

Property Taxes and Conservation Easements

By Midge Cross

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As the Chair of our Education Committee, Board Member Midge Cross has taken the lead in our efforts to educate the public about the impacts of conservation easements on property taxes. A version of the following article appeared in the Methow Valley News in October 2004, as a "My Turn" editorial. We welcome your thoughts and commentary.

From time to time, I read alarmist statements about property tax revenue losses; that these losses are driven by conservation easements. I'd like to set the facts straight. The population of Okanogan County is 38,500; population of the Methow Valley is about 5,000, or 13% of the County total. In 1985, the assessed value for the Methow Valley School District was \$117,576,922, or about 14% of the entire County's assessed value of \$844,447,380. In 2004, the assessed value of the Methow Valley was \$645,708,464, or 30% of the total County assessed value of \$2,144,934,096. On September 8, the Methow Valley News reported that 45% of Okanogan County's assessed values of new construction was in the Methow Valley School District.

Okanogan County assesses real property values every four years. Methow Valley property was re-assessed last for taxes payable in 2003; the next revaluation will occur in 2006 for taxes payable in 2007. New construction is inspected in the summer of each year and valued for taxes payable the following year.

Washington State law requires that County Assessors value property at 100% of true and fair market value. This means that property is valued according to what it would sell for if it were put on the open market for a reasonable amount of time, with a willing seller and willing and knowledgeable buyer. The County Assessor bases these values on comparable sales of similar type properties, located in a similar area.

Property in Okanogan County is typically valued on an "as is" basis. In the Methow Valley, parcels on the valley floor can usually be subdivided into 5-acre parcels. A 20 acre parcel could be subdivided in this way, but the Assessor values a 20 acre parcel based on what other 20 acre parcels are selling for, not what four 5 acre parcels might sell for. The same rule applies to the uplands, where minimum parcel size is 20 acres. An 80-acre parcel will be valued based on other 80-acre parcels.

If a 20-acre parcel has a conservation easement attached, the easement may prohibit the subdivision of those 20 acres. Appraisers (separate from the County Assessor) use a valuation system based on the "highest and best use" of the property to determine the value of a conservation easement. As an example, an appraiser would assume that a 20-acre parcel could be short platted into 4 buildable lots. The hypothetical value of 4 lots would be the value before the conservation easement. If an easement allowed only one residence to be built on the parcel, the value of one remaining 20-acre lot would be

the value after the easement. The difference between the before and after values would be the 'loss' in value, which is also known as the conservation easement value.

Conservation easements will not directly affect the assessed property tax value. If all development rights are removed from the property, the County assessor may elect to decrease the property tax value of the encumbered parcel, but it is likely that surrounding property tax values would increase accordingly. Of the 40 conservation easements the Methow Conservancy holds, only 2 remove all development rights from the property. Most retain limited development rights in appropriate areas.

Conservation easements do allow for federal income tax deductions, based on the appraised value. Easement donors can deduct up to 30% of their adjusted gross income per year, and the income tax deduction can be taken over a six-year period. This incentive is intended to compensate private landowners for protecting open space and wildlife habitat that provides a public benefit.

In the past 8 years, the Methow Conservancy has assisted in the creation of 40 conservation easements, protecting 3,774 acres and 11 miles of riparian shoreline habitat along the Methow River and its sub-basins. Rather than seeing a loss in assessed value of Methow Valley properties, the value has more than doubled, contributing commensurately to the County's budget, and arguably to the Methow Valley's scenery-based economy.