

# SENATE BILL REPORT

## SHB 1156

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As of February 26, 2014

**Title:** An act relating to consolidating designated forest lands and open space timber lands for ease of administration.

**Brief Description:** Consolidating designated forest lands and open space timber lands for ease of administration.

**Sponsors:** House Committee on Agriculture & Natural Resources (originally sponsored by Representatives Blake and Orcutt).

**Brief History:** Passed House: 2/17/14, 95-1.

**Committee Activity:** Natural Resources & Parks: 2/25/14.

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### SENATE COMMITTEE ON NATURAL RESOURCES & PARKS

**Staff:** Curt Gavigan (786-7437)

**Background:** All property is subject to the property tax each year based on the property's market 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. The Legislature enacted the designated forest land program and the open space program under this constitutional authority.

Forest Land Program. To qualify for current use valuation under the designated forest land program, lands must total 20 or more acres used primarily for growing and harvesting timber. Limited incidental activities are allowed along with timber-related buildings, machinery, and other personal property. The application for forest land designation is processed by the assessor, who may require submission of a timber management plan at that time.

The valuation of designated forest land is set by statute and updated annually by the Department of Revenue based on the value of the bare land for growing and harvesting timber. The value of standing timber is exempt from property tax and harvested timber is instead subject to a separate excise tax.

Upon removal from this designation, the land must be revalued to fair market value as of January 1 of the year of removal. In general, land that is removed is subject to a

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compensating tax equal to the tax benefit received in the most recent year multiplied by the number of years the land was designated, not to exceed nine.

Open Space Program. The open space program includes three different classifications: farm and agricultural land; timber land – open space timber; and open space land.

To qualify for current use valuation under the open space timber program, lands must total five or more acres used primarily for growing and harvesting timber for commercial purposes. As with designated forest land, limited incidental activities and timber-related buildings and personal property are allowed. An owner desiring current use classification under the open space timber program must apply to the county legislative authority. The elements of the application constitute a timber management plan under the statute.

Open space timber land is valued in the same manner as designated forest lands. In general, land classified under the open space programs must remain under the program for at least ten years following initial classification. Additionally, an owner must notify the assessor two years prior to having the land withdrawn. A withdrawal generally triggers the requirement to pay an additional tax equal to the difference between the tax paid based on current use and the tax that would have otherwise been paid over the last seven years.

**Summary of Bill:** A county legislative authority may, at its option, merge the county's open space timber program into its designated forest land program by ordinance. Upon merger of the programs, any land classified as open space timber is deemed designated forest land. Additionally, the date that property was classified as open space timber before the merger is considered to be the date of designation under the forest land program. The county must notify open space timber landowners of the merger, as well as the Department of Revenue.

The removal of land from an open space timber land program as a result of a merger does not trigger the requirement to pay additional tax. If an owner of open space timber land provided notice of withdrawal prior to merger, the land is removed as designated forest land once the two-year notice period is complete.

The minimum size requirement for land to be designated as forest land is reduced from 20 acres to five acres, which applies generally to the designated forest land program regardless of whether a county merges the two programs. An assessor may require a timber management plan if the assessor has reason to believe that forest land of less than 20 acres is no longer being used for forest land purposes.

Corresponding changes are made to several statutes, as are a number of technical changes.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: This bill would ease the administrative process for both local governments and the public. Moreover, this bill does not create a tax shift. The bill is simply aimed at streamlining forest tax procedures. This bill reflects the reality in small rural counties at the moment. The planning departments of small rural counties are already occupied with many existing regulations. There is support for this bill from the Assessor Association. This bill is an opt-in bill.

**Persons Testifying:** PRO: Dianne Dorey, Lewis County Assessor; Bruce Walker, Pacific County Assessor; John Ehrenreich, WA Forest Protection Assn.