

SENATE BILL REPORT

SHB 1024

As Reported By Senate Committee On:
Agriculture & International Trade, March 16, 2001

Title: An act relating to the growing of short-rotation hardwood trees on agricultural land.

Brief Description: Modifying provisions relating to the growing of short-rotation hardwood trees on agricultural land.

Sponsors: By House Committee on Natural Resources (originally sponsored by Representatives Doumit, G. Chandler, Linville, Sump, Quall, Clements, Schoesler, Hatfield and Grant).

Brief History:

Committee Activity: Agriculture & International Trade: 3/16/01 [DP].

SENATE COMMITTEE ON AGRICULTURE & INTERNATIONAL TRADE

Majority Report: Do pass.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Parlette, Sheahan and Spanel.

Staff: Bob Lee (786-7404)

Background: Two systems of taxation have evolved over the years: one specific to growing of agricultural products on agricultural land; the other specific to growing of timber products on forest land. Agricultural land and forest land can be valued according to its current use with the value of cultivated agricultural land being generally higher than forest land values. However, forest products grown on forest land are subject to the timber excise tax of 5 percent collected at the time of harvest, while the sale of agricultural products are generally exempt from excise taxes.

In the 1990s, there was increased interest in growing short-rotation hardwoods, such as hybrid poplars and cottonwoods, on agricultural land. An accommodation was made to blend the two tax systems by providing that short-rotation hardwoods grown by agricultural methods are exempt from the timber excise tax if the growing cycle is shorter than ten years.

Current forest practice regulations provide an exemption for trees cultivated by agricultural methods in growing cycles shorter than ten years.

Currently, the Department of Revenue's interpretation is that short-rotation hardwoods are considered an agricultural crop for business and occupation tax purposes if they are cultivated by agricultural methods.

Summary of Bill: The maximum length of the growing cycle for short-rotation hardwoods is increased from the current ten-year period to 15 years for purposes of the timber excise tax and the Forest Practices Act.

Specific reference is included in the business and occupation tax statute that short-rotation hardwoods are included in the definition of an agricultural product.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The price of wood chips has dropped from previous projected levels due to the economic decline in the Asia. Extending the rotation to 15 years will allow greater marketing flexibility. Canada has extended to 15 years so this bill will provide an equivalent time period as Canada. Growing short-rotation hardwoods on agricultural land is like growing corn; they grow in rows and are all harvested at once.

Testimony Against: None.

Testified: PRO: Jim Walls, Columbia-Pacific PC &D.