

# SENATE BILL REPORT

## SB 6249

---

As of January 26, 2006

**Title:** An act relating to the property taxation of forest and timber lands.

**Brief Description:** Modifying the property taxation of forest and timber lands.

**Sponsors:** Senators Doumit, Morton and Parlette.

**Brief History:**

**Committee Activity:** Ways & Means: 1/30/06.

---

### 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 its value unless a specific exemption is provided by law. The State Constitution authorizes agricultural, timber, and open space lands 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 three categories of land under the open space program: 1) open space lands, 2) farm and agricultural lands, and 3) timber lands. There is only one category of land under the forest land program: designated forest land.

#### Open Space Program

Under the open space program, timber land is land of 5 or more acres devoted primarily to the growing and harvesting of timber. Timber land is valued under the forest land program and is based on the value of the bare land for growing and harvesting timber. Applications are made to the county legislative authority.

When property is removed from open space classification, an additional tax plus interest must be paid, with some exceptions. The additional tax represents the tax benefit received over the most recent 7 years plus interest on the taxes from the time they would have been paid if the land were not assessed at current use. The interest rate is the rate payable on delinquent property taxes, which is 12 percent per year. In addition, a penalty equal to 20 percent of the back taxes and interest is applied. The penalty may be avoided if the property remains in the program for at least 10 years and a two-year waiting period after notice of withdrawal is satisfied. The tax is distributed in the same manner as current taxes applicable to the subject land. Penalties and interest are retained by the county.

#### Forest Land Program

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, the land must be 20 acres or more and be used primarily for growing and harvesting timber.

Upon removal from designation, the forest land may be subject to a compensating tax, with some exceptions. The tax is equal to the tax benefit in the most recent year multiplied by the number of years the land was designated, not to exceed nine. Interest is due only if the tax is not paid within 30 days after notification of the tax. The compensating tax is distributed to taxing districts in the same manner as other taxes imposed in the year in which the compensating tax is due.

**Summary of Substitute Bill:** The open space timber land classification is eliminated. Forest land is redefined as five or more acres devoted primarily to growing and harvesting timber for commercial purposes. Commercial purposes is defined as the use of the forest land on a continuous and regular basis that demonstrates the owner intends to obtain a monetary profit by growing and harvesting timber.

County assessors may require a timber management plan when they have reason to believe the land is no longer being used as designated forest land.

Land classified as open space timber land before the effective date of the bill is reclassified as designated forest land. Land transferred from the open space timber land to designated forest land that is removed from designation within thirty days of the notice is not subject to compensating taxes under the forest land program or the additional taxes, interest, and penalties under the open space program.

**Substitute Bill Compared to Original Bill:**

The original bill was not considered.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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