

HOUSE BILL REPORT

HB 1540

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs

Title: An act relating to tribal timber harvest excise tax agreements.

Brief Description: Concerning tribal timber harvest excise tax agreements.

Sponsors: Representatives Kretz, Blake, Pettigrew, Condotta, Stanford, Lytton, Short, Sawyer, S. Hunt, Hurst, Moscoso and Wylie.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/3/15, 2/17/15 [DPS].

Brief Summary of Substitute Bill

- Authorizes the Governor to enter into a timber harvest excise tax agreement with the Confederated Tribes of the Colville Reservation.
- Requires the Department of Revenue to distribute tax revenues to the Colville Tribes pursuant to an agreement.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Appleton, Chair; Robinson, Vice Chair; Johnson, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Hawkins, Sawyer and Van De Wege.

Staff: Sean Flynn (786-7124).

Background:

Timber Harvest Excise Tax.

Timber harvests are exempt from state property taxes. As an alternative, the state imposes an excise tax on the use of timber harvested for commercial or industrial purposes. The tax

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applies to timber harvested on private and public lands. The rate of tax is based on the stumpage value of the timber as assessed by the Department of Revenue (Department). The state tax rate is 5 percent.

Counties may impose a timber harvest excise tax up to 4 percent that is credited against the state tax. The Department collects both the state and county excise taxes and distributes the county share back to the county.

State Taxation in Indian County.

Federal law generally prohibits states from taxing federally recognized tribes or tribal members within the boundaries of a tribal reservation. However, states generally may tax property nonmember activities on non-trust fee lands located within a reservation.

Tribes and tribal members are not subject to the state timber harvest excise tax for harvesting within a reservation. The state generally does apply the timber harvest excise tax to non-members harvesting on fee lands within the reservation, if the fee land is not owned by the tribe and if the tax is not preempted due to tribal regulatory authority.

Tribal Timber Harvest Excise Tax Agreements.

Where authorized, the Governor may enter into a tax agreement with a federally recognized Indian tribe in the state. The agreement allows a tribe to impose and collect a timber harvest excise tax on timber harvested on fee lands within the boundaries of a tribal reservation. The tribal tax is credited against state and county tax.

The tribal tax must be identical to the state timber harvest excise tax in regards to the tax rates imposed and calculated stumpage values. Tribal tax revenues must be used for essential government services, including: forest land management; public facilities; fire; police; health; education; job services; sewer; water; environmental and land use; transportation; and utility services, and public facilities serving economic development.

In 2007 the Legislature authorized the Governor to enter into a timber harvest excise agreement with the Quinault Nation. The authorization required that the tribal excise tax rate under the agreement must be 100 percent of the state tax.

Summary of Substitute Bill:

The Governor is authorized to enter into a timber harvest excise agreement with the Confederated Tribes of the Colville Reservation (Colville Tribe). The agreement must include a provision for reimbursement to the Department for administering the taxes collected on the reservation. The Department must distribute the amount of taxes collected on the reservation to the Colville Tribes, pursuant to the agreement, and to repay the county for its share of the excise tax collected.

Substitute Bill Compared to Original Bill:

The substitute provides new authorization for the Governor to enter into a timber harvest excise tax agreement with the Colville Tribes, including the reimbursement to the Department for administering the tax collection on the reservation and distributing the amount collected to the Tribe.

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) The Colville Tribes have good regulatory control over its forest lands. The Colville reservation was created in 1972 and there are 9,300 members of the Colville Tribes. Most members live on or adjacent to the reservation. Fee lands are taxable by the state, while trust lands are taxable by the tribe. Tribal taxes provide a steady stream of revenue for tribal services on the reservation, and the management of natural resources. Permitting the collection of a tribal tax will have the benefit of providing consistent taxation on the reservation as well as resources to support forest practices and improve natural resource management.

(Opposed) None.

Persons Testifying: Representative Kretz, prime sponsor; and Mark Moran, William Nicholson, and Cody Desautch, Confederated Tribes of the Colville Reservation.

Persons Signed In To Testify But Not Testifying: None.