

SENATE BILL REPORT

SB 5730

As of February 16, 1995

Title: An act relating to removal of classification or designation of forest land for tax purposes.

Brief Description: Facilitating transfers of forest land for parks and recreation use.

Sponsors: Senators Haugen, Fraser, Oke, Rasmussen, Loveland, Hargrove, Swecker, Spanel and Winsley.

Brief History:

Committee Activity: Ways & Means: 2/21/95.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Background: Timber on privately or federally owned land is exempt from property taxation. The timber is subject to an excise tax based on the stumpage value at the time of harvest. Upon sale, public timber, other than federal, is subject to property taxation as personal property in addition to the excise tax. However, any property tax paid on this timber may be claimed as a credit against the excise tax.

The forest land itself is subject to the property tax. Land that has no higher and better use than growing and harvesting timber may be classified as forest land by the assessor. Land that is used to grow and harvest timber, but which is more valuable for other uses, may be designated as forest land by the assessor upon application to the county assessor by the landowner. To qualify for either, the land must be 20 acres or more and be used primarily for growing and harvesting timber. The valuation of classified and designated forest land is based on the value of the bare land for growing and harvesting timber.

Land is removed from classification or designation: at the request of the owner; by sale or transfer to an ownership making the land exempt from tax; by sale or transfer of the land to a new owner, unless the new owner signs a notice of classification continuance; and for classified land, by a determination that the land is no longer primarily used for growing and harvesting timber or that a better use exists for the land than growing and harvesting timber.

Upon removal from classification, both classified and designated forest land may be subject to a compensating tax. The tax is equal to the tax benefit in the most recent year multiplied by the number of years the land was classified or designated, not to exceed ten.

The compensating tax is not imposed if the removal resulted from a transfer to a government entity in exchange for other forest land in Washington or a taking by or transfer under threat of eminent domain.

In addition, the compensating tax is not imposed if the removal resulted from: (1) a donation of development rights, or the right to harvest timber, to a government agency or nonprofit historic preservation or nature conservancy corporation for the purpose of limiting the future use of the land; or (2) the 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. However, if the land is later used for any other purpose, the compensating tax is imposed upon the current owner.

Summary of Substitute Bill: Land is not removed from classification or designation if an agency that would be exempt from the tax manifests its intent in writing, or by other official action, to acquire an interest in the land in a transaction that would be exempt. The compensating tax is not due if removal from classification or designation results from official governmental action that disallows the current use of the land. In addition, the compensating tax is not due on any sale or transfer of land to a governmental agency, rather than only transfers to governmental agencies for state natural area preserve purposes.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The county is charging taxes on the gift of this beautiful 430-acre Cama Beach property on Camano Island for park purposes. The family could sell it for a lot of money and they want to give it away. The transfer of the property has stopped because of this. The tax is to pay for the impacts of development of the property, but the property is not going to be developed. Counties will treat the issue uniformly under this bill and encourage families to donate property for parks.

Testimony Against: There is no restriction on the use of the property by government. It could be used for a landfill. The compensating tax is to compensate taxing districts for previously lost revenues, not to pay for development.

Testified: Senator Haugen, prime sponsor (pro); Gary Worthington, citizen (pro); Larry Fairleigh, State Parks, (pro); Mike Ryherd, WWRC, Evergreen Alliance (pro); Fred Saeger, WA Assn. of County Officials (con).