

SENATE BILL REPORT

SB 5465

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 15, 2005

Title: An act relating to the taxation of land valued under the open space program.

Brief Description: Modifying the taxation of land valued under the open space program.

Sponsors: Senators Rasmussen and Morton.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/10/05, 2/15/05 [DP-WM].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Schoesler, Ranking Minority Member; Delvin, Jacobsen, Morton and Sheldon.

Staff: Bob Lee (786-7404)

Background: The Open Spaces Taxation Act was enacted in 1970 following an amendment to the state constitution that allows current use valuation for property tax purposes for three different classifications of lands: (1) farm and agricultural lands; (2) timberlands; and (3) open space lands. Current use value is based on the amount of income similar land generates in its current use rather than the market value of the land.

To enroll agricultural land in the program, the owner files an application with the county. In return for having the property being assessed at the lower current use value, the landowner agrees to retain the land in its current use for a ten year period. Lands can be removed from the program but the landowner is required to pay to the county assessor the difference between the property taxes that were collected under the current use value, and the property taxes that would have been collected if it were assessed according to its market value. This difference is collected for the seven most recent years.

When an owner of farm and agricultural land decides to change the land's classification to a non-qualifying use, there are two options. The first option is available after the land has been enrolled in the program for at least eight years of the initial ten year period. With two year advance notification, the land may be removed in which case the reduction in property taxes for the seven most recent years are recaptured plus interest. The second option is the removal of land other than after eight years or without the required two year advance notice, then the seven most recent years of reduced taxes are recaptured with interest plus a 20 percent penalty.

Summary of Bill: For land that has been classified as farm and agricultural land for the last ten years, the difference between the property tax paid and the amount that would otherwise be due and payable must be for the three most recent years rather than the seven most recent years.

The 20 percent penalty for not complying with the requirement of two year notification prior to removal from any of the categories in the open spaces program is repealed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: A lot of farm and ranch land no longer qualifies for the Open Spaces Taxation Program. Okanogan County has lost 20 percent of their orchards and 15 percent of the numbers of cattle because the farms cannot make a profit due to globalization and other factors beyond their control. Every state has some kind of current use valuation and several do not have a recapture provision. The current provisions are punitive and the goal is to lessen the punitive nature of the compensating tax. The compensating tax amounts to a windfall for the county.

Testimony Against: None.

Who Testified: PRO: Scott Furman, Okanogan County Assessor; Dave Cook, Yakima County Assessor.