

# OPEN SPACE & DESIGNATED FOREST

## Frequently Asked Questions

### CHELAN COUNTY ASSESSOR

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#### **Q: What is the current use program?**

A: Washington State law provides property tax relief for certain open space and commercial agricultural and forest lands. If your land meets certain use requirements, taxable assessed value will be based on its current use rather than fair market value. Current use classification is not automatic- you must apply and meet the requirements. The program only applies to the assessed value of the land and cannot be applied to any improvements or structures that are located on the property. Contact the Assessor's Office for more information.

#### **Q: What land classifications are available?**

A: There are three programs that fall into the current use classification:

##### **Open Space Farm & Ag:**

- Intent of law: To preserve lands used for the commercial production of agricultural products.
- Requirements: The land must be primarily devoted to raising agricultural products for commercial purposes. If a residence exists on farms less than 20 acres, a one-acre residence site is excluded from classification.
- There are income requirements based on the amount of property to be classified:
  - Less than 5 acres requires an annual gross income from agricultural products of \$1,500.
  - 5 to 20 acres require an annual gross income for agricultural products of \$200 per acre.

- 20 or more acres do not require a specific amount, but there must be sufficient income to ascertain the property is a commercial-scale farm.

#### **Open Space Public Benefit Rating System (PBRs):**

- **Intent of law:** To preserve ecologically sensitive land for the enjoyment of the people of the state of Washington.
- **Requirements:** Land must have at least 2 ecological features such as ponds, streams, wetland or wildlife habitat, and/or be a scenic resource, historic site, or have public access. Public access is encouraged. If a residence exists on the parcel, a one-acre residence site is excluded from classification.

#### **Designated Forest Land:**

- **Intent of law:** To promote the growth and harvest of forest products.
- **Requirements:** A minimum of 5 contiguous acres, which must be primarily devoted to and used for growing and harvesting timber. If a residence exists on the parcel, a one-acre residence site is excluded from classification and it must be at least 6 acres in total area to qualify for this program.

For additional information about the current use programs, please read the **Open Space Taxation Act** and the **Designated Forest Land** publications prepared by the Taxpayer Services Division of the Washington State Department of Revenue.

#### **Q: Why is the Open Space Timber Classification no longer available?**

A: During the 2014 legislative session, Senate Bill 6180 was passed by the Washington State Legislature which provided the county legislative authority the option to merge its Open Space Timber Land classification with its Designated Forest Land (DFL) program. The Bill consolidates the two classifications for ease of administration and reduces the minimum acreage requirement for DFL land from twenty (20) acres to five (5) acres under RCW 84.33.035(5). The Chelan County Board of Commissioners voted in open public regular session to approve the merger of the Open Space Timber Land and Designated Forest Land programs. Resolution 2014-65 was signed by the Board on July 1, 2014 with an effective date of June 12, 2014. The Open Space Timber land designation in Chelan County has been terminated and the date that the property was classified as timber land is considered to be the date that the property was designated as forest land.

#### **Q: How is the value of classified land determined?**

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A: The land value depends on what program your property is enrolled in. For the Open Space classifications (Farm & Ag or PBRs) the assessor is required to maintain two values on the assessment rolls for each parcel that is classified. The first is the value that would be placed on the land if it was not classified. This is commonly referred to as the "fair market value." The second is the current use land value based on its current use, not highest and best use, as classified by the granting authority.

The current use values for the Farm & Ag classification are based on the type of agricultural use (e.g. orchards, irrigated crops, dry crops, and grazing) and net rental cash rates. These rates are updated based on the recommendations of the County's Agricultural Advisory Committee which members are appointed by the Board of County Commissioners.

The current use values for the PBRs are based on a point system that is codified in the **County Code Chapter 14.22** and result in a percent reduction off of the assessed value of the property.

The assessor is not required to maintain two values on the assessment rolls for property enrolled in the Designated Forest Land classification and the current use values are based on the timber species and site index (**land grade**) and the soils (**operability class**) of the land and are updated by the State Legislature annually under **WAC 458-40-540**.

**Q: How do I apply?**

A: Applications for the **Open Space Public Benefit Rating System (PBRS)** program are processed through the Chelan County Community Development Department. For more information about the application process you can contact them at (509) 667-6224 or visit their website at: <http://www.co.chelan.wa.us/community-development>

Applications for the Open Space Farm & Ag and the Designated Forest Land program are processed through the Assessor's Office. Application forms must be complete and submitted to our office by December 31<sup>st</sup> for classification in the following year (assessment year) along with the appropriate application and recording fees. For more information, give us a call at (509) 667-6375.

**Q: Is there an application fee?**

A: Yes. Application fees apply. For the Open Space Public Benefit Rating System contact the Chelan County Community Development Department at (509) 667-6225 to find out what the current application fee is. The current application fee for Open Space Farm & Ag classification is \$200 and \$250 for Designated Forest Land, per adopted Resolution 2012-48. No application will be considered complete and processing will not commence until the appropriate fees have been received. Checks should be made payable to the Chelan County Assessor. In addition to the application fee, a one-time recording fee for two pages must be submitted pursuant the Chelan County Auditor's fee schedule to record the Notice of Approval/Denial form for classification. A check for the recording fee should be made payable to the Chelan County Auditor.

**Q: How long does the classification last?**

A: The land continues in its classification until a request for removal is made by the owner, the use of the land no longer complies, a sale or transfer to an owner that causes the land to be exempt from property taxes, or the ownership has changed and the new owner has not signed the Notice of Continuance.

**Q: What are the responsibilities of the Assessor's Office?**

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A: The current use programs amount to a tax shift to other property owners within Chelan County, which requires the Assessor to be attentive in monitoring program properties through audit reviews for compliance with classification requirements. The Assessor has the statutory authority to require the owner of land classified in the current use program to submit data regarding the use of the land, productivity of crops, income and expense data, and other similar information regarding continued eligibility depending on which program they have entered into. Our office is responsible for processing new applications into the Open Space Farm & Ag and Designated Forest Land classifications. We also process any continuances or removals that occur because of a sale, or a request for removal by the owner or for properties no longer in compliance with the requirements of the classification.

**Q: I am thinking about purchasing a property that is in a current use classification. What are my options?**

A: When purchasing lands that are currently classified as Open Space (Farm & Ag/PBRS) or Designated Forest Land the purchaser has the option to either continue the classification or to remove the classification, with the seller responsible for paying the compensating taxes. If the purchaser chooses to continue the classification our office requires that they submit the following to our office for approval and signature prior to recording the sale:

- A Real Estate Excise Tax Affidavit (REET) with the purchaser's signature in section 6 that they wish to continue the classification.

- A Notice of Continuance which will need to be recorded with the County Auditor at the same time as the REET. A one-time recording fee for five (5) pages must be submitted pursuant the Chelan County Auditor's fee schedule to record the Notice.
- If the property is Designated Forest Land our office also requires that an updated Timber Management Plan be submitted to our office within 90 days of the sale date. We require the purchaser to sign an agreement agreeing that a timber management plan that meets the requirements will be submitted to our office by the deadline. This letter does not get recorded but is placed into the property file.
- If the property is Farm & Ag our office may require the financial information for the operation prior to signing off on the continuance.

Failure by the new owner to sign the Real Estate Tax Affidavit and Notice of Continuance may result in removal from the program and payment of the compensating taxes and any penalties.

**Removal:** If the purchaser chooses not to continue the classification and would like to remove the property our office requires notification prior to the closing of the sale so that we can work with the Treasurer's Office to calculate the amount of compensating taxes that will need to be collected at closing and to prepare the Notice of Removal. A recording fee is required for the Notice of Removal (2 pages) and compensating taxes and any penalties will need to be paid at the time of recording. The amount of compensating taxes due depends on the classification to be removed. For all of the Open Space (Farm & Ag or PBRs) classifications there is a 20 percent penalty unless our office is notified two years prior to removal. Compensating taxes are based on the difference between the assessed market value of the land and the current use value. This amount is then multiplied by the last levy rate and the last years that the land was designated up to 7 years plus the current year.

For Designated Forest Land the amount of compensating taxes due is based on the sale closing date and the difference between the current fair market value of the land and the DFL value. This amount is then multiplied by the last levy rate and the last years that the land was designated up to 9 years plus the current year. If you choose to remove the property our office asks that you notify us as soon as possible so that we calculate the amount due at closing.

**Q: Does my residence qualify for the reduction?**

A: Only if your property is classified as Open Space Farm & Ag and is 20 acres or more in size and all acres are integral to the farming operation. The home must be used as your primary residence, for farmworker housing or another approved use that is integral to the farming operation. If a residence exists on farms less than 20 acres, a minimum of a one-acre residence site is excluded from classification per Resolution 92-178. The program only applies to the assessed value of the land and cannot be applied to any improvements or structures that are located on the property.

**Q: I'm planning on building or improving my classified land, is there anything I need to do?**

A: Yes. Prior to submitting your application for a building permit we encourage you to contact our office at 509-667-6375 to discuss your plans. Improvements made on classified land may result in partial or full removal from the programs with compensating taxes, penalties and additional taxes owed.

**Q: Can forest land classifications include residential uses, such as a cabin?**

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A: Yes, as long as your parcel is at least 6 acres in size. In 1992, the Board of County Commissioner's adopted Resolution 92-178 which states that whenever an improvement (e.g. domestic well, sewage disposal, electrical power, site preparation/excavation or dwelling unit used for human habitation) is made to land classified under

RCW 84.33 or 84.33 a minimum of at least one acres shall be deducted from the lands eligible for such classification whether or not such improvements actually equal one acre in size.

**Q: What are the requirements when I sell or transfer land that is in a current use classification?**

A: When classified land is sold or transferred, the seller or transferor becomes liable at the time of sale for the additional tax, interest, and penalty unless the new owner(s) signs the Notice of Continuance which is attached to or shown on the real estate excise tax affidavit. The county auditor cannot accept an instrument of conveyance on any classified land unless the Notice of Continuance has been signed or the additional tax, interest, and penalty have been paid. The assessor determines if the land qualifies for continued classification. The purchaser or new owner has the option to either continue the classification or to remove the classification with the seller responsible for paying compensating taxes and any penalties. The Treasurer's office will not process any sale transactions for properties that are currently classified as Open Space (Farm & Ag/ PBRs) or Designated Forest Land unless the Assessor's Office has signed and approved the continuance or removal. Failure by the purchaser to sign the Real Estate Excise Tax Affidavit and Notice of Continuance may result in removal from the program and payment of the compensating taxes and any penalties by the previous owner. For more information on the requirements to continue the classification or remove the classification, [click here](#).

**Q: What forms or information are required when I am selling or transferring and why?**

A: Our office requires that both the **Real Estate Excise Tax Affidavit (REET)** with the purchaser's signature in section 6 that they wish to continue the classification and a **Notice of Continuance (form 64 0047)** which needs to be recorded with the County Auditor. Both forms can be downloaded by clicking on the linked documents (colored text). We require both of these forms so that the purchaser is completely aware of the obligations and requirements of the program which they are choosing to continue and also to provide notice to the title that the previous owner (seller) is no longer responsible.

**Q: What if I want to change the use of my classified property?**

A: An owner changing the use of land from a classified use must notify the county assessor within 60 days of this action. The assessor will remove the land from classified status and impose an additional tax equal to the difference between the tax paid on the current use value and the tax that would have been paid on the land had it not been classified. The additional tax is payable for the last seven tax years, plus interest at the same rate as charged on delinquent property taxes, plus a penalty of 20 percent of the total amount.

Land may also be reclassified, upon request by the owner, subject to all applicable qualifications for each classification, without additional tax, interest, and penalty for the following:

1. Land classified as farm and agricultural land may be reclassified to timber land; timber land may be reclassified to farm and agricultural land.
2. Land classified as either farm and agricultural land or timber land under chapter 84.34 RCW, or forest land under chapter 84.33 RCW may be reclassified to open space land.
3. Land classified as farm and agricultural land or timber land may be reclassified to forest land under chapter 84.33 RCW.
4. Land previously classified as farm and agricultural land may be reclassified to open space land as "farm and agricultural conservation land" and subsequently be reclassified back to farm and agricultural land. Applications for reclassification are acted upon in the same manner as approvals for initial classification. The county assessor approves all applications for farm and agricultural classifications and reclassifications. The

county legislative authority (and in some cases, the city legislative authority) approves all land classifications or reclassifications for timber land and open space land, including farm and agricultural conservation land.

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### **Q: If I remove my property, how are compensating taxes calculated?**

A: The amount of compensating taxes due depends on the classification to be removed. For all of the Open Space (Farm & Ag or PBRS) classifications there is a 20 percent penalty unless our office is notified two years prior to removal. Compensating taxes are based on the difference between the assessed market value of the land and the current use value. This amount is then multiplied by the last levy rate and the last years that the land was designated up to 7 years plus the current year. For Designated Forest Land the amount of compensating taxes due is based on the sale closing date and the difference between the newly assessed value of the land and the DFL value. This amount is then multiplied by the last levy rate extended against the land and multiplied by the numbers of years the land was designated up to 9 years plus the current year. If you choose to remove the property our office asks that you notify us as soon as possible so that we calculate the amount due at closing.

### **Q: Under what circumstances am I exempt from paying compensating taxes?**

A: Compensating taxes may not be imposed if the removal of classification resulted solely from any of the circumstances listed under [RCW 84.34.108\(6\)](#).

### **Q: When is a Timber Management Plan required?**

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A: A Timber Management Plan (TMP) is required when applying for the Designated Forest Land classification and at any time that a sale or transfer of property currently classified occurs and the new owner wishes to continue in the program. The purchaser must provide a new Timber Management Plan that meets the requirements of the law within 90 days of the sale date. Our office requires that a letter agreeing to submit a Timber Management Plan be signed by the new owner prior to recording the sale. Our office has compiled a [TMP information packet](#) with the requirements, resources and information pertaining to this requirement. You can find it on our website under [Exemptions/Current Use](#) or by clicking on the hyperlink.

### **Q: What resources are available to me for completing a Timber Management Plan?**

A: The Department of Revenue has a publication titled [Guidelines for Timber Management Plans](#) that explains what is required for completing a plan and list sources of assistance. Our office has also compiled the DOR guidelines with information from Washington State University Extension, USDA Natural Resource Conservation Service, Washington State Department of Natural Resources as well as a List of Foresters known to work in Chelan County. This information is available as the [TMP information packet](#), on the [Exemptions/Current Use](#) page of our website.

### **Q: I received a letter asking for more information on my property from the Assessor. What do I need to do?**

A: You must fill out and return the form to our office by the date requested. For properties that are classified as Farm & Ag you will also need to provide three years out of the last five years of income data for your filed IRS Schedule F's. If you lease out your property you must provide leases from the property. Failure to submit the requested information may result in removal from the program and payment of the compensating taxes and any penalties.

**Q: I submitted an open space exemption application, why haven't I received the reduction on my assessed value?**

A: Applications submitted by December 31<sup>st</sup> of any year will be approved or denied for the following year, for taxes due the year after that. For example: an application is submitted in November 2017. The assessed value will be adjusted to the current use value (if approved) in 2018, this is the assessment year. You will see the reduction on your 2019 property tax statement.

**Q: May I appeal either the denial of my initial application for classification or the removal of the classification?**

A: Yes, the owner may file an appeal of the removal from classification to the **county board of equalization** on or before July 1 of the year of the determination, or within 30 days of the date the notice was mailed by the assessor, or within a time limit of up to 60 days adopted by the county legislative authority, whichever is later. If you are appealing an Open Space Public Benefit Rating system then you must file your appeal through the Chelan County Superior Court.

**Didn't find what you are looking for? Still have questions? Contact us at:**

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