

HOUSE BILL REPORT

SHB 2456

As Passed Legislature

Title: An act relating to reclassified reforestation lands.

Brief Description: Eliminating references to reclassified reforestation lands.

Sponsors: By House Committee on Revenue (originally sponsored by Representatives Valle, Silver, Morris, Talcott, Wolfe, Romero and Van Luven).

Brief History:

Reported by House Committee on:
Revenue, February 5, 1994, DPS;
Passed House, February 10, 1994, 95-0;
Passed Legislature.

HOUSE COMMITTEE ON REVENUE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Anderson; Caver; Leonard; Romero; Rust; Silver; Talcott; Thibaudeau and Wang.

Staff: Rick Peterson (786-7150).

Background: In 1931 the Legislature adopted a law to give private timberland owners the option of having their cut-over lands classified as "reforestation" land by the State Department of Forestry. Once classified, the land was subject to a annual tax of \$1 an acre in western Washington and \$.50 an acre in eastern Washington. The standing timber was exempt from the annual property tax but instead paid a "yield" tax of 12.5 percent of the harvest value when cut. Only about 550,000 acres were classified as reforestation land.

In 1971 the Legislature adopted a yield-tax system for all private timber. All land that is classified or designated as timberland now pays the annual property tax only on the land. The standing timber is exempt from the annual property tax but pays a yield tax of 5 percent of the harvest value when cut. The annual property tax on the land is based on land values set in statute. These land values are adjusted each year by one-half the percentage change in

the five year rolling average of timber stumpage prices. The 1971 law stopped new classifications of reforestation land.

On July 1, 1984, the classification of timberland as reforestation land was terminated. Reforestation land was reclassified under the new timber tax law and now pays the annual property tax on the same land values as classified and designed timberland.

Starting in 1984, the 12.5 percent yield-tax rate for reforestation timber was gradually reduced. The phase-down ended in 1994, and now reforestation timber pays the same 5 percent rate applicable to other timber.

In 1991 the 1931 reforestation tax statutes were decodified. Decodified statutes still have the force of law, but are not published in the Revised Code of Washington (RCW). Only statutes of a "general and permanent nature" are published in the RCW. Since the effectiveness of the 1931 act was phased out by 1984, it no longer has a general and permanent nature.

Summary of Bill: The laws relating to the taxation of reforestation timber and lands are repealed. Old reforestation timber and timberland will continue to pay the same taxes as other timber and timberland.

Fiscal Note: Available. New fiscal note requested for substitute bill on February 7, 1994.

Effective Date: The bill takes effect January 1, 1994.

Testimony For: Now that the tax rate for reforestation timber has phased down to the regular timber excise tax rate, there is no need to continue with the old law. Repeal will eliminate the need to file a different set of paperwork for reforestation timber. It will save work by the taxpayer, the assessor and the county treasurer. Repeal will simplify the sale or exchange of timber now classified as reforestation timber.

Testimony Against: None.

Witnesses: Representative Georgette Valle, prime sponsor; Gary O'Neil, Department of Revenue; Richard Junk, Washington Forest Protection Association; Darryl Cleveland, Assessor's Association; Nels Hanson, Washington Farm Forestry Association; and John Penney, Simpson Timber Company.