

HOUSE BILL REPORT

HB 1747

As Reported by House Committee On:
Finance

Title: An act relating to the withdrawal of land from a designated classification.

Brief Description: Concerning the withdrawal of land from a designated classification.

Sponsors: Representatives Taylor, McCaslin, Volz, Young and Shea.

Brief History:

Committee Activity:

Finance: 2/7/17, 2/23/17 [DPS].

Brief Summary of Substitute Bill

- Eliminates the requirement that property owners must give a two-year notice to withdraw land from the current use program, given it has been classified as current use for at least 10 years.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Stokesbary, Wilcox and Wylie.

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.

If property no longer qualifies for the current use valuation, an additional tax, a penalty, and interest are due. The additional tax is equal to the difference between the property tax paid as

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.

classified in the program, as well as the amount of property tax otherwise due and payable for the last seven years had the land not been classified. Interest is calculated at 12 percent per year, the same rate that applies for delinquent property taxes. The penalty is 20 percent of the additional tax and interest.

If the land has been in the program for at least 10 years and the owner provides a two-year withdrawal notice, the penalty does not apply. However, the additional tax and interest still applies.

Summary of Substitute Bill:

A property owner is no longer required to give a two-year advance notice when requesting to withdraw land from the program, given the land has been in the program for at least 10 years. Additional tax and interest still apply.

Penalty payments are due on parcels that are removed from the current use program if the assessor has begun the removal process prior to the owner requesting the land to be withdrawn from the current use program.

The legislation impacts taxes levied for collection in 2018 and beyond.

Substitute Bill Compared to Original Bill:

Penalty payments are due on parcels that are removed from the current use program if the assessor has begun the removal process prior to the owner requesting the land to be withdrawn.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The original intent for the current use valuation program was a 10-year period for the classification. There is an interpretation that a property owner must give a two-year withdrawal notice even if the land has been in the program for at least 10 years. The bill reverts back to the original intent of the law.

Over the last 10 years, Christmas tree farms in Washington have decreased from 25,000 acres to 18,000 acres. The open space program is essential for keeping those acres in production in the face of expansion. Most of a small farmer's investment is in the property. It is becoming

very difficult to be a small farmer in Washington. When the land is converted because nobody wants to farm the land, and counties want to develop the property to the highest and best use, small family farms must pay a significant portion from the sale of their largest asset.

A dynamic fiscal note may show an increase in tax revenue over time. However, counties are concerned about any impacts to their general funds.

(Opposed) None.

Persons Testifying: Monty Cobb, Washington Association of County Officials; and Brad Tower, Washington Christmas Tree Growers.

Persons Signed In To Testify But Not Testifying: None.