

HOUSE BILL REPORT

SHB 1700

As Passed Legislature

Title: An act relating to current use taxation provisions.

Brief Description: Changing current use taxation provisions.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Sehlin, Chopp, Quall and B. Thomas).

Brief History:

Committee Activity:

Finance: 3/1/95, 3/3/95 [DPS].

Floor Activity:

Passed House: 3/14/95, 86-12.

Senate Amended.

House Concurred.

Passed Legislature.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Property meeting certain conditions may have property taxes determined on current use values rather than market values. There are five categories of lands that may be classified and assessed on current use. Three categories are covered in the open space law: open space lands, farm and agriculture lands, and timber lands; and two are in the timber tax law: classified and designated forest land.

The land remains in current use classification as long as it continues to be used for the purpose it was placed in the current use program. Land is removed from the program: at the request of the owner; by sale or transfer to an ownership making the land exempt from property tax; or by sale or transfer of the land to a new owner, unless the new owner signs a notice of classification continuance. The assessor may

also remove land from the program if the land is not longer devoted to its open space purpose.

Back Taxes

When property is removed from current use classification, back taxes plus interest must be paid. For open space categories, back taxes represent the tax benefit received over the most recent seven years. For classified and designated forest land, back taxes are equal to the tax benefit in the most recent year times the number of years in the program (but not more than 10). There are some exceptions to the requirement for payment of back taxes. For example, back taxes are not required on the transfer of the land to an entity using the power of eminent domain or in anticipation of the exercise of that power.

Summary of Bill: A transfer of forest land to the parks and recreation commission for parks and recreation purposed is exempt from payment of back taxes. Assessors are instructed not to remove land from forest land classification or designation if the land is expected to be acquired in a transaction exempt from paying the back taxes.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 6, 1995.

Effective Date of Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: At present, it is very difficult for a private land owner to donate land to the state government. Some transfers have taken well over a decade to negotiate. This bill will encourage others to donate land as currently there is a major disincentive to make such donations. It is important to remember that state parks are revenue sources for local and state governments.

Testimony Against: There is always a good reason to acquire land and take it off the tax rolls. The taxpayers pay for this shift. The original bill provides an exception to paying the back taxes that is too broad.

Testified: Representative Barry Sehlin, prime sponsor (pro); Gary Worthington, citizen and Cam Beach land transfer (pro); Larry Fairleigh, State Parks (pro); Mike Ryherd, Evergreen Alliance (pro); John Ehrenreich, Washington Forest Protection Association (pro); and Fred Saeger, Washington Association of County Officials (con, original bill).