

SENATE BILL REPORT

SHB 1700

As Reported By Senate Committee On:
Ways & Means, April 3, 1995

Title: An act relating to current use taxation provisions.

Brief Description: Changing current use taxation provisions.

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

Brief History:

Committee Activity: Ways & Means: 4/3/95 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Hochstatter, Johnson, Roach, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7715)

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. Applications for farm and agricultural classification and designated forest land are made to the county assessor. Land that has no higher and better use than growing and harvesting timber may be classified as forest land by the assessor. Applications for open space or timber land are made to the county legislative authority. If the open space or timber land is within an incorporated area, then a joint committee of three members of the county legislative body and three members of the city legislative body act on the application.

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 ten). 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.

The back tax exceptions are slightly different for the open space program and the forest land program. For example, an exception is allowed under the open space program if government action no longer permits the present use of the property. The forest land program does not have this exception.

In the open space program, an exception to the payment of back taxes is allowed for a sale or transfer to a governmental entity or nonprofit historic preservation or nonprofit nature conservancy corporation for the purpose of conserving open space land. However, in the forest land category, the similar exception is much more restrictive. The forest land exception is restricted to a sale or transfer to a governmental entity or nonprofit nature conservancy corporation for conservation purposes of land recommended for state natural area preserve purposes by the Natural Heritage Council.

Transfers among classifications. Transfers without payment of back taxes can be made between all categories of current use valuation except for transfers out of open space. However, land classified as farm and agricultural conservation land within open space may be transferred to the farm and agricultural land category.

Summary of Amended Bill: 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.

The sale or transfer of fee title to the Parks and Recreation Commission for park and recreation purposes is exempt from compensating and additional taxes.

Amended Bill Compared to Substitute Bill: The substitute bill did the following: City legislative bodies provide written recommendations to grant or deny applications for open space classification that are within an incorporated area. If the county disagrees with the city recommendation, then the joint committee process provided in current law takes place.

The exceptions for the payment of back taxes upon removal from the forest land current use program are changed to be similar to the exceptions allowed in the open space program. The back taxes are not due if removal from forest land classification or designation results from official governmental action that disallows the present use of the land. Back taxes are not due on a sale or transfer of land to a governmental agency or to a nonprofit historic preservation or nature conservancy corporation for the conservation of open space or for academic or scientific research.

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.

Transfers are allowed from open space land category to farm and agricultural land if the land is permanently required to be used for agricultural purposes by a conservation easement.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: None.

Testimony Against: None.

Testified: No one.