Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1309

Brief Description: Concerning removal of land from the current use property tax classification due to certain natural disasters.

Sponsors: Representatives Chapman, Kretz and Condotta.

Brief Summary of Bill

- Clarifies that property removed from current use valuation due to wildfire is not subject to additional tax and penalties.
- Establishes that property removed from the designated forestland program due to certain natural disasters is not subject to compensating tax.

Hearing Date: 1/20/17

Staff: Richelle Geiger (786-7139).

Background:

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The Washington Constitution authorizes qualifying agricultural, timber, and open space lands to be valued on the basis of their current use rather than fair market value. Two programs of current use valuation have been established, one program that includes open space lands, farm and agricultural lands, and timber lands and a second program for designated forestlands.

If the use of the property changes, the owner requests withdrawal, or a sale of the property is made and the new owner does not sign a notice of intent to continue within the current use program or designated forestland program, then the land is withdrawn or removed from the program and taxes and interest apply.

If property no longer qualifies for the current use program, additional tax, penalty, and interest are due. Additional tax is the difference between the fair market value and the current use value

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for each year, multiplied by that years levy rate, not to exceed seven years. Interest is calculated at 12 percent per year, the same as for delinquent property taxes. The penalty is 20 percent of the additional tax and interest. The penalty does not apply if the owner provides a two year withdrawal notice. Property removed from current use classification due to a natural disaster such as a flood, windstorm, earthquake, and other calamity, rather than the landowner changing the use of the property, is exempt from additional tax, penalty, and interest.

If the property no longer qualifies for the designated forestland program, compensating tax is due. Compensating tax is the difference between the fair market value and the current designated forest land value multiplied by the current levy rate and the number of years the land was in the program, not to exceed nine years, plus an amount using the same calculation for the current year, up to the date of removal. Interest and penalties do not apply on compensating tax when land is removed from the designated forestland program. There are no exemptions from compensating tax for property removed from the program due to natural disaster.

Summary of Bill:

Clarification is provided that property removed from current use valuation due to wildfire is not subject to additional tax, penalty, and interest. Compensating tax is not due on land removed from the designated forestland program due to natural disaster such as a flood, windstorm, earthquake, wildfire, or other such calamity.

Appropriation: None.

Fiscal Note: Available.

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