm and agricultural use classification, the prepayments can be applied as a credit against taxes owed in future years. Prepayments may not be refunded to the landowner.

Appropriation: None.

Fiscal Note: Not requested.

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