

Do You Qualify For Reduced Property Taxes? Current Use Taxation



Current Use Vs. "Highest & Best Use"

Current Use taxation designations provide landowners a tax break when their land use meets the criteria for farm/agricultural, timber land, open space, and forest land. Current use lands are taxed according to the value of the current use instead of the market value for development, such as residential, commercial, or industrial use. The development value is often called a land's "highest and best use" which means its highest economic

value if sold. However, these programs only defer taxes while the land remains in the designated current use. For this reason, landowners should plan to maintain these designations for the long-term. As outlined later, penalties make short-term classification costly.

Current use taxation promotes residents' quality of life by preserving working landscapes that provide aesthetic, economic, and social benefits in the form of farms, forests, and open space. Encouraging these land uses also protects the quality of our water by maintaining vegetation and landscapes that filter and absorb storm water.

Types of Current Use Taxation

Farm and Agricultural Land

Requirements. For the three options below, applications require the signature of all owners of the land, a legal description, a site plan, and copies of IRS Farm Income Schedules for three of the previous five years. In some cases, a Farm Management Plan may be required.

Option One Criteria. Parcels or adjoining parcels must be twenty acres or more: 1) devoted mostly to livestock production or commercial agricultural commodity production; OR 2) registered in a federal conservation reserve program.

Option Two Criteria. Parcels or adjoining parcels must be less than twenty acres, but at least five acres in size generating at least \$200 per acre annually in commercial agricultural products during three of the preceding five years.

Option Three Criteria. Parcels must be less than five acres generating at least \$1,500 per acre annually in commercial agricultural products during three of the preceding five years.

Qualifying lands can include up to 20% of the land in compatible incidental uses (such as a woodlot) along with buildings necessary to produce, prepare, or sell the agricultural products (e.g., barns, sheds) although potted nursery stock and greenhouse production may not count in Clark County.

Timber Land and Designated Forest Land

Requirements. Applications require the signature of all owners of the land and a Timber Management Plan.

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Timber Land.

- A minimum of 5 acres exclusive of the homesite.
- Actively managed for growing timber for commercial harvest.
- Must submit a timber management plan prepared by a professional forester.
- Must submit two copies of the complete application packet.



Designated Forest Land.

- A minimum of 5 contiguous acres in the same ownership, exclusive of homesites.
- Actively managed for growing timber for commercial harvest.
- Must meet minimum stocking level requirements.
- Must submit a timber management plan prepared by a professional forester.

Open Space

Requirements. Applications require the signature of all owners of the land and relevant documentation supporting the classification.

- Mineral deposits on parcels exceeding 20 acres - or
- Archaeological or historic sites listed on local, state, or national registry - or
- Certain streams or springs on parcels exceeding 10 acres - or
- Certain soil types on parcels exceeding 10 acres - or
- Certain recreational opportunities on parcels exceeding 10 acres.
- Must submit two copies of the complete application packet.

Application Costs and Determining Land Value

Classification	Current Use Value	Cost to Apply *
Farm and Agricultural Land	Based on earning capacity on similar land determined by soil class and commodity.	\$150 application
Timber Land	Based on land grades (composite of soil class and utility) used to determine per acre values supplied by DNR.	\$2,032 application
Designated Forest Land	Based on land grades (composite of soil class and utility) used to determine per acre values supplied by DNR.	recording fee
Open Space	Based on soil classification.	\$2,032 application

** As of January 2015, subject to change. Fees are non-refundable.*

Timeline & Review Process

It takes over a year to process current use applications. Applications before December 31st of a given year will be processed during the following year and will apply to the taxes in the third year (application in 2004, processed in 2005, reduction in 2006 taxes if accepted).

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Withdrawal from Current Use Taxation

Removing a property's current use taxation designation prior to ten years automatically triggers a 20% penalty (mandated by state law) in addition to back taxes. When a property is withdrawn, the landowner must pay the deferred taxes for the previous seven years. The taxes are the difference between what was paid at the current use tax rate and

Classification	Review Process for Accepted Applications
Farm and Agricultural Land	Application review. Physical inspection. Assessor records tax lien with Auditor.
Timber Land	Application review. Physical inspection. County Planning Commission Public Hearing. County Commissioner Public Hearing. Applicants sign Community Development agreements. Assessor records tax lien with Auditor.
Designated Forest Land	Application review. Physical inspection. Assessor records tax lien with Auditor.
Open Space	Application review. Physical inspection. County Planning Commission Public Hearing. County Commissioner Public Hearing. Applicants sign Community Development agreements. Assessor records tax lien with Auditor.

what would have been paid had the property been taxed at the normal highest and best use tax rate. In other words, that is the amount of tax that was deferred while in the current use tax designation. In addition, the landowner will owe interest on the deferred tax amount consistent with the interest rate on delinquent taxes.

Selling Land in Current Use Taxation Status. The seller must pay the deferred taxes and any penalties and interest on the land being sold unless the buyer signs a Notice of Continuance on the Real Estate Excise Tax Affidavit and the Intent to Continue Current Use Classification form that demonstrate the buyer's intent to maintain the property in the current use designation. Plan for this to take some extra time to be processed. In this case, the buyer assumes the responsibilities required for the current use classification.

Current Use Example

In the following example, the owner of an 11 acre parcel wishes to place her land in the farm and agriculture current use designation. In this case, the homesite is considered one acre and is taxed at market value. The remaining 10 acres will be taxed at its current earning capacity. All parcels are unique and depend on specific conditions of each property. This example is for illustrative purposes only.

	Market Value Taxation	Current Use - Agricultural Land
Land Value	\$129,500 for 11 acres	\$3,790 for 10 acres; One acre (homesite) @ \$21,910; Total = \$25,710
Structure Value	\$48,500	\$48,500
Total Value	\$178,000	\$74,210
Taxes	\$2,670 per year	\$1,120 per year
Deferred Tax		\$1,550 per year

In this example, the landowner defers \$1,550 each year while in the current use classification. When that land is withdrawn, the landowner will owe the last seven years of deferred taxes, plus seven years of interest on the deferred tax amount and any applicable penalties.

Who to Contact and Additional Resources

Small Acreage Program



For further details and applications contact the Clark County Department of Assessment, 360-397-2092, ext. 5847 or current.use@clark.wa.gov. General office telephone 360-397-2391. Information and applications also available at: <http://www.clark.wa.gov/assessor/taxrelief/currentuse.html>

WA Department of Revenue

- Open Space Taxation Act (fact sheet): http://dor.wa.gov/docs/pubs/prop_tax/openspace.pdf
- Designated Forest Land (fact sheet): http://dor.wa.gov/Docs/Pubs/Prop_Tax/DesignatedForestLand.pdf

References

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Clark County, Current Use Assessment, RCW Chapter 84.34, Farm and Agriculture, Timber Land and Open Space, Department of Assessment and GIS factsheet, February 13, 2003, 2 pages.

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Clark County, Timber Land General Information, Department of Assessment and GIS factsheet, March 3, 2003, 5 pages.

Washington State, Open Space Taxation Act, Current Use Assessment Information, Department of Revenue, Property Tax Division factsheet, January 1993, 11 pages.

Updated in 2014 by Eric Lambert.

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The information in this publication is for informational purposes only and does not substitute for legal advice or obtaining guidance and advice directly from relevant Clark County departments. For specific and current information, contact Clark County.



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