

HOUSE BILL REPORT

SSB 5702

As Passed House - Amended:

April 4, 2001

Title: An act relating to simplifying and harmonizing the taxation of lands valued at current use.

Brief Description: Changing taxation of forest lands.

Sponsors: By Senate Committee on Ways & Means (originally sponsored by Senators Snyder, Winsley, Spanel, Rossi and Rasmussen).

Brief History:

Committee Activity:

Natural Resources: 3/21/01 [DP].

Floor Activity:

Passed House - Amended: 4/4/01, 95-0.

Brief Summary of Substitute Bill (As Amended by House)

- Eliminates the distinction between classified and designated forest lands by re-designating all classified forest lands as designated forest land and changing all references to "classified lands" to "designated lands."
- Allows up to 10 percent of a designated forest land to be used for incidental uses compatible with the growing and harvesting of timber, as long as a drawing or description of the lands put to incidental uses is included in the application for designation.
- Authorizes a county assessor to require the filing of a timber management plan with an application for designation or if a parcel of designated forest land is sold.
- Authorizes a county legislative authority to require a reasonable processing fee with an application for designation.
- Reduces from number of years of back taxes that must be paid following removal from designation from 10 to nine.

HOUSE COMMITTEE ON NATURAL RESOURCES

Majority Report: Do pass. Signed by 12 members: Representatives Doumit, Democratic Co-Chair; Sump, Republican Co-Chair; Pearson, Republican Vice Chair; Rockefeller, Democratic Vice Chair; Buck, G. Chandler, Edwards, Eickmeyer, Ericksen, Jackley, Murray and Pennington.

Staff: Jason Callahan (786-7117).

Background:

All property in this state is subject to the property tax each year based on the property's value unless a specific exemption is provided by law. The state Constitution authorizes agricultural, timber, and open space lands to be valued on the basis of their current use rather than fair market value. Standing timber is generally exempt from property taxes and is instead subject to a yield tax on harvest.

Two programs currently implement this constitutional exception to fair market value: the "open space" program and the "forest land" program. There are two categories of land under the forest land program: classified and designated forest land. Under the forest land program, land which has no higher and better use than growing and harvesting timber may be classified as forest land by the county assessor. Land which is used to grow and harvest timber but which is more valuable for other uses may be designated as forest land by the assessor upon application to the county assessor by the landowner. To qualify for either, the land must be 20 acres or more and be used primarily for growing and harvesting timber.

The valuation of classified and designated forest land is set by statute and is based on the value of the bare land for growing and harvesting timber. The values vary based on the "land grade" and "operability class" of the land, or the land's silvicultural suitability and access. The values are adjusted annually by the Department of Revenue using five-year averages of reported harvester excise tax returns. For 2001 taxes the values ranged from a low of \$1 per acre to a high of \$234 per acre.

In the application for designation, the owner must describe the property, any plans for reforestation of bare land areas, any forest management plans that may exist for the property, past experience in harvesting of timber on the property, and any other evidence of the owner's intent to continue using the property to grow timber. Land is removed from classification or designation at the request of the owner or by sale, transfer to an ownership making the land exempt from tax, sale or transfer to a new owner unless the new owner signs a notice of continuance, by a determination that the land is no longer primarily used for growing and harvesting timber, or for classified land, that a better use exists for the land than growing and harvesting timber. Upon removal from classification, the land is revalued to market value on January 1 of the following year.

Both classified and designated forest land may be subject to a compensating tax equal to the tax benefit received in the most recent year multiplied by the number of years the land was classified or designated, not to exceed 10.

Summary of Amended Bill:

The distinction between classified and designated forest lands is eliminated. All classified forest lands are re-designated as designated forest land. References to "classified lands" are changed to "designated lands." The owners of classified forest lands do not have to pay for an application for designation.

To qualify as a designated forest land, a parcel or contiguous parcels must be 20 acres in size or larger, not including a residential home site. Up to 10 percent of the parcel can be used for incidental uses compatible with the growing and harvesting of timber. An application is required for designation as forest land. The application for designation must include a description or drawing showing what areas of land are to be used for incidental uses. The application must also include, if available, a forest management plan prepared by a trained forester or other knowledgeable person. The assessor may require the filing of a timber management plan with an application, or if designated forest land is sold or transferred and a notice of continuance is signed. The county legislative authority may require a reasonable processing fee with an application for designation. No application is required when publicly owned forest land is exchanged for designated forest land if the land will be used to grow and harvest timber and the owner submits a document explaining the details of the forest land exchange within 60 days of the closing date.

Upon removal from designation, the land is revalued to market value as of January 1 of the year of removal. Taxes are assessed at forest land values up to the date of removal and at market value after the date of removal. The maximum period for the compensating tax is reduced from 10 years to nine years. Land cannot be removed from designation based on governmental restrictions preventing harvest.

Technical corrections and changes are made to the statutes:

- The definitions are consolidated into one section;
- "primary use" is defined;
- provisions on grading and valuing land that were completed in the 1980s are decodified and updated with 2001 figures;
- obsolete provisions on classified land are repealed; and
- provisions of the open space law are made consistent.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 16, 2001.

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

Testimony For: This bill eliminates obsolete and redundant statutory references and simplifies the forest tax structure. The bill restructures the forest tax code into a more logical sequence and codifies some long-standing provisions of the Washington Administrative Code. The bill is the result of a two-year effort by various effected stakeholders, including landowners and the Departments of Revenue and Natural Resources. The original 1971 timber tax law has been an overwhelmingly successful vehicle to encourage timber growth and production by landowners of all sizes. These changes to that law strengthen and maintain its original intent.

Testimony Against: None.

Testified: Fred Saeger, Washington Association of County Officials; John Ehrenreich, Washington Forest Protection Association; Peter Overton; and Nels Hanson, Washington Farm Forestry Association.