

HOUSE BILL REPORT

HB 1427

As Reported by House Committee On: Ways & Means

Title: An act relating to adjusting timber tax account distribution calculations.

Brief Description: Adjusting timber tax account distribution calculations.

Sponsors: Representatives Hunt and Takko.

Brief History:

Committee Activity:

Ways & Means: 2/1/11, 2/17/11 [DPS].

Brief Summary of Substitute Bill

- Removes the requirement for school districts to use 80 percent of the timber roll in 1983 when determining property tax rates for excess levies.
- Removes the requirement that timber tax distributions are based on 80 percent of the timber roll in 1983.
- Requires sufficient timber tax revenues to be placed in reserve status for voter approved bonds and school maintenance and operations levies to be phased in over five years.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 26 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Staff: Jeff Olsen (786-7175).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Timber Excise Tax.

In the 1970s property taxes on timber were phased out and replaced with the timber excise tax. The timber excise tax consists of a state and local tax rate of 5 percent of the harvest value of the timber harvested. To address the changeover from a property tax to an excise tax, certain safeguards were put in place for determining timber values and distributing timber tax revenues.

Timber Assessed Values and Property Tax Levy Rates.

A school district may levy excess property tax levies and maintenance and operations levies by approval of the voters. In determining the rate for the excess levy, a district must include the greater of one-half of the timber assessed value (TAV) of the district or 80 percent of the timber value in the district in 1983. The TAV of a county is based on the value of the timber harvested in the most recent four calendar quarters. By adding the timber value to the district, it has the effect of reducing the rate of the levy on all other properties in the district.

Timber Tax Distributions.

Proceeds from the timber excise tax are split between the state and counties depending on where the timber was harvested. The Department of Revenue notifies the State Treasurer to distribute timber tax receipts four times per year. Local timber tax revenues are distributed based on statutory priorities. The first priority is districts that have voter approved bonds, second priority are school districts, and all taxing districts share if there are extra revenues. Up to 20 percent of excess revenues may also be used for reserve in case future distributions are insufficient.

Summary of Substitute Bill:

The requirement that the excess levy rate for school districts be based on 80 percent of the timber roll in 1983 is removed. The requirement that timber tax distributions for school districts are based on 80 percent of the timber roll in 1983 is removed. The requirement that the county treasurer shall place excess revenue up to 20 percent of the total timber tax distributions is replaced with a requirement to develop a reserve sufficient to make priority one and priority two distributions in five years.

Substitute Bill Compared to Original Bill:

The substitute bill restores the current requirement that timber tax distributions be provided for voter approved bonds authorized before July 1, 1984, in an amount equal to debt service in 1984. It also requires sufficient timber tax revenues to be placed in reserve status for voter approved bonds and school maintenance and operations levies to be phased in over five years.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is a priority bill for the statewide assessor's association. County assessors are trying to do their best job, and this bill will help them be more accurate and efficient. The use of the 1983 timber roll should have been applied only to school maintenance and operations levies approved before 1984. With declining timber prices, many districts are using the 1983 value rather than the more current last four quarters of actual harvest. Using the 80 percent of 1983 timber roll when establishing levy rates is a flawed forecast and may result in some schools not receiving all of the funds for a voter approved maintenance and operations levy.

(Opposed) None.

Persons Testifying: Bruce Walker, Pacific County Assessor; Dianne Dorey, Lewis County Assessor; and Rick Hole, Grays Harbor County Assessor.

Persons Signed In To Testify But Not Testifying: None.