

HOUSE BILL REPORT

HB 1067

As Reported By House Committee On:

Natural Resources

Finance

Title: An act relating to property tax reform.

Brief Description: Reforming the property taxation of short-rotation hardwoods.

Sponsors: Representatives Schoesler, Grant, Hankins, Delvin, Mastin and Sheldon.

Brief History:

Committee Activity:

Natural Resources: 1/27/95, 1/31/95 [DP];

Finance: 2/14/95, 2/16/95 [DPS].

HOUSE COMMITTEE ON NATURAL RESOURCES

Majority Report: Do pass. Signed by 14 members: Representatives Fuhrman, Chair; Buck, Vice Chair; Pennington, Vice Chair; Basich, Ranking Minority Member; Regala, Assistant Ranking Minority Member; Beeksma; Cairnes; Elliot; Jacobsen; Romero; Sheldon; Stevens; B. Thomas and Thompson.

Staff: Rick Anderson (786-7114).

Background: The Department of Revenue estimates there are a total 8,500 acres in cultivation for hybrid cottonwoods in four counties: Franklin, Walla Walla, Grays Harbor, and Lewis. Hybrid cottonwoods are intensely managed and can be harvested within five to seven years of planting. The first commercial harvest of cottonwoods in this state is expected at the end of 1995 or early in 1996. Hybrid cottonwoods can be used for pulp production, particle board, and other composite wood products.

Generally, the land in which hybrid cottonwoods are grown is taxed as agricultural. This property tax assessment is made by the county assessor's office.

The property tax assessment on agricultural land is based primarily on the rental value of local farmland and on the value of the crop. The property tax assessment on land used for timber production is based on the characteristics of the land and on statutorily defined assessments.

At the time of harvest, a 5 percent excise tax ("yield" tax) is assessed against the value of the timber being cut. All of the revenues from the 5 percent yield tax go to the state if the timber is harvested on public lands. If the timber is harvested on private lands, 80 percent of the revenues go to the county and 20 percent go to the state. Agricultural crops are not subject to an excise tax.

Intensively managed Christmas trees are statutorily exempt from the 5 percent excise tax, and the land on which the Christmas trees are grown may not be taxed as a timber practice.

Summary of Bill: Short-rotation hardwoods are defined as hardwood trees including, but not limited to, hybrid cottonwoods, intensively managed and harvested within 10 years.

Short-rotation hardwoods are exempt from the five percent excise tax, and the land on which the trees are grown cannot be taxed as a timber practice. The act applies to taxes levied in 1995.

Appropriation: None.

Fiscal Note: Requested on January 17, 1995.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Hybrid cottonwood trees are intensively managed and cultivated, just like other farming activities, and should be taxed like any other agricultural activity. Hybrid cottonwood farms provide habitat to numerous species of wildlife.

Testimony Against: Hybrid cottonwood trees are used the same way as other wood is used: to make pulp and other forest products. For this reason, hybrid cottonwood trees should be taxed like any other forest practice activity.

Testified: Representatives Mark Schoesler and Bill Grant, sponsors; Don Rice, James River Fiber Farm; George Perala, Boise Cascade Corporation (all in favor); and Donn Smallwood, Washington Department of Revenue (opposed).

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Rick Peterson (786-7150).

Summary of Recommendation of Committee on Finance Compared to Recommendation of Committee on Natural Resources: The substitute bill retains the timber excise tax on short rotation hardwoods grown on lands classified in the open space timberland category. A separate definition of agricultural methods is created.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 17, 1995.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The substitute bill makes changes to be compatible with the Senate bill (companion measure). Hybrid cottonwood trees are intensively managed and cultivated, just like other farming activities, and should be taxed like any other agricultural activity. Hybrid cottonwood farms provide habitat to numerous species of wildlife.

Testimony Against: Hybrid cottonwood trees are used the same way as other wood is used: to make pulp and other forest products. For this reason, hybrid cottonwood trees should be taxed like any other forest practice activity.

Testified: Representative Marc Schoesler, prime sponsor; Representative Bill Grant, sponsor; George Perala, Boise Cascade Corporation; Don Rice, James River Corporation; and Fred Saeger, Washington Association of County Assessors (pro).
Donn Smallwood, Department of Revenue (con).