

**Report to the Washington Legislature**

**A Projection of the Impacts of Payments in Lieu of Taxes  
As Mandated by Engrossed Substitute Senate Bill 5396**

**The Interagency Committee for Outdoor Recreation  
Gary Cooper**

**January 2006**

## **Acknowledgements**

Several individuals participated in the preparation of this report. Particular thanks is due to Bob Carlton of the Washington Association of County Officials for his assistance as a primary contact for obtaining local government data, and for his help in organizing and interpreting the data in a manner suitable for general distribution. Thanks are also due to the following local government and state agency representatives for their participation:

Dave Cook, Yakima County

Russ Griffith, Chelan County

Rachel Siracuse, Ferry County

Jack Westerman, Jefferson County

Scott Furman, Okanogan County

Gary Martin Skamania County

Craig Calhoun, Department of Natural Resources

Dan Budd, Washington Department of Fish & Wildlife

Elyse Kane, Washington Department of Fish & Wildlife

Jeff Olsen, Office of Program Research

## **Introduction**

This report addresses Section 16 of Engrossed Substitute Senate Bill 5396 (ESSB 5396), which was enacted by the Legislature during the 2005 Legislative session. Section 16 required the Interagency Committee for Outdoor Recreation (IAC), the Department of Fish & Wildlife (WDFW), the Department of Natural Resources (DNR), and Washington Counties to collaborate on a report to determine the fiscal impacts of payments in lieu of taxes (PILT) that are provided for in various sections of ESSB 5396. In addition, ESSB 5396 calls for a comparison and analysis of the potential taxable value of lands acquired by WDFW and DNR through the Washington Wildlife and Recreation Program, as well as “existing game lands” held by WDFW and “natural areas” managed by DNR.

## **Context**

In many cases state-owned habitat and recreation lands are acquired from private landowners. Because state-owned lands are tax-exempt, the purchase of private property by the state removes those lands from the local tax base. ESSB 5396 provides for payments in lieu of taxes (PILT) to offset the reduction in the local government tax base by requiring a distribution to counties in an amount equal to the open space tax rate for habitat and recreation lands owned by WDFW and DNR.

## **Current WDFW PILT Requirements**

WDFW has been paying PILT to counties since approximately 1966. Counties have several options for how to receive PILT from WDFW. Enacted in 1985, RCW 77.12.203 requires WDFW to remit PILT to counties for department-owned game lands, which are generally defined in the statute as habitat and recreation lands greater than one hundred acres that are owned in fee by the agency.<sup>1</sup> In addition to game lands less than one hundred acres, lands that were transferred to WDFW after April 23, 1990 by other state agencies are exempt from the PILT requirement.<sup>2</sup> However, when WDFW acquires game lands less than one hundred acres that are contiguous to existing game lands of one hundred acres or more, Counties will receive PILT for the new acquisition. Counties that elect to receive PILT are required to keep a record of all fines, forfeitures, etc. they receive for WDFW game code violations and remit the money collected to the State Treasurer for deposit in the Public Safety and Education Account. Counties have the option to receive PILT using one of three different payment calculations:

---

<sup>1</sup> RCW 77.12.203(2) “Game lands,” as used in this section and RCW 77.12.201, means those tracts one hundred acres or larger owned in fee by the department and used for wildlife habitat and public recreational purposes. All lands purchased for wildlife habitat, public access or recreation purposes with federal funds in the Snake River drainage basin shall be considered game lands regardless of acreage.

<sup>2</sup> RCW 77.12.203.(3) This section shall not apply to lands transferred after April 23, 1990, to the department from other state agencies.

1. Payments equal to the open space tax rate;
2. Seventy cents per acre; or
3. The 1984 PILT rate that was being paid to counties prior to the adoption of RCW 77.12.203.<sup>3</sup>

Because counties may elect either to receive PILT or fines collected for game code violations, in most cases only those counties with large blocks of WDFW game lands have elected to receive PILT. Presently there are 14 counties in Washington that have so elected:<sup>4</sup>

In 2004, WDFW paid a total of \$429,045.84 to the fourteen PILT Counties. A comparison of WDFW's land ownership in counties throughout the state shows that even though only 14 counties have elected to receive PILT, the acres in these counties represent 85 percent of WDFW's land ownership.<sup>5</sup> Because the difference in amounts paid per acre vary so widely, a statewide average PILT per acre is not presented here.

#### **WDFW Statewide PILT Payments for 2004**

<b>County</b>	<b>WDFW Total Ownership</b>	<b>WDFW PILT Acres</b>	<b>PILT PAID</b>	<b>Average PILT per Acre</b>
Asotin	31,075.30	29,277.88	\$22,297.61	\$ .76
Chelan	28,252.93	26,789.83	\$18,752.88	\$ .70
Columbia	10,832.20	10,794.13	\$7,555.91	\$ .70
Ferry	6,902.20	6,866.13	\$6,781.33	\$ .99
Garfield	6,934.40	6,914.26	\$4,839.98	\$ .70
Grant	39,168.20	39,076.00	\$37,443.16	\$ .96
Grays Harbor	5,759.20	3,248.00	\$7,473.66	\$2.30
Kittitas	144,533.52	148,762.02	\$115,909.16	\$ .78
Klickitat	13,165.70	13,106.35	\$21,416.95	\$1.63
Lincoln	19,197.60	19,470.36	\$13,629.25	\$ .70
Okanogan	64,869.41	60,293.16	\$75,736.87	\$1.25
Pend Oreille	745.70	614.00	\$3,308.65	\$5.39
Thurston	1,667.90	1,131.00	\$5,107.61	\$4.51
Yakima	75,898.25	70,130.23	\$88,792.82	\$1.27
<b>TOTAL</b>	<b>449,002.51</b>	<b>436,473.35</b>	<b>\$429,045.84</b>	

#### **How the PILT provisions of ESSB 5396 apply to WDFW Lands**

As amended by ESSB 5396, RCW 79A.15.040(5)(a) serves to highlight WDFW's current practices rather than add any additional PILT requirements. Even though this

<sup>3</sup> This amount is equivalent to the true and fair value (i.e. Market Rate) that was in effect in 1984.

<sup>4</sup> These numbers are taken from WDFW's "Lands 20/20 – A Clear Vision for the Future, p. 40. Complete tables for WDFW ownership and PILT payments are included in Appendices A & B of this report.

<sup>5</sup> As of 2004 WDFW owned 512,323 acres throughout the state. The fourteen counties in Washington that receive PILT contain 436,473 acres.

amendment to the Washington Wildlife and Recreation Program would at first appear to expand WDFW’s PILT requirements because it begins by referring to “any grants that have been acquired” by WDFW from WWRP, the amendment concludes with the requirement that PILT be paid in accordance with WDFW’s existing PILT statute:

“Any lands that have been acquired with grants under this section by the department of fish and wildlife are subject to an amount in lieu of real property taxes and an additional amount for control of noxious weeds *as determined by RCW 77.12.203*”<sup>6</sup>

## **How the PILT provisions of ESSB 5396 Apply to DNR’s Natural Area Preserves and Natural Resource Conservation Areas**

Sections 11 and 12 of ESSB 5396 amended DNR’s Natural Area Preserves (NAP) and Natural Resource Conservation Areas (NRCA) statutes to require PILT on lands held by these two agency programs. Until the enactment of ESSB 5396, PILT was not required for DNR-owned habitat and recreation lands. There are some key differences between the PILT requirements for DNR lands and those owned by WDFW. First, while WDFW is required to pay PILT from the department’s budget, DNR’s PILT requirement will be remitted to counties by the State Treasurer.<sup>7</sup> Second, while WDFW lands less than one hundred acres, or lands transferred by other agencies after 1990, are exempt, there are no exemptions for DNR lands. Therefore, the PILT requirement for DNR-owned habitat and recreation lands extends to the purchase, transfer or donation of public and private lands.

### **Scope of this Report**

Though the PILT provisions of ESSB 5396 apply to WDFW & DNR lands in all Washington counties, Section 16 directs this report to analyze the impacts of PILT within the context of those counties with less than 30 percent privately owned land. Six counties meet this criterion:<sup>8</sup>

<b>County</b>	<b>Percent Private Land</b>	<b>Percent Federal Land</b>	<b>Percent State Land</b>	<b>Percent Tribal Land</b>
<b>Chelan</b>	19	78	3	0
<b>Ferry</b>	16	36	3	45
<b>Jefferson</b>	21	62	17	0
<b>Okanogan</b>	29	46	11	14
<b>Skamania</b>	14	78	8	0
<b>Yakima</b>	25	25	8	42

<sup>6</sup> ESSB 5396, Section 3(5)(a).

<sup>7</sup> ESSB 5396, sections 11 & 12.

<sup>8</sup> This table obtained from “Toward a Coordination Strategy for Habitat and Recreation Lands in Washington State,” p.34.

As noted earlier in this report, ESSB 5396 calls for an analysis of the PILT requirements contained in the bill by comparing expected PILT revenues to revenues that could be generated through different tax options. In addition to the two rates called for in the bill, existing PILT payments for WDFW lands are included to provide a complete analysis:

- 1) True and fair value tax rate (market value).
- 2) Open Space tax rate.
- 3) Existing PILT payments.

The direction of ESSB 5396 is to analyze the impacts of various tax rates for “lands acquired under Chapter 79A.15 RCW,” which is the WWRP grants program. However, this report takes a broader perspective for two reasons. First, as was noted previously, the amendment to RCW 70A15.040 to require WDFW to pay PILT for any lands acquired with WWRP grants does not impose any new requirements on WDFW. Because the amendment references RCW 77.12.203 as the controlling statute, the same PILT exemptions and payment methods apply as existed before the enactment of ESSB 5396. Second, Section 16 calls for a broader analysis of “existing game lands” owned by WDFW, which would imply all WDFW game lands within the subject counties, regardless of the source of funding used for the acquisition.

For DNR lands the focus for this report is also broader than just those acquisitions funded with WWRP grants. This is because of the manner in which ESSB 5396 enacted DNR’s PILT requirements. Since the bill amended DNR’s Natural Areas Preserve (NAP) and Natural Resource Conservation Area (NRCA) statutes to require PILT on all lands within those programs, any analysis that fails to include the PILT impacts of DNR’s entire NAP and NRCA holdings – not just lands acquired through WWRP - would be incomplete.

## **Methodology**

The first step in conducting the analysis of the tax implications of various taxing rates was to establish the actual value of the lands in question. The subject counties, working with the Washington Association of County Officials, were very helpful in providing market and open space values for the properties, as well as what the market and open space tax rates would be for these properties. Gathering this information proved challenging because several counties did not have parcel numbers for the properties. For DNR NAP and NRCA lands in particular, a majority of which have been state-owned lands since the time of statehood, Counties did not have parcel numbers because these lands were not previously on the tax rolls. Using a variety of methods, such as GIS maps of DNR ownership, most counties were able to identify parcels and assign parcel numbers, then provide estimates of value. It must be emphasized, however, that these values are based on mass appraisals. In other words, though the counties provided values on a parcel-by-parcel basis, these parcels were not assessed based on their individual characteristics. Rather, the assessments are based on average land values within a particular county.

## Data and Analysis for WDFW Lands

The following table presents data from the six counties that are the subject of this report. The columns with numbers in bold represent 1) the amount that counties are currently receiving (2005 PILT), 2) the amount they would receive if PILT were paid in an amount equivalent to market values (market value taxes), or 3) what they would receive if PILT were equal to open space-open space values (open space-open space taxes).<sup>9</sup> The difference between WDFW's current payments and what the agency would pay using a market value rate is \$1,580,061. The difference between WDFW's current payments and open space-open space values is \$486,862.

### Land Values and Tax Rates for WDFW Lands

County	PILT Acres	2005 PILT Payment	PILT Formula	Market Value	Market Value Taxes	Open Space-Open Space Value	Open Space-Open Space Taxes
<b>Chelan</b>	26,490	<b>\$18,543</b>	\$.70/acre	\$16,149,848	<b>\$163,759</b>	\$8,074,924	<b>\$81,880</b>
<b>Ferry</b>	6,866	<b>\$6,781</b>	1984 rate	\$7,119,500	<b>\$49,125</b>	\$344,180	<b>\$3,155</b>
<b>Jefferson<sup>10</sup></b>	308	0	N/A	\$2,334,120	<b>\$18,953</b>	\$1,323,187	<b>\$2,375</b>
<b>Okanogan</b>	64,421	<b>\$76,392</b>	\$.70/acre	\$74,110,600	<b>\$650,691</b>	\$37,055,300	<b>\$325,346</b>
<b>Skamania<sup>11</sup></b>	311	0	N/A	\$311,000	<b>\$2,196</b>	\$37,320	<b>\$264</b>
<b>Yakima</b>	70,130	<b>\$88,792</b>	1984 rate	\$70,130,300	<b>\$887,850</b>	\$21,039,090	<b>\$266,355</b>
<b>TOTAL</b>	168,526	<b>\$192,513</b>	N/A	\$170,155,368	<b>\$1,772,574</b>	\$67,874,001	<b>\$679,375</b>

It is important to note that under RCW 77.12.203 counties already have the authority to request PILT payments from WDFW in an amount equivalent to the open space tax rate as provided by the Open Space Act of 1970. According to the values provided by the county assessors, Chelan, Okanogan and Yakima Counties are currently receiving less PILT than is already provided for in statute. For this reason, the difference between current WDFW PILT payments and the estimated open space values is puzzling. Since counties have been authorized to receive PILT in an amount equivalent to open space rates since 1984, the obvious questions is, "Why are WDFW's current PILT payments so much lower than what appears to be available to counties?" Possible explanations include the following:

***Counties may not have recently reviewed the value of open space lands.*** Counties may have selected a PILT payment method at a time when either the 1984 rate or the \$.70/acre rate exceeded what could now be collected under the open space rate. Compared to the

<sup>9</sup> The "open space-open space" classification is discussed in more detail later in this report.

<sup>10</sup> Jefferson County has elected to receive fines and forfeitures from WDFW Game Code violations rather than PILT.

<sup>11</sup> Skamania County has elected to receive fines and forfeitures from WDFW Game Code violations rather than PILT.

expense and effort required to establish property boundaries, assign parcel numbers and complete parcel-by-parcel assessments, Counties may have originally determined that receiving (for example) \$.70 per acre made economic sense. It is possible that land values have increased enough over time to now make the open space rate the better option.

***Reported values for the lands in this report may be inaccurate.*** Because the assessments provided by the counties are based on mass appraisals of market values for lands in surrounding areas, rather than on individual assessments of WDFW parcels, it is possible that some of the values are higher than they would be after an individual assessment of the characteristics of each parcel. A quick comparison of the market values reported for WDFW and DNR lands shows that WDFW lands were generally assessed at a higher market value than DNR lands. This could either be a discrepancy that needs to be reconciled, or it could mean that WDFW lands actually tend to have a higher market value than those purchased by DNR.

**Average Reported Market Values by Acre**

County	WDFW Average/Acre	DNR Average/Acre
Chelan	\$609	\$447
Ferry	\$1,036	N/A
Jefferson	\$7,578	\$721
Okanogan	\$1,150	\$1,000
Skamania	\$1,000	\$1,000
Yakima	\$1,000	\$500

***Assuming the intent of WDFW’s PILT requirement is to pay open space rates under the Open Space Act (Chapter 84.34 RCW), Counties may have been applying an incorrect rate of reduction.*** There may be some confusion concerning tax reductions under the Open Space Act of 1970.<sup>12</sup> Within the Open Space Act there are three land use designations – known as “current use” designations - that provide for tax reductions well below market value rates. The three current use categories are agricultural lands, timber lands, and open space. Where confusion often occurs is between references to the Open Space Act itself, as opposed to the open space tax reductions that are provided for by the Open Space Act. The specific tax reduction categories are referred to as open space-agriculture, open space-timber, and open space-open space. It is possible that counties have been applying a tax reduction under the Open Space Act, but basing that reduction on either open space-timber or open space-agriculture rates. With respect to agricultural land in particular, the open space-agriculture tax reduction will generally be lower than an open space-open space reduction. If counties have been applying the incorrect current use reduction under the Open Space Act, it is possible they have been collecting less money than they are authorized to collect.

---

<sup>12</sup> Chapter 84.34 RCW.

*The values reported in this study may not reflect the actual intent of ESSB 5396.* As previously noted, the values provided by the counties for this report are for open space-open space. If the intent of ESSB 5396 is to allow counties to assess PILT on WDFW & DNR lands using any one of the three current use classifications under the Open Space Act, then it is likely that the values reported in the above tables are too high. On average, the open-space-open space classification results in a lower rate of reduction from market value than the other current use categories under the Open Space Act. As derived from the land value and tax rate tables for WDFW and DNR, the average reduction under the open space-open space classification for the six counties for WDFW averages about 38 percent of market value, and for DNR about 44 percent of market value. However, the Department of Revenue publication, “2005 Property Tax Statistics” reports that the average rate of reduction for all the current use categories combined is 71.3 percent, resulting in a current use value which is 28.7 percent of market value.<sup>13</sup> Applying a 71 percent rate of reduction to WDFW’s lands would result in \$510,404 in estimated annual PILT payments to the six counties. Even with the average current use rate of reduction, WDFW’s estimated PILT obligation would be approximately two-and-one-half times the 2004 WDFW PILT payments for the six counties.

### **Data and Analysis for DNR Lands**

The following table represents an estimate of what the state’s PILT obligation will be for DNR’s NAP and NRCA lands in the six counties. ESSB 5396 requires PILT for DNR’s lands to be paid in an amount equivalent to the open space rate. Again, the values used for this report represent the open space-open space rate. The estimated PILT for the six counties is \$135,899. If the legislature were to require PILT equivalent to market rates, the amount would be \$305,737, which represents an increase of \$169,838, or 225 percent over the open space-open space amount.

#### **Land Values and Tax Rates for DNR Lands**

<b>County</b>	<b>PILT Acres</b>	<b>DNR Purchase Price<sup>14</sup></b>	<b>Assessed Market Value</b>	<b>Market Value Taxes</b>	<b>Assessed Open Space-Open Space Value</b>	<b>Open Space - Open Space Taxes = PILT</b>
<b>Chelan</b>	3,577	\$2,220,500	\$1,600,000	<b>\$16,224</b>	\$800,000	<b>\$8,112</b>
<b>Ferry<sup>15</sup></b>	0	0	0	0	0	0
<b>Jefferson</b>	3,315	\$2,414,002	\$2,389,500	<b>\$19,403</b>	\$331,500	<b>\$2,692</b>
<b>Okanogan</b>	27,573	\$3,632,000	\$27,573,000	<b>\$242,091</b>	\$13,787,000	<b>\$121,045</b>
<b>Skamania</b>	3,427	\$649,200	\$3,427,000	<b>\$24,195</b>	\$411,240	<b>\$2,903</b>
<b>Yakima</b>	771	\$603,900	\$385,500	<b>\$3,824</b>	\$115,650	<b>\$1,147</b>
<b>TOTALS</b>	<b>38,663</b>	<b>\$9,519,602</b>	<b>\$35,375,000</b>	<b>\$305,737</b>	<b>\$15,445,390</b>	<b>\$135,899</b>

<sup>13</sup> Washington State Department of Revenue, “2005 Property Tax Statistics”

<sup>14</sup> These amounts do not include the timber value of the purchases. Land values generally represent only a fraction of the overall purchase price.

<sup>15</sup> DNR does not own any NAP or NRCA lands in Ferry County.

## **Projection of Statewide Impacts**

Because WDFW's PILT requirements do not change under ESSB 5396, there are no PILT impacts directly associated with this legislation. However, as noted in an earlier section of this report, it appears that Okanogan, Chelan and Yakima Counties are currently receiving less than they are authorized to receive under open space-open space tax rates. Should these counties alone elect to receive the open space tax rate, WDFW's total annual PILT payment could increase substantially. A more thorough assessment of WDFW lands statewide by various counties may result in a determination that those lands have increased in value enough that receiving PILT using the open space formula results in more revenue than either the \$.70 per acre or 1984 PILT rates. Preliminary data indicates that the \$.70/acre rate in particular is not the optimum PILT formula for the counties.

Because DNR does not have any previous history with PILT, projections must be based on inferences from a limited set of data. Given the variations between counties, these projections can only be speculative. There are several variables yet to be isolated which will only materialize once the counties have completed their assessments of the NAPs and NRCAs within their boundaries. As noted in our six county sample, there are differences in the rates of tax reduction that counties apply for the open space tax classification. For example, the open space reduction for Ferry County is 95 %, whereas the open space reduction for Yakima County is 70%, and the open space reduction for Okanagon County is 50%. Under Chapter 84.34 RCW - the Open Space Act of 1970 - Counties may use a Public Benefit Rating System (PBRs) for determining whether particular lands qualify for open space reductions and, if so, what those reductions will be. The higher a property scores under the PBRs, the greater the tax reduction. Generally, under PBRs properties can receive anywhere from a 50 to 90 percent reduction. Also, land values vary depending on where they are. Lands in counties with major urban areas are generally going to have higher values, regardless of how remote they may be, or whether they have development potential. Lands that have the potential for agriculture - compared to high elevation natural areas - are going to have different values.

To assess the potential statewide impacts of assessing PILT on DNR natural lands this report provides a range of possible impacts using two scenarios. The first scenario uses an average value per acre for DNR lands of \$1,000 to arrive at market value, and the second scenario uses DNR's actual purchase price for the lands. To arrive at what the market value taxes would be, the state average levy rate of .00909 is applied.<sup>16</sup> To arrive at the open space tax amount, which would be the equivalent of the PILT obligation for DNR lands under ESSB 5396, a 50 percent, and then a 70 percent discount is applied to the estimated market value taxes.

---

<sup>16</sup> This is the average levy after subtracting the state school levy rate.

DNR’s combined NAP and NRCA holdings for the state amount to approximately 119,000 acres with a total purchase price of approximately \$96 million.<sup>17</sup> Valuing the lands at an average of \$1,000 per acre yields an estimated total value of \$119 million. This value multiplied by the average levy rate yields a market value tax amount of \$1,081,710. Applying the 70 percent open space reduction yields a statewide annual PILT payment of \$324,213. The fifty percent reduction yields an annual PILT obligation of \$540,855.

Applying the average levy rate of .00909 to the actual purchase price of \$96 million yields a market value tax amount of \$872,640. Applying a seventy percent open space reduction yields a statewide PILT obligation of \$261,792, while the fifty percent reduction would yield an obligation of \$436,320.

**Estimates of Statewide PILT Obligations for DNR Natural Areas Lands<sup>18</sup>**

<b>Market Value</b>	<b>70% Open Space Reduction</b>	<b>50% Open Space Reduction</b>
<b>Purchase Price</b>	\$261,792	\$436,320
<b>\$1,000/Acre</b>	\$324,213	\$540,855

While the above estimates are based on general assumptions about the value of DNR’s lands, an average levy rate, and different average open space rates, the estimates do correlate well with the estimates provided in the six county sample in the previous table. The six counties contain 38,663 acres of DNR natural area lands, or approximately one third of the DNR lands subject to PILT. Multiplying the estimated PILT obligation for the six counties by three yields an estimated statewide PILT obligation for DNR lands of \$404,529, a number that fits within the range of the estimates above.

**Final Observations**

- *ESSB 5396 does not address disputed values for DNR Lands*

An issue related to the implementation of the PILT requirements for DNR’s lands arose during the drafting of this report. Because the State Treasurer is directed to remit PILT on behalf of DNR based on assessments provided by the counties, it is not clear how disputed assessments would be resolved. Typically disputed assessments are appealed to a county’s Board of Equalization. However, in this case the assessments will not be presented to the landowner, and it is not clear how the State Treasurer would know whether a particular assessment is disputable.

---

<sup>17</sup> Again, this amount represents the land value portion of the overall purchase price. Including timber value, the total amount paid by DNR for these lands is \$351,850,567.

<sup>18</sup> Natural Area Preserves and Natural Resource Conservation Areas only.

- *Neither ESSB 5396 nor WDFW's PILT statute are clear on the correct application of the Open Space Act of 1970*

As noted earlier in this report, there is some uncertainty in the wording for how PILT should be calculated. Both in WDFW's existing PILT statute and ESSB 5396 call for PILT to be remitted in an amount equivalent to open space values, but it is not clear whether this means any one of the current use categories of the Open Space Act of 1970, or if it means the open space-open space category. Following are the citations from WDFW's PILT statute and the section of ESSB 5396 that addresses PILT for DNR-owned lands:

“Notwithstanding RCW 84.36.010 or other statutes to the contrary, the director shall pay by April 30<sup>th</sup> of each year on game lands in each county, if requested by an election under RCW 77.12.201, an amount in lieu of real property taxes equal to that amount paid on similar parcels of open space land taxable under chapter 84.34 RCW...” [RCW 77.12.201]

“The state treasurer, on behalf of the department, must distribute to counties for all lands acquired for the purposes of this chapter an amount in lieu of real property taxes equal to the amount of tax that would be due if the land were taxable as open space under Chapter 84.34 RCW.” [ESSB 5396, Section 11]

Both citations require PILT to be paid as though the land were open space, but do not specify whether “open space” refers to all the options available under the Open Space Act, or more specifically to the open space classification under the Open Space Act (i.e. open space-open space).

## **Recommendation**

Toward the conclusion of this project various participants suggested it would be good to make the PILT process simpler and more predictable. While it would be helpful if statutes were amended to provide clarification on the proper application of the Open Space Act as it relates to PILT payments, there was a general consensus that more could be done.

A suggestion provided by the Washington Association of County Officials that has merit is to develop a standard formula for calculating PILT that is tied to annually published Department of Revenue statistics. This would simplify the PILT payment process in several ways. First, counties would not need to conduct parcel-by-parcel assessments of state-owned land within their boundaries. Using information supplied by the Department of Revenue, PILT would be calculated simply by multiplying the numbers of acres within a given county by the PILT formula. Second, there would be no potential for disputed assessments because the assessed PILT amounts would be fixed according to a formula.

Every year the Department of Revenue publishes a report called “Property Tax Statistics.” The statistics in this report could be used to determine the annual PILT

payments due to counties. Drawing on statistics readily available in the “2005 Property Tax Statistics,” following is an example of how a standardized formula could be used to assess PILT on a statewide basis:

1. Calculate the average per acre market value of all lands in current use designation under the Open Space Act of 1970. This can be derived from Table 19 of the Department of Revenue Report by dividing the total market value of current use lands by the number of acres.
2. Apply the statewide average current use reduction to derive the average current use value per acre. This average reduction is also available in the Department of Revenue report in an unnumbered table.
3. Multiply the statewide average levy rate (after subtracting the state portion of the levy) by the current use value to derive the average assessment per acre. This is obtainable in Table 29 of the Department of Revenue report.
4. Multiply the average assessment per acre by the number of agency acres subject to PILT to derive the PILT obligation.

Applying this formula to WDFW and DNR lands for the six counties, using the statistics provided by the “2005 Property Tax Statistics” report, results in the following:

**WDFW**

Step 1: Calculate 2005 Statewide Average Current Use Value per Acre

\$1,039.27	Average Market Value per Acre
X .229	Average Current Use Reduction (71.1%)
\$ 310.74	Average Current Use Value per Acre

Step 2: Calculate Statewide Average Assessment per Acre

\$ 310.74	Average Current Use Value per Acre
X .00909	Average Levy Rate (less State Levy)
\$ 2.82	Average Current Use Assessment per Acre

Step 3: Calculate Agency PILT Obligation

\$ 2.82	Average Current Use Assessment per Acre
X 168,526	Number of Acres Subject to PILT
\$ 476,023	Six County WDFW PILT Obligation

## **DNR**

Because the formula is standardized it is not repeated here. Multiplying the DNR-owned acres in the six counties by \$2.82 (38,663 acres x \$2.82) yields a PILT obligation for those counties of \$109,030.

- Statewide PILT Obligations Using the Standardized Formula

Statewide, the formula would yield a PILT obligation of \$1,230,853 for WDFW (436,473 acres x \$2.82) and a PILT obligation of \$335,580 for DNR (119,000 acres x \$2.82).

- An Alternative Formula

The preceding formula is just one example of how a standardized process might be applied to the calculation of PILT. An alternative that might yield more accuracy would be to use the average levy rates for each county, rather than a statewide average. These statistics are readily available in the Department of Revenue's "Property Tax Statistics" report. Using county averages, each county would vary in terms of its average levy rate, average market value, etc., but each county would still apply the same formula to derive the PILT payment owed by a given agency. While this approach could result in a more accurate PILT assessment, there would be more administrative time required on the part of individual counties.

## Appendix A

### WDFW 2004 PILT and Assessments<sup>19</sup>

<i>COUNTY</i>	<i>4/1/04 PILT ACRES</i>	<i>2004 PILT PAID</i>	<i>2004 ASSESSMENTS PAID</i>	<i>TOTAL PAID TO COUNTY in 2004</i>
ADAMS	0.00	\$0.00	\$10,718.72	\$10,718.72
ASOTIN	29,277.88	\$22,297.61	\$0.00	\$22,297.61
BENTON	0.00	\$0.00	\$2,812.39	\$2,812.39
CHELAN	26,789.83	\$18,752.88	\$0.00	\$18,752.88
CLALLAM	0.00	\$0.00	\$1,204.41	\$1,204.41
CLARK	0.00	\$0.00	\$8,859.70	\$8,859.70
COLUMBIA	10,794.13	\$7,555.91	\$1,746.97	\$9,302.88
COWLITZ	0.00	\$0.00	\$834.82	\$834.82
DOUGLAS	0.00	\$0.00	\$0.00	\$0.00
FERRY	6,866.13	\$6,781.33	\$705.10	\$7,486.43
FRANKLIN	0.00	\$0.00	\$19,424.52	\$19,424.52
GARFIELD	6,914.26	\$4,839.98	\$553.14	\$5,393.12
GRANT	39,076.00	\$37,443.16	\$24,148.17	\$61,591.33
GRAYS HARBOR	3,248.00	\$7,473.66	\$0.00	\$7,473.66
ISLAND	0.00	\$0.00	\$0.00	\$0.00
JEFFERSON	0.00	\$0.00	\$0.00	\$0.00
KING	0.00	\$0.00	\$20,825.50	\$20,825.50
KITSAP	0.00	\$0.00	\$1,064.80	\$1,064.80
KITTITAS	148,762.02	\$115,909.16	\$5,703.34	\$121,612.50
KLICKITAT	13,106.35	\$21,416.95	\$760.26	\$22,177.21
LEWIS	0.00	\$0.00	\$0.00	\$0.00
LINCOLN	19,470.36	\$13,629.25	\$1,902.08	\$15,531.33
MASON	0.00	\$0.00	\$450.00	\$450.00
OKANOGAN	60,293.16	\$75,736.87	\$8,403.77	\$84,140.64
PACIFIC	0.00	\$0.00	\$333.80	\$333.80
PEND OREILLE	614.00	\$3,308.65	\$0.00	\$3,308.65
PIERCE	0.00	\$0.00	\$7,909.34	\$7,909.34
SAN JUAN	0.00	\$0.00	\$275.00	\$275.00
SKAGIT	0.00	\$0.00	\$25,157.40	\$25,157.40
SKAMANIA	0.00	\$0.00	\$0.00	\$0.00
SNOHOMISH	0.00	\$0.00	\$10,735.78	\$10,735.78
SPOKANE	0.00	\$0.00	\$1,018.75	\$1,018.75
STEVENS	0.00	\$0.00	\$0.00	\$0.00
THURSTON	1,131.00	\$5,107.61	\$11,451.18	\$16,558.79
WAHKIAKUM	0.00	\$0.00	\$0.00	\$0.00
WALLA WALLA	0.00	\$0.00	\$12.00	\$12.00
WHATCOM	0.00	\$0.00	\$69.24	\$69.24
WHITMAN	0.00	\$0.00	\$0.00	\$0.00
YAKIMA	70,130.23	\$88,792.82	\$44,933.61	\$133,726.43
<b>GRAND TOTALS</b>	436,473.35	\$429,045.84	\$212,013.79	\$641,059.63

<sup>19</sup> The Assessments referred to in this table are for weed control.

## Appendix B

### WDFW's Land Ownership and Control by County<sup>20</sup>

<i>COUNTY</i>	<i>ACRES OWNED</i>	<i>ACRES CONTROLLED</i>	<i>TOTAL ACRES MANAGED</i>
ADAMS	1,150.60	1,972.52	3,123.12
ASOTIN	31,075.30	10,235.05	41,310.35
BENTON	5,808.00	0.10	5,808.10
CHELAN	28,254.93	9,701.10	37,956.03
CLALLAM	735.33	340.87	1,076.20
CLARK	2,949.78	24.43	2,974.21
COLUMBIA	10,832.20	881.50	11,713.70
COWLITZ	4,269.30	1,243.18	5,512.48
DOUGLAS	13,844.52	1,532.90	15,377.42
FERRY	6,902.20	1,202.81	8,105.01
FRANKLIN	1,774.20	6,538.68	8,312.88
GARFIELD	6,934.40	121.10	7,055.50
GRANT	39,168.20	143,204.93	182,373.13
GRAYS HARBOR	5,759.20	334.84	6,094.04
ISLAND	60.50	21.18	81.68
JEFFERSON	1,396.97	98.58	1,495.55
KING	1,192.72	89.65	1,282.37
KITSAP	1,062.50	28.40	1,090.90
KITTITAS	144,533.52	72,566.59	217,100.11
KLICKITAT	13,165.70	3,221.60	16,387.30
LEWIS	410.00	1,153.84	1,563.84
LINCOLN	19,197.60	1,307.02	20,504.62
MASON	1,111.62	105.25	1,216.87
OKANOGAN	64,869.41	13,436.73	78,306.14
PACIFIC	3,518.44	59.83	3,578.27
PEND OREILLE	745.70	257.05	1,002.75
PIERCE	3,557.17	100.86	3,658.03
SAN JUAN	226.40	0.00	226.40
SKAGIT	11,382.20	1,309.13	12,691.33
SKAMANIA	311.72	223.80	535.52
SNOHOMISH	2,511.70	462.57	2,974.27
SPOKANE	175.60	8.77	184.37
STEVENS	261.90	208.89	470.79
THURSTON	1,667.90	160.70	1,828.60
WAHIAKUM	247.90	57.23	305.13
WALLA WALLA	209.00	235.90	444.90
WHATCOM	2,859.60	1,003.44	3,863.04
WHITMAN	2,291.00	36.63	2,327.63
YAKIMA	75,898.25	44,620.66	120,518.91
<b>GRAND TOTALS</b>	<b>512,323.18</b>	<b>318,108.31</b>	<b>830,431.49</b>

<sup>20</sup> "Lands Controlled" refers to lands that WDFW manages but does not own.

