Distribution of Additional Tax and Compensating Tax

Topic
Interest on delinquent amounts owing from the removal of land from classification as current use or designated forest land and the distribution of additional tax and compensating tax to taxing districts.

Purpose
This Special Notice is in response to recent inquiries regarding the methods used by county treasurers when:

1. Applying interest and penalty, as outlined in RCW 84.56.020, on delinquent amounts owing from removals from classification as current use or designated forest land.

2. Distributing the additional tax or compensating tax, once collected, to the taxing districts located in the tax code area.

Interest on delinquent amounts
When property is removed from classification under current use, additional tax, interest, and penalty are imposed, with certain exceptions. Land removed from designated forest land is only subject to compensating tax, with certain exceptions. The additional tax, interest, and penalty for current use removals, or compensating tax for designated forest land removals, are due to the treasurer 30 days after the owner is notified of the amount. Any amount unpaid on its due date is considered delinquent.

Unlike regular property taxes that are due on April 30 and October 31, current use and designated forest land removals can occur at any time. RCW 84.34.108(5) and RCW 84.33.140(12) state that if the additional tax, interest, and penalty for current use removals, or compensating tax for designated forest land removals, are not paid on its due date, it is considered delinquent and subject to the interest described in RCW 84.56.020.

However, the penalties described in RCW 84.56.020(5)(a) and (b), the three percent and eight percent penalties, do not apply to the delinquent amount because the penalties are specifically limited to “delinquent taxes under this section.” The taxes that are delinquent under section .020 of chapter 84.56 RCW are taxes that are due on April 30 and October 31. Additionally, the three percent and eight percent penalties are imposed on dates (June 1 and December 1) that have no relevance to the due date of additional tax, interest, and penalty for current use removals or the compensating tax for designated forest land removals.

Distribution of additional tax and compensating tax
Once the additional tax or compensating tax is collected by the treasurer, it is distributed to the taxing districts in the tax code area in which the land is located and the interest and penalties are distributed into the county’s current expense fund. WAC 458-30-310(3)(c).

RCW 84.34.100 states, in part, “...additional tax when collected shall be distributed by the county treasurer in the same manner in which current taxes applicable to the subject land are distributed.” The statute is clear that the additional tax is distributed to taxing districts in the tax code area that exist at the time the land is removed from classification and not based on how the taxing districts existed during the seven years prior to removal.
While the statutes do not specifically address how compensating tax for designated forest land removals should be distributed, the Department believes that because both taxes are similar, compensating tax should also be distributed to the taxing districts in the tax code area that exist at the time the land is removed from designation.

**Summary**

The Department completed a review of these issues and has determined that:

1. The total amount of the delinquent additional tax, interest, and penalty for current use removals, or compensating tax for designated forest land removals, are subject to only the interest described in RCW 84.56.020(5). The rate of interest is 12 percent per year, until paid, and is the same rate that is applied to delinquent property taxes. The three percent and eight percent penalty described in RCW 84.56.020(5) (a) and (b) are not applicable to the delinquent amount.

2. The additional tax and compensating tax, when collected, is distributed by the county treasurer to the taxing districts based on the tax code area as it currently exists and not as they existed for each of the seven or nine years prior to removal.

**For more Information**

If you have questions or need additional information about this *Special Notice*, please contact the Property Tax Division at (360) 570-5900.