

# SENATE BILL REPORT

## SB 5188

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As of January 25, 2017

**Title:** An act relating to removal of land from the current use property tax classification due to certain natural disasters.

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

**Sponsors:** Senators Angel, Takko, Warnick and Pearson.

**Brief History:**

**Committee Activity:** Local Government: 1/24/17.

**Brief Summary of Bill**

- Adds wildfire to the natural disaster exception to the additional tax assessed on land removed from the Open Space Program.
- Exempts lands removed from the designated forestland program due to a natural disaster from compensating tax.

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### SENATE COMMITTEE ON LOCAL GOVERNMENT

**Staff:** Bonnie Kim (786-7316)

**Background:** Generally, all real property is subject to a tax each year based on highest and best use. 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.

Open Space Program. The Open Space Program allows agricultural lands, timberlands, and other open space lands to be assessed according to their value as they are currently used rather than the market value. Open space lands are lands which conserve natural resources, promote conservation, enhance public value and recreation, preserve visual quality, or have other legislatively identified attributes of public benefit. Agricultural and timber lands are subject to various requirements regarding size, use, and income.

When property is removed from the current use valuation program, either by the owner or the assessor due to a change in use, the owner must pay additional tax, penalty, and interest.

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*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.*

Property removed from current use classification due to a natural disaster such as a flood, windstorm, earthquake, and other calamity, is exempt from additional tax, penalty, and interest.

Designated Forest Land (DFL) Program. The DFL program allows timber on certain lands used primarily for growing and harvesting timber to be exempt from real property tax and subject instead to timber excise tax. To qualify, property owners must apply and provide information regarding the land, harvest history, and a timber management plan, if any.

When land is removed from the DFL program, either by the owner or by the assessor due to a change in use, the owner must pay compensating tax. 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 to compensating tax when land is removed from the DFL program. There are no exemptions for property removed from the program due to natural disaster.

**Summary of Bill:** Property removed from the Open Space Program due to wildfire is not subject to additional tax, penalty, and interest. Compensating tax is not assessed on land removed from the DFL program due to natural disaster such as a flood, windstorm, earthquake, wildfire, or other such calamity.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: When land has been destroyed by a natural disaster, land in the Open Space Program benefits from certain exemptions. When counties chose to collapse open space land into designated forest land, they lost the exemptions for natural disasters. All of WACO's members voted to support this bill at our annual conference. This bill arises out of the 2014-2015 fire seasons when neighboring landowners were treated very differently depending on what jurisdiction their land was in. We are checking out DOR's technical amendment language now.

**Persons Testifying:** PRO: Senator Jan Angel, Prime Sponsor; John Ehrenreich, WA Forest Protection Assoc.; Monty Cobb, WA Assoc. of County Officials.

**Persons Signed In To Testify But Not Testifying:** No one.