

HOUSE BILL REPORT

HB 1055

As Passed House:

February 5, 2021

Title: An act relating to extending the expiration date for reporting requirements on timber purchases.

Brief Description: Extending the expiration date for reporting requirements on timber purchases.

Sponsors: Representatives Berg, Abbarno, Shewmake, Walen, Orcutt, Ramos, Tharinger and Callan.

Brief History:

Committee Activity:

Rural Development, Agriculture & Natural Resources: 1/13/21, 1/19/21 [DP].

Floor Activity:

Passed House: 2/5/21, 96-0.

Brief Summary of Bill

- Extends the expiration date for certain timber purchase reporting requirements from July 1, 2021, to September 30, 2025.

HOUSE COMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE & NATURAL RESOURCES

Majority Report: Do pass. Signed by 15 members: Representatives Chapman, Chair; Shewmake, Vice Chair; Chandler, Ranking Minority Member; Dent, Assistant Ranking Minority Member; Fitzgibbon, Klicker, Kloba, Kretz, Lekanoff, McEntire, Morgan, Orcutt, Ramos, Schmick and Springer.

Staff: Rebecca Lewis (786-7339).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Every purchaser of more than 200,000 board feet of privately owned timber in a voluntary sale must report the purchase to the Department of Revenue (Department) on or before the last day of the month in which the purchase took place. The Department may assess a penalty of \$250 if a purchaser fails to report the required information.

The purchaser must report information related to the value of the purchase including:

- the name, address, and contact information of both the purchaser and seller;
- the sale date and termination date in the sale agreement;
- the total sale price;
- the legal description of sale area and, if applicable, the sale name;
- the forest practice application or harvest permit number if available;
- the total acreage involved in sale;
- the estimated net volume of timber purchased by tree species and log grade; and
- the description and value of property improvements such as land clearing, reforestation, or road improvements.

Information gathered in the timber purchase reports is used by the Department to establish stumpage value tables, which are prepared for each species of tree that is commercially harvested in Washington and indicate the amount that each species would sell for at a voluntary sale made in the ordinary course of business. Timber harvesters must pay a 5 percent excise tax on any timber harvested. Stumpage value tables are used to calculate the excise tax amount due from each timber harvester.

The timber purchase reporting requirement expires on July 1, 2021.

Summary of Bill:

The expiration date for the timber purchase reporting requirement is changed from July 1, 2021, to September 30, 2025.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on June 30, 2021.

Staff Summary of Public Testimony:

(In support) This policy has been in place for a number of years and there is broad stakeholder agreement on this good little bill. The program is important for timber communities across the state and works for both public and private timber owners. Extending the expiration date for these requirements helps account for future changes in tax

policy and potential changes in market conditions. It is the mission of the Department of Revenue (Department) to ensure fair and efficient collection of revenue, including timber tax revenue, to fund public services. The reporting requirement helps the Department accurately calculate stumpage value tables. If the requirement was to expire, the Department would have to rely on private landowners to voluntarily provide the data, and that would present the following administrative challenges: (1) reducing the private data reported may skew stumpage value tables; (2) private exportable timber is generally higher in value than public non-exportable timber, potentially leading to lower stumpage value calculations and less revenue collected; and (3) data made available is necessary to maintain to a memorandum of understanding that the Department entered into with the timber industry. The timber industry pays a unique 5 percent excise tax on the stumpage value of timber. Using real timber sale information helps ensure that tax values reflect real conditions.

(Opposed) None.

Persons Testifying: Representative Berg, prime sponsor; Representative Abbarno; Michael Bailey, Department of Revenue; and John Ehrenreich, Washington Forest Protection Association.

Persons Signed In To Testify But Not Testifying: None.