

SENATE BILL REPORT

SB 5385

As of February 3, 2025

Title: An act relating to the definition of timberland for the purposes of determining the real property excise tax for a governmental entity.

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

Sponsors: Senators Chapman, Nobles and Saldaña; by request of Department of Natural Resources.

Brief History:

Committee Activity: Agriculture & Natural Resources: 2/06/25.

Brief Summary of Bill

- Modifies the definition of timberland for purposes of the real estate excise tax to include certain forestlands transferred or sold to a governmental entity.

SENATE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Staff: Jeff Olsen (786-7428)

Background: Real Estate Excise Tax. The sale of real estate is subject to the real estate excise tax (REET). The tax base is the selling price of the real estate, without any deduction for mortgages, liens, or other debts. The tax is typically paid by the seller.

The real estate excise tax is imposed at the following rates:

- 1.1 percent if the selling price is equal to or less than \$500,000;
- 1.28 percent on the portion of the selling price that is greater than \$500,000 but equal to or less than \$1.5 million;
- 2.75 percent on the portion of the selling price that is greater than \$1,500,000 but

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- equal to or less than \$3 million; and
- 3 percent on the portion of the selling price that is greater than \$3 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, must be paid by the landowner. In 2024, an 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 modified to include certain forest lands transferred or sold to a governmental entity. To qualify for the exception, 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: Requested on January 26, 2025.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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