

SENATE BILL REPORT

SHB 1067

As Reported By Senate Committee On:
Ways & Means, April 3, 1995

Title: An act relating to property tax reform.

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

Sponsors: House Committee on Finance (originally sponsored by Representatives Schoesler, Grant, Hankins, Delvin, Mastin and Sheldon).

Brief History:

Committee Activity: Ways & Means: 4/3/95 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Hochstatter, Johnson, Long, Pelz, Roach, Snyder, Spanel, Strannigan, West and Winsley.

Staff: Terry Wilson (786-7715)

Background: The Department of Revenue estimates there are a total 12,500 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 exempt from the timber excise tax and subject to property tax. Short-rotation hardwoods are hardwood trees, such as hybrid cottonwoods, cultivated by agricultural methods in growing cycles shorter than ten years. The land itself is not subject to current use valuation as forest land. The timber excise tax applies if the land is valued as open space timber land.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: None.

Testimony Against: None.

Testified: No one.