

HOUSE BILL REPORT

SHB 1067

As Passed Legislature

Title: An act relating to property tax reform.

Brief Description: Reforming the property taxation of short-rotation hardwoods.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Schoesler, Grant, Hankins, Delvin, Mastin and Sheldon).

Brief History:

Committee Activity:

Natural Resources: 1/27/95, 1/31/95 [DP];

Finance: 2/14/95, 2/16/95 [DPS].

Floor Activity:

Passed House: 3/7/95, 90-2.

Passed Legislature.

HOUSE COMMITTEE ON NATURAL RESOURCES

Majority Report: Do pass. Signed by 14 members: Representatives Fuhrman, Chair; Buck, Vice Chair; Pennington, Vice Chair; Basich, Ranking Minority Member; Regala, Assistant Ranking Minority Member; Beeksma; Cairnes; Elliot; Jacobsen; Romero; Sheldon; Stevens; B. Thomas and Thompson.

Staff: Rick Anderson (786-7114).

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Timber on privately or federally owned land is exempt from property taxation. The timber is subject to an excise tax based on its stumpage value at the time of harvest. The rate of the excise tax is 5 percent.

The forest land itself is subject to the property tax. If the land is used for growing and harvesting timber, and is at least 20 acres, it may be valued based on its current use which is the value of the bare land for growing and harvesting timber.

Christmas trees that are cultivated by agricultural methods are exempt from the timber excise tax and subject to property tax. The land on which Christmas trees are grown is not subject to current use valuation as forest land.

Summary of Bill: Short-rotation hardwoods are defined as hardwood trees, such as hybrid cottonwoods, cultivated by agricultural methods in growing cycles shorter than 10 years.

Short-rotation hardwoods are exempt from the timber excise tax but are subject to property tax. The land on which the trees are grown is not subject to current use valuation as forest land. The timber excise tax does apply if the land is valued as open space timber land.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 17, 1995.

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

Testimony For: (Natural Resources) Hybrid cottonwood trees are intensively managed and cultivated, just like other farming activities, and should be taxed like any other agricultural activity. Hybrid cottonwood farms provide habitat to numerous species of wildlife.

(Finance) The substitute bill makes changes to be compatible with the Senate bill (companion measure). Hybrid cottonwood trees are intensively managed and cultivated, just like other farming activities, and should be taxed like any other agricultural activity. Hybrid cottonwood farms provide habitat to numerous species of wildlife.

Testimony Against: (Natural Resources) Hybrid cottonwood trees are used the same way as other wood is used: to make pulp and other forest products. For this reason, hybrid cottonwood trees should be taxed like any other forest practice activity.

(Finance) Hybrid cottonwood trees are used the same way as other wood is used: to make pulp and other forest products. For this reason, hybrid cottonwood trees should be taxed like any other forest practice activity.

Testified: (Natural Resources) Representatives Mark Schoesler and Bill Grant, sponsors; Don Rice, James River Fiber Farm; George Perala, Boise Cascade Corporation (all in favor); and Donn Smallwood, Washington Department of Revenue (opposed).

(Finance) Representative Marc Schoesler, prime sponsor; Representative Bill Grant, sponsor; George Perala, Boise Cascade Corporation; Don Rice, James River Corporation; and Fred Saeger, Washington Association of County Assessors (pro). Donn Smallwood, Department of Revenue (con).