

SENATE BILL REPORT

SB 5108

As Passed Senate, March 6, 2001

Title: An act relating to the growing of short-rotation hardwood trees on agricultural land.

Brief Description: Modifying provisions relating to the growing of short-rotation hardwood trees on agricultural land.

Sponsors: Senators T. Sheldon, Benton, Snyder, Hargrove, Sheahan, Gardner, Rasmussen and Stevens.

Brief History:

Committee Activity: Agriculture & International Trade: 1/26/01, 1/31/01 [DP].
Passed Senate: 3/6/01, 46-0.

SENATE COMMITTEE ON AGRICULTURE & INTERNATIONAL TRADE

Majority Report: Do pass.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Parlette, Sheahan, Snyder, Spanel and Swecker.

Staff: Bob Lee (786-7404)

Background: Two systems of taxation have evolved over the years: one specific to growing of agricultural products on agricultural land; the other specific to growing of timber products on forest land. Agricultural land and forest land can be valued according to its current use with the value of cultivated agricultural land being generally higher than forest land values. However, forest products grown on forest land are subject to the timber excise tax of 5 percent collected at the time of harvest, while the sale of agricultural products are generally exempt from excise taxes.

In the 1990s, there was increased interest in growing short-rotation hardwoods, such as hybrid poplars and cottonwoods, on agricultural land. An accommodation was made to blend the two tax systems by providing that short-rotation hardwoods grown by agricultural methods are exempt from the timber excise tax if the growing cycle is shorter than ten years.

Current forest practice regulations provide an exemption for trees cultivated by agricultural methods in growing cycles shorter than ten years.

Currently, the Department of Revenue's interpretation is that short-rotation hardwoods are considered an agricultural crop for business and occupation tax purposes if they are cultivated by agricultural methods.

Summary of Bill: The maximum length of the growing cycle for short-rotation hardwoods is increased from the current ten-year period to 15 years for purposes of the timber excise tax and the Forest Practices Act.

Specific reference is included in the business and occupation tax statute that short-rotation hardwoods are included in the definition of an agricultural product.

Appropriation: None.

Fiscal Note: Requested on January 18, 2001.

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

Testimony For: Short-rotation hardwoods grown on agricultural land are used primarily to make wood chips for the production of paper. They are also used for environmental purposes including bio-filtration and utilization of excess soil nutrients. With an extension in the length of the rotation cycle to 15 years, there will be additional flexibility in timing of the harvest of trees and will make it feasible to grow trees on sites with marginal soils.

Testimony Against: None.

Testified: Jim Walls, Columbia-Pacific RC&D (pro); Don Rice, GreenWood Resources (pro).