

FINAL BILL REPORT

SSB 5230

C 299 L 97
Synopsis as Enacted

Brief Description: Revising current use taxation provisions.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rossi, Haugen, McCaslin, McDonald and Hale).

Senate Committee on Ways & Means
House Committee on Finance

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 agricultural 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 for which 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 no longer meets the criteria for classification.

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, plus interest at the rate of 12 percent from the time the taxes could have been paid. In addition, a penalty equal to 20 percent of the back taxes and interest is applied. The penalty may be avoided if the property remains in the program for at least 10 years and a two-year waiting period after notice of withdrawal is satisfied.

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 program, 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.

Summary: Back taxes do not have to be paid for forest land that is removed from classification or designation if official action disallows the present use of the land. In counties with a population of over one million, an exception to the payment of back taxes for forest land 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.

Votes on Final Passage:

Senate	48	0	
House	98	0	(House amended)
Senate	44	0	(Senate concurred)

Effective: May 9, 1997