
Finance Committee

HB 2087

Brief Description: Exempting land removed from open space or farm and agricultural land classification from interest and other penalties if the land is owned in whole or in part by a retired farmer.

Sponsors: Representatives Kraft, Chapman, Klippert, Blake, Dye, Hoff, Orcutt, Walsh and Eslick.

Brief Summary of Bill

- Exempts agricultural and farm land that is owned by a retired farmer from interest and penalties when it is removed from the current use program.

Hearing Date: 2/26/19

Staff: Rachelle Harris (786-7137).

Background:

Current Use Program.

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.

Taxes and interest apply when land is withdrawn or removed from the program if the use of the property changes, the owner requests withdrawal, or a sale of the property is made and the new owner does not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.

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.

If property no longer qualifies for the current use program, then an additional tax, penalty, and interest are due. Additional tax is the difference between the fair market value and the current use value 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. Various exemptions to the additional tax, penalty, and interest are provided, such as if the 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.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

The penalties and interest for removal of land from the current use program may not be imposed if for the 10 preceding years, the land has been:

1. Continuously classified as a farm, as farm and agricultural land, or as agricultural conservation land; and
2. Continuously owned in whole or in part by a retired farmer, or by an entity that is owned in whole or in part by a retired farmer.

The bill is exempt from a TPPS, the JLARC review, and the 10-year expiration of tax preference.

Appropriation: None.

Fiscal Note: Requested on February 20, 2019.

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