

# HOUSE BILL REPORT

## HB 2045

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**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to payments to counties in lieu of taxes.

**Brief Description:** Concerning payments to counties in lieu of taxes.

**Sponsors:** Representatives Hunter and Sullivan.

**Brief History:**

**Committee Activity:**

Appropriations: 4/22/13, 4/23/13 [DP].

**Brief Summary of Bill**

- Removes formulas that counties could choose from in requesting payment in lieu of real property taxes (PILT) for game lands owned by the Department of Fish and Wildlife that reside within the county's jurisdiction.
- Establishes a \$1.01 per acre rate, increasing by 1 percent each calendar year beginning in 2015, for counties electing to receive PILT.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 18 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Carlyle, Cody, Dunshee, Green, Haigh, Hudgins, Hunt, Jinkins, Kagi, Maxwell, Morrell, Pedersen, Pettigrew, Seaquist, Springer and Sullivan.

**Minority Report:** Do not pass. Signed by 13 members: Representatives Alexander, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Dahlquist, Fagan, Haler, Harris, Parker, Pike, Ross, Schmick and Taylor.

**Staff:** Michael Bennion (786-7118).

**Background:**

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*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.*

Lands that are acquired or otherwise owned by state government are generally not subject to county property taxes. When the state acquires land for habitat and recreation from private landowners, the land is thus removed from the local tax base. Since approximately 1966 the Department of Fish and Wildlife (WDFW) has been providing counties with payments in lieu of real property taxes (PILT) as a way of offsetting the local impact. Once collected, the money must be distributed throughout the county government in the same manner that property tax revenues are distributed.

In most cases, a county has the discretion as to whether or not to request PILT from the WDFW; however, PILT are not applicable to lands transferred to the WDFW after 1990 from another state agency. A county's legislative authority must first elect to receive PILT and notify the WDFW by December 31 to receive PILT for the following year. Since 1985, counties that elect for PILT have had two formulas to choose from for calculating their PILT request. The formula options are either:

- \$.70 per acre or the PILT amount paid in 1984, whichever is greater; or
- payments equal to the amount paid on similar parcels of open space land.

Generally, the open space tax rate results in the highest payment to counties.

Those counties that elect to receive PILT are required to keep a record of all fines and payments made for violations of game laws or rules in the county and remit that amount each month to the State Treasurer. Counties that do not elect to receive PILT are able to retain the moneys collected for game violations on WDFW game lands.

Payments in lieu of real property taxes are administered by the WDFW and are paid from the WDFW's State General Fund budget appropriation each fiscal year. There are currently 14 counties receiving PILT from the WDFW. Seven of the counties have chosen the open space rate, another six have the 1984 or \$.70 per acre rate, and one county has a mix of formulas.

During fiscal years 2012 and 2013 the Legislature directed PILT be calculated at the total paid in 2009 to each county and permitted those counties to retain their game violation revenues.

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### **Summary of Bill:**

Rate formulas that counties may choose from in requesting their payments in lieu of property taxes from the WDFW are removed and are replaced with a flat \$1.01 per acre rate. The new rate increases by 1 percent each calendar year beginning in 2015.

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**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

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

**Staff Summary of Public Testimony:**

(In support) None.

(Opposed) The Association of Washington Counties (Association) is opposed to the bill over concerns regarding the permanent statutory change to the payment formula whereas reductions taken over recent years have been related to current budget circumstances. All but one of the counties impacted, Grays Harbor, are east of the Cascades. There is also the assumption that the WDFW will continue to acquire land and this bill would send a message that the state cannot afford the land it currently owns, and this problem will only be compounded over time. The payments do not cover the full loss of open space designation in taxes, but other losses they might not cover include the continuing sale of these lands and the real estate excise taxes or economic opportunities that land would otherwise present. The funding is important for the counties and the roads, fire, and public safety that the funds supports. If there is going to be a permanent change in the formula, the Association would like to be included in the discussion.

Recreation, conservation, and land access in the state have created a large economic development engine and PILT are an integral part of the engine. Payments in lieu of real property taxes allows counties to use lands for public access while maintaining revenue needed for public service. Without a healthy PILT program there could be less incentive to provide lands for recreation and conservation. The recreation industry is a large part of the state economy, employing over 200,000 people each year and generating \$22 billion in economic activity. The state does not want to put counties in the difficult position of having to choose whether or not to provide lands for recreation and conservation purposes because of a reduction in PILT. This bill is a short-term decision that could have a long term impact.

**Persons Testifying:** Laura Merrill, Washington State Association of Counties; Jim Richards, Washington Wildlife and Recreation Coalition; and Monty Cobb, Washington Association of County Officials.

**Persons Signed In To Testify But Not Testifying:** None.