

FINAL BILL REPORT

ESHB 2693

C 177 L 04

Synopsis as Enacted

Brief Description: Modifying the taxation of timber on publicly owned land.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Hinkle, McIntire, Cairnes, Fromhold and Holmquist).

House Committee on Finance

Senate Committee on Ways & Means

Background:

The timber excise tax is paid when timber is harvested. The state tax rate equals 5 percent of the stumpage value. The tax applies to timber harvested on public and private lands. A county tax equal to 4 percent applies to harvests on private lands and is credited against the state tax. Therefore the effective rate on timber harvested from private land is 1 percent for the state and 4 percent for counties. The effective rate for timber harvested from public lands is 5 percent for the state. There is no county timber excise tax on timber from public lands. The state tax is deposited in the State General Fund. The local tax is distributed to property taxing districts within the county based on the value of commercial forest land.

Standing timber located on private lands is exempt from property tax. Standing timber located on public land is exempt from property tax until it is sold to a private person. The assessment date for property tax is January 1. Timber located on public land purchased by a timber harvester that is still standing on January 1 is subject to property tax. The property tax is distributed to the taxing districts in which the timber is located. The timber harvester's state timber excise tax liability is reduced by the amount of property taxes paid.

Summary:

Counties are authorized to impose a 4 percent timber excise tax on timber harvested from public lands. The tax rate is phased-in over ten years starting at 1.2 percent. The county tax is credited against the state tax so that the timber harvester pays a total rate of 5 percent. The county timber excise tax is distributed to local taxing districts within the county.

Standing timber located on public land that is purchased by a private person is exempt from property tax. Purchasers of timber from the Department of Natural Resources are no longer required to provide proof of payment of property taxes before release of their performance bond.

Votes on Final Passage:

House 93 0

Senate 49 0

Effective: January 1, 2005