
Finance Committee

HB 1746

Brief Description: Concerning interest rate and penalty provisions in the current use program.

Sponsors: Representatives Taylor, Volz and Shea.

Brief Summary of Bill

- Changes the interest rate assessed on additional tax when land is removed from the current use program.
- Eliminates the requirement that property owners must give two-year notice to withdraw land from the current use program, if it has been classified as current use for at least 10 years.

Hearing Date: 2/7/17

Staff: Richelle Geiger (786-7139).

Background:

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The Washington Constitution authorizes qualifying agricultural, timber, and open space lands to be valued on the basis of their current use rather than fair market value.

If property no longer qualifies for the current use valuation, additional tax, penalty, and interest are due. The additional tax is equal to the difference between the property tax paid as classified in the program and the amount of property tax otherwise due and payable for the last seven years had the land not been classified. Interest is calculated at 12 percent per year, the same rate that applies for delinquent property taxes. The penalty is 20 percent of the additional tax and interest.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

If the land has been in the program for at least 10 years and the owner provides a two year withdrawal notice, the penalty does not apply. However, the additional tax and interest still applies.

Summary of Bill:

The interest rate on additional tax when land is removed or withdrawn from the current use program is changed from 12 percent per year to the same rate charged to excise tax assessments. The excise tax assessment interest rate is the average of the federal short-term rate plus two percentage points and is annually updated by the Department of Revenue.

A property owner is no longer required to give two-year advance notice when requesting to withdraw land from the program, if the land has been in the program for at least ten years. Additional tax and interest still apply.

The legislation impacts taxes levied for collection in 2018 and beyond.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.