

SENATE BILL REPORT

ESHB 2693

As Reported By Senate Committee On:
Ways & Means, March 1, 2004

Title: An act relating to the taxation of timber on publicly owned land.

Brief Description: Modifying the taxation of timber on publicly owned land.

Sponsors: House Committee on Finance (originally sponsored by Representatives Hinkle, McIntire, Cairnes, Fromhold and Holmquist).

Brief History:

Committee Activity: Ways & Means: 2/26/04, 3/1/04 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fraser, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Regala, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Terry Wilson (786-7433)

Background: The timber excise tax is paid when timber is harvested. The state tax rate equals 5 percent of the stumpage value. The tax applies to timber harvested on public and private lands. A county tax equal to 4 percent applies to harvests on private lands and is credited against the state tax. There is no county timber excise tax on timber from public lands. The state tax is deposited in the general fund. The local tax is distributed to property taxing districts within the county based on the value of commercial forest land.

Timber on privately or federally owned land is exempt from property taxation. Timber on state and local lands that is sold before harvest is subject to property taxation as personal property. The property tax is distributed to the taxing districts in which the timber is located. Upon harvest, any property tax paid on this timber may be claimed as a credit against the state excise tax.

Summary of Bill: Counties are authorized to impose a 4 percent timber excise tax on timber harvested from public lands. The tax rate is phased-in over ten years starting at 1.2 percent. The county tax is credited against the state tax so that the timber harvester pays a total rate of 5 percent. The county timber excise tax is distributed to local taxing districts within the county. Standing timber is exempt from property tax. Purchasers of timber from the Department of Natural Resources are no longer required to provide proof of payment of property taxes before release of their performance bond.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2005.

Testimony For: This is about tax simplification and fairness. It simplifies the tax for persons cutting timber. It helps counties with large blocks of public land. It is a shift of money from the state to local governments.

Testimony Against: None.

Testified: PRO: Representative Hinkle, prime sponsor; Jeff Rasmussen, Cowlitz County Commissioner; Michelle Hagen, WA Assoc. of County Officials; Mike Ryherd, NW ECOSystem Alliance; Paul Parker, WA State Assoc. of Counties.