

SENATE BILL REPORT

SB 5472

As of February 27, 2015

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

Brief Description: Concerning tribal timber harvest excise tax agreements.

Sponsors: Senators Parlette, McCoy, Hatfield, Hobbs, Honeyford and Dandel.

Brief History:

Committee Activity: Ways & Means: 2/25/15.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

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 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. 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 of Revenue 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 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 taxes. The tribal tax must be identical to the state timber harvest excise tax in regard to the tax rates imposed and calculated stumpage values. Tribal tax revenues must be used

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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 Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): 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 repay the county for its share of the excise taxes collected.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: We would contract with the Department of Revenue to collect the taxes. This way the Colville Tribe would not have to create a whole new process to do this.

Persons Testifying: PRO: Michael Moran, Confederated Tribes of the Colville Reservation; John Ehrenreich, WA Forest Protection Assn.