

SENATE BILL REPORT

SB 6322

As of January 31, 2000

Title: An act relating to the taxation of forest lands.

Brief Description: Changing taxation of forest lands.

Sponsors: Senators Loveland, Rossi and Rasmussen.

Brief History:

Committee Activity: Ways & Means:

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: All property in this state is subject to the property tax each year based on the property's value unless a specific exemption is provided by law. The state Constitution authorizes agricultural, timber, and open space land to be valued on the basis of their current use rather than fair market value.

Two programs currently implement this constitutional exception to fair market value: the "open space" program and the "forest land" program. There are two categories of land under the forest land program: classified and designated forest land. Standing timber is generally exempt from property taxes and is instead subject to a yield tax on harvest.

Under the forest land program, land which has no higher and better use than growing and harvesting timber may be classified as forest land by the county assessor. Land which is used to grow and harvest timber but which is more valuable for other uses may be designated as forest land by the assessor upon application to the County Assessor by the landowner. To qualify for either, the land must be 20 acres or more and be used primarily for growing and harvesting timber.

The valuation of classified and designated forest land is set by statute and is based on the value of the bare land for growing and harvesting timber. The values vary based on the grade and operability of the land and are adjusted annually by the Department of Revenue. For 2000 taxes, the values ranged from a low of \$1 per acre to a high of \$251 per acre.

In the application for designation, the owner must describe the property, any plans for reforestation of bare land areas, any forest management plans that may exist for the property, past experience in harvesting of timber on the property, and any other evidence of the owner's intent to continue using the property to grow timber.

Land is removed from classification or designation at the request of the owner, by sale or transfer to an ownership making the land exempt from tax, by sale or transfer to a new owner unless the new owner signs a notice of continuance, by a determination that the land

is no longer primarily used for growing and harvesting timber, or, for classified land, that a better use exists for the land than growing and harvesting timber.

Upon removal from classification, the land is revalued to market value on January 1 of the following year. Both classified and designated forest land may be subject to a compensating tax equal to the tax benefit received in the most recent year multiplied by the number of years the land was classified or designated, not to exceed 10.

Summary of Bill: Classified forest land is re-designated as designated forest land. References to "classified lands" are changed to "designated lands."

Up to 10 percent of the forest land can be used for incidental uses compatible with the growing and harvesting of timber. A description or drawing showing what areas of land are to be used for incidental uses must accompany the application for designation. Forest land does not include a residential home site.

The county legislative authority may require a reasonable processing fee with an application for designation.

No application is required when publicly owned forest land is exchanged for designated forest land if the land will be used to grow and harvest timber and the owner submits a document explaining the details of the forest land exchange within 60 days of the closing date.

In the application for designation, only forest management plans prepared by a trained forester or other knowledgeable person need be provided. The assessor may require the filing of a timber management plan with an application, if designated forest land is sold or transferred and a notice of continuance is signed, or if the assessor believes that designated land is no longer being used to grow and harvest timber.

Upon removal from classification, the land is revalued to market value as of January 1 of the year of removal and is subject to a prorata share of taxes for the balance of the year based on the new value.

Technical corrections and changes are made to the statutes:

- The definitions are consolidated into one section.
- "Primary use" is defined.
- Use for commercial purposes is emphasized.
- Land cannot be removed from classification based on governmental restrictions preventing harvest.
- Provisions on grading and valuing land that were completed in the 1980's are decodified.
- Obsolete provisions on classified land are repealed.
- Provisions of the open space law are made consistent.

Appropriation: None.

Fiscal Note: Available.

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