
**Agriculture & Natural Resources
Committee**

HB 1156

Brief Description: Consolidating designated forest lands and open space timber lands for ease of administration.

Sponsors: Representatives Blake and Orcutt.

Brief Summary of Bill

- Provides county authority to merge its open space timber program into its designated forest land program, for the purposes of current use property taxation.
- Modifies the designated forest land program to allow smaller parcels of land to be eligible.
- Modified the nature of timber management plans prepared pursuant to the designated forest land program.

Hearing Date: 1/29/13

Staff: Jason Callahan (786-7117).

Background:

All property 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 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 "forest land" program, and the "open space" program.

Forest Land Program

To qualify for current use valuation under the forest land program, the land must be 20 acres or more and be used primarily for growing and harvesting timber. Qualifying land includes land used for incidental activities that are compatible for growing and harvesting timber but that is no

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more than 10 percent of the overall land. Qualifying land also includes land on which buildings, machinery and other personal property necessary for the production and sale of timber products exist.

The application for forest land designation includes date of acquisition, a copy of any existing timber management plan prepared by a trained forester, an explanation of the nature and extent to which any existing plan has been implemented, and other evidence of the owner's intent to continue using the property to grow timber. The timber management plan includes a statement that the forest land consists of 20 or more contiguous acres and is devoted to growing and harvesting timber. The application and the timber management plan are each required to include a legal description of the land, a description of the timber or the plan for restocking, a statement about whether the forest land is used for grazing, and a statement that the applicant is in compliance with the State's forest practice laws and rules.

The valuation of designated forest land is set by statute and is based on the value of the bare land for growing and harvesting timber. The value of standing timber is exempt from property tax and harvested timber is instead subject to a separate excise tax.

Land is removed from forest land 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; or by a determination that the land is no longer primarily used for growing and harvesting timber or is not being managed in accordance with forest practices laws and rules. Land may not be removed from the designation if the owner is prevented from harvesting timber because of land use restrictions.

Upon removal from the designation, the land is revalued to market value as of January 1 of the year of removal. In general, land that is removed is 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 designated, not to exceed nine. An exception to the compensating tax is allowed under certain conditions.

The cultivation of Christmas trees or short-rotation hardwoods on plantations is considered farming, and the land required for these activities may not be designated as forest lands.

Open Space Program

Within the open space program, property may be valued at current use within three different classifications: farm and agricultural land; timber land; and open space land.

Land qualifies for the open space timber land program if the land is at least five or more acres or multiple parcels of land that are contiguous and in which there are at least five acres devoted primarily to the growth and harvest of timber for commercial purposes. Qualifications include: the same limitations concerning incidental activities, property necessary for the production and sale of timber products, and residential sites as in the forest land program.

An owner desiring current use classification under the open space timber program must apply to the county legislative authority. The application includes legal description, date of acquisition, a description of the timber or the plan for restocking, a statement of whether the land is covered by a forest management plan and the extent to which the plan has been implemented, a statement

about whether the forest land is used for grazing, a statement that the applicant is in compliance with the forest practice laws and rules, and other information that is analogous to that required under the forest land program. The elements of the application are considered a timber management plan.

Current use valuation will begin on January 1 of the year following the year the application was filed. Open space timber land is valued according to the same schedule by which forest lands are valued. The criteria for classification continue to apply after classification has been granted.

With some exception, land classified under the open space programs must remain under the program for at least 10 years following initial classification. However, if within the 10-year period the use no longer qualifies under the open space program, or the owner requests withdrawal, or a sale of the property is made and the new owner does not sign a notice of intent to continue within the open space program, then the land is withdrawn from the program and additional tax, interest, and penalties apply.

If the owner wishes to withdraw the land from current use after 10 years, the owner must notify the assessor two years prior to having the land withdrawn. The withdrawal then triggers the requirement to pay additional tax and interest, but no penalty is imposed.

Land upon which short-rotation hardwoods are cultivated may be classified under the open space timber land program or the open space farm and agriculture program. If classified under the timber land program, harvested trees are subject to the forest excise tax.

Summary of Bill:

County legislative authorities are authorized to merge the county's open space timber land program into its designated forest land program. In a county that merges programs, the county must enact an ordinance that terminates its open space timber land program and declares land that had been in the timber land program to be designated forest land. The date that property was classified as open space timber before the ordinance date is considered to be the date of designation under the forest land program. Any open space taxation agreement is null and void after the effective date.

The removal of land from an open space timber land program as a result of a merger of programs is exempt from additional taxes, assessments, interest, and penalties.

The designated forest land program is also modified for all counties, regardless if the county enacts an ordinance merging the two programs. The minimum size requirement for land to be designated as forest land is reduced from 20 acres to 5 acres. Also, an additional requirement is added in order to qualify as designated forest land: a requirement that the land be devoted to growing timber *for commercial purposes*. The term "commercial purposes" is defined to include lands that are managed for monetary cash profit, and include lands managed for Christmas trees and short-rotation hardwoods. If land use restrictions prevent the owner from harvesting timber, then the requirement to be used for commercial purposes does not apply.

Also applicable to all designated forest land programs (not just those subject to a merger) is a change in the nature of timber management plans. The statutorily required elements of a timber

management plan are made optional. In addition, an assessor may require a timber management plan if there is reason to believe that the land is no longer being used for forest land purposes.

Appropriation: None.

Fiscal Note: Requested.

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