

HB 2871

Bill Analysis

February 5, 1998

Brief Description: Creating a system of classifying land as agricultural land with long-term commercial significance for tax purposes.

Bill Sponsors: Representatives Parlette, Chandler, Wensman, Anderson, Reams, Clements, Romero, Linville, Gardner and Thompson.

Staff: Rick Peterson, 786-7150.

Background: The Growth Management Act (GMA) requires certain cities and counties to develop comprehensive plans. As part of this process they must designate appropriate lands as agricultural land that are not already characterized by urban growth and have long-term significance for the commercial production of food or other agricultural products. In addition, cities and counties are required to adopt development regulations to conserve these lands.

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. The two remaining categories are in the timber tax law: classified and designated forest land.

Land eligible for current use taxation as farm and agricultural land is land:

- A. Devoted primarily to commercial agricultural purposes that is:
 - 1. Greater than 20 acres;
 - 2. Less than 20 acres and greater than 5 acres and produces gross farm income greater than \$200 per acre for 3 of 5 years;
 - 3. Less than 5 acres and produces \$1,500 in farm gross income for 3 of 5 years; or
- B. Designated as agricultural lands of long term commercial significance under the Growth Management Act (GMA) ; or
- C. Zoned as agricultural land under GMA and is not within an urban growth area.

Applications for farm and agricultural classification are made to the county assessor. A

denial by the assessor can be appealed to the county board of equalization.

The land remains in the farm and agricultural current use classification as long as it continues to meet the criteria for classification. 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 farm and agricultural classification, back taxes, plus interest, must be paid. Back taxes represent the tax benefit received over the most recent seven years. In some cases an additional penalty of 20 percent of the back taxes and interest is also imposed. There are some exceptions to the requirement for payment of back taxes.

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 Bill: A new current use program is created for land designated as agricultural lands of long-term commercial significance by counties and cities planning under the Growth Management Act. To qualify the land must be devoted primarily to agricultural uses and not used for residential, industrial, or other commercial purposes. Also, the city or county must have adopted development regulations required under GMA to conserve the agricultural land.

The assessor is instructed to automatically classify all qualified agricultural land into the new current use program. Land in the existing open space farm and agricultural land program that qualifies for the new program shall be reclassified into the new program without payment of back taxes. The current use value is determined in the same manner as the existing open space program for farm and agricultural land.

Land is removed from the current use program if county or city removes the designation as agricultural land of long-term commercial significance or the use of the land is changed to a use not permitted for designation as agricultural land for long-term commercial significance.

There is no recovery of the tax benefit enjoyed by the property when it is removed from the program. Except that when land that was reclassified into the new program from the existing open space farm and agricultural land program is removed a portion of the back taxes may become due. For each year the land is in the new program one year of back taxes from the old program is abated.

Land removed from the agricultural lands of long-term commercial significance current use program may be reclassified into the open space farm and agricultural land current use program without payment of back taxes.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: Ninety days after adjournment of session in which the bill is passed.