
Finance Committee

HB 1641

Brief Description: Amending the definition of timberland for purposes of determining the real property excise tax for a governmental entity.

Sponsors: Representatives Tharinger and Bernbaum; by request of Department of Natural Resources.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Expands the definition of timberland for purposes of the real estate excise tax to include certain forestlands transferred or sold to a governmental entity.
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Hearing Date: 2/13/25

Staff: Kristina King (786-7190).

Background:

State Real Estate Excise Tax.

Real Estate Excise Tax (REET) applies to real estate transactions, including the sale of property and the transfer of controlling interest in property. The rate applies to the selling price and is usually paid by the seller. The REET is due and payable to the county treasurer in which the property is located on the date of the sale, regardless of the date of recording, except in a controlling interest transfer. The state REET is imposed at the following rates:

- 1.1 percent if the selling price is equal to or less than \$525,000;
- 1.28 percent on the portion of the selling price that is greater than \$525,000 but equal to or less than \$1.525 million;
- 2.75 percent on the portion of the selling price that is greater than \$1.525 million but equal to or less than \$3.025 million; and

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- 3 percent on the portion of the selling price that is greater than \$3.025 million.

A rate of 1.28 percent is imposed on the sale of undeveloped land, timberland, agricultural land, and water or mineral rights, regardless of selling price.

Designated Forestland and Timberland.

Most property is valued or assessed at its true and fair value for purposes of imposing property taxes. The state Constitution allows the Legislature to enact legislation assessing certain types of real property at its present or current use for purposes of imposing property taxes. Two programs of current use valuation have been established: one program for forestlands and a second program that includes open space lands, farm and agricultural lands, and timberlands. When property is removed from current use classification, back taxes, plus interest and a penalty, must be paid by the property owner. In 2024, an open space exception to additional and compensating tax was created for certain sales or transfers of designated forestland or timberland to a governmental entity. To qualify for the exception, the governmental entity must continue to manage the land as forestland or timberland.

Summary of Bill:

The definition of timberland for purposes of calculating the rate of the real estate excise tax is expanded to include certain forestlands transferred or sold to a governmental entity. The rate is 1.28 percent. To qualify for the rate, the governmental entity must manage the land consistent with the designated forestland or timberland program it was previously classified in, and the governmental entity must provide the county assessor with a timber management plan or a notice of intent to manage the land as forestland or timberland.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.