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**SUBSTITUTE HOUSE BILL 1540**

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**State of Washington**

**64th Legislature**

**2015 Regular Session**

**By** House Community Development, Housing & Tribal Affairs (originally sponsored by Representatives Kretz, Blake, Pettigrew, Condotta, Stanford, Lytton, Short, Sawyer, S. Hunt, Hurst, Moscoso, and Wylie)

READ FIRST TIME 02/20/15.

1 AN ACT Relating to tribal timber harvest excise tax agreements;  
2 amending RCW 43.06.475, 43.06.480, and 84.33.081; and adding a new  
3 section to chapter 43.06 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.06.475 and 2007 c 69 s 2 are each amended to read  
6 as follows:

7 (1) The governor may enter into timber harvest excise tax  
8 agreements concerning the harvest of timber under RCW 43.06.480(1).  
9 All timber harvest excise tax agreements must meet the requirements  
10 (~~for timber harvest excise tax agreements~~) under this section. The  
11 terms of a timber harvest excise tax agreement are not effective  
12 unless the agreement is authorized in RCW 43.06.480.

13 (2) Timber harvest excise tax agreements shall be in regard to  
14 timber harvests on fee land within the exterior boundaries of the  
15 reservation of the Indian tribe and are not in regard to timber  
16 harvests on trust land or land owned by the tribe within the exterior  
17 boundaries of the reservation.

18 (3) The agreement must provide that the tribal tax shall be  
19 credited against the state and county taxes imposed under RCW  
20 84.33.041 and 84.33.051.

1 (4) Tribal ordinances for timber harvest excise taxation, or  
2 other authorizing tribal laws, which implement the timber harvest  
3 excise tax agreement with the state, must incorporate or contain  
4 provisions identical to chapter 84.33 RCW that relate to the tax  
5 rates and measures, such as stumpage values.

6 (5) Timber harvest excise tax agreements must be for renewable  
7 periods of no more than eight years.

8 (6) Timber harvest excise tax agreements must include provisions  
9 for compliance, such as inspection procedures, recordkeeping, and  
10 audit requirements.

11 (7) Tax revenue retained by the tribe must be used for essential  
12 government services. Use of tax revenue for subsidization of timber  
13 harvesters is prohibited.

14 (8) The timber harvest excise tax agreement may include  
15 provisions to resolve disputes using a nonjudicial process, such as  
16 mediation.

17 (9) The governor may delegate the power to negotiate the timber  
18 harvest excise tax agreements to the department of revenue.

19 (10) Information received by the state or open to state review  
20 under the terms of a timber harvest excise tax agreement is subject  
21 to the provisions of RCW 82.32.330. The department of revenue may  
22 enter into an information sharing agreement with the tribe to  
23 facilitate sharing information to improve tax collection.

24 (11) The timber harvest excise tax agreement must include dispute  
25 resolution procedures, contract termination procedures, and  
26 provisions delineating the respective roles and responsibilities of  
27 the tribe and the department of revenue.

28 (12) The timber harvest excise tax agreement must include  
29 provisions to require taxpayers to submit information that may be  
30 required by the department of revenue or tribe.

31 (13) For the purposes of this section:

32 (a) "Essential government services" means services such as forest  
33 land management; protection, enhancement, regulation, and stewardship  
34 of forested land; land consolidation; tribal administration; public  
35 facilities; fire; police; public health; education; job services;  
36 sewer; water; environmental and land use; transportation; utility  
37 services; and public facilities serving economic development purposes  
38 as those terms are defined in RCW 82.14.370(3)(c);

39 (b) "Forest land" has the same meaning as in RCW 84.33.035;

40 (c) "Harvester" has the same meaning as in RCW 84.33.035;

1 (d) "Indian tribe" or "tribe" means a federally recognized Indian  
2 tribe located within the geographical boundaries of the state of  
3 Washington; and

4 (e) "Timber" has the same meaning as in RCW 84.33.035.

5 (14) This section does not apply to an agreement under RCW  
6 43.06.480(2) unless otherwise agreed to under section 3 of this act.

7 **Sec. 2.** RCW 43.06.480 and 2007 c 69 s 3 are each amended to read  
8 as follows:

9 (1) The governor is authorized to enter into a timber harvest  
10 excise tax agreement with the Quinault Nation. Agreements adopted  
11 under this section must provide that the tribal timber harvest excise  
12 tax rate be one hundred percent of the state timber harvest excise  
13 tax. A timber harvest excise tax agreement under this subsection is  
14 subject to RCW 43.06.475.

15 ~~(2) ((A timber harvest excise tax agreement under this section is~~  
16 ~~subject to RCW 43.06.475.))~~ The governor is authorized to enter into  
17 a tribal timber harvest excise tax agreement with the Confederated  
18 Tribes of the Colville Nation. A timber harvest excise tax agreement  
19 under this subsection is subject to section 3 of this act and RCW  
20 84.33.081(7)(b).

21 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.06  
22 RCW to read as follows:

23 (1) The governor may enter into timber harvest excise tax  
24 agreements concerning the harvest of timber under RCW 43.06.480(2).  
25 All timber harvest excise tax agreements authorized under RCW  
26 43.06.480(2) must meet the requirements under this section. The terms  
27 of a timber harvest excise tax agreement are not effective unless the  
28 agreement is authorized in RCW 43.06.480(2).

29 (2) The agreement may incorporate any terms for timber harvest  
30 excise tax agreements under RCW 43.06.475 (2) and (5) through (12),  
31 but must include a provision for reimbursement to the department of  
32 revenue for the collection and administration of the state and county  
33 taxes imposed under RCW 84.33.041 and 84.33.051 and collected within  
34 the borders of the reservation.

35 (3) The agreement may not authorize the department of revenue to  
36 assess or collect the tax under RCW 84.33.041 and 84.33.051 in a  
37 different amount or manner than as authorized under chapter 84.33  
38 RCW. Nothing in this subsection may be construed to affect the

1 negotiation for an amount to reimburse the department for collection  
2 and administration of state and county taxes as provided in  
3 subsection (2) of this section.

4 (4) Tribal timber harvest excise tax agreements entered into  
5 under RCW 43.06.480(1) are not subject to this section.

6 **Sec. 4.** RCW 84.33.081 and 2007 c 69 s 5 are each amended to read  
7 as follows:

8 (1) On the last business day of the second month of each calendar  
9 quarter, the state treasurer (~~shall~~) must distribute from the  
10 timber tax distribution account to each county the amount of tax  
11 collected on behalf of each county under RCW 84.33.051, less each  
12 county's proportionate share of appropriations for collection and  
13 administration activities under RCW 84.33.051, and (~~shall~~) must  
14 transfer to the state general fund the amount of tax collected on  
15 behalf of the state under RCW 84.33.041, less the amount of the  
16 distribution under subsection (7) of this section and the state's  
17 proportionate share of appropriations for collection and  
18 administration activities under RCW 84.33.041. The county treasurer  
19 (~~shall~~) must deposit moneys received under this section in a county  
20 timber tax account, which (~~shall~~) must be established by each  
21 county. Following receipt of moneys under this section, the county  
22 treasurer (~~shall~~) must make distributions from any moneys available  
23 in the county timber tax account to taxing districts in the county,  
24 except the state, under subsections (2) through (4) of this section.

25 (2) From moneys available, there first (~~shall~~) must be a  
26 distribution to each taxing district having debt service payments due  
27 during the calendar year, based upon bonds issued under authority of  
28 a vote of the people conducted pursuant to RCW 84.52.056 and based  
29 upon excess levies for a capital project fund authorized pursuant to  
30 RCW 84.52.053, of an amount equal to the timber assessed value of the  
31 district multiplied by the tax rate levied for payment of the debt  
32 service and capital projects(~~:- PROVIDED, That~~). However, in respect  
33 to levies for a debt service or capital project fund authorized  
34 before July 1, 1984, the amount allocated (~~shall~~) may not be less  
35 than an amount equal to the same percentage of such debt service or  
36 capital project fund represented by timber tax allocations to such  
37 payments in calendar year 1984. Distribution under this subsection  
38 (2) (~~shall~~) may be used only for debt service and capital projects  
39 payments. The distribution under this subsection (~~shall~~) must be

1 made as follows: One-half of such amount (~~shall~~) must be  
2 distributed in the first quarter of the year and one-half (~~shall~~)  
3 must be distributed in the third quarter of the year.

4 (3) From the moneys remaining after the distributions under  
5 subsection (2) of this section, the county treasurer (~~shall~~) must  
6 distribute to each school district an amount equal to one-half of the  
7 timber assessed value of the district or eighty percent of the timber  
8 roll of such district in calendar year 1983 as determined under this  
9 chapter, whichever is greater, multiplied by the tax rate, if any,  
10 levied by the district under RCW 84.52.052 or 84.52.053 for purposes  
11 other than debt service payments and capital projects supported under  
12 subsection (2) of this section. The distribution under this  
13 subsection (~~shall~~) must be made as follows: One-half of such amount  
14 (~~shall~~) must be distributed in the first quarter of the year and  
15 one-half (~~shall~~) must be distributed in the third quarter of the  
16 year.

17 (4) After the distributions directed under subsections (2) and  
18 (3) of this section, if any, each taxing district (~~shall~~) must  
19 receive an amount equal to the timber assessed value of the district  
20 multiplied by the tax rate, if any, levied as a regular levy of the  
21 district or as a special levy not included in subsection (2) or (3)  
22 of this section.

23 (5) If there are insufficient moneys in the county timber tax  
24 account to make full distribution under subsection (4) of this  
25 section, the county treasurer (~~shall~~) must multiply the amount to  
26 be distributed to each taxing district under that subsection by a  
27 fraction. The numerator of the fraction is the county timber tax  
28 account balance before making the distribution under that subsection.  
29 The denominator of the fraction is the account balance (~~which~~) that  
30 would be required to make full distribution under that subsection.

31 (6) After making the distributions under subsections (2) through  
32 (4) of this section in the full amount indicated for the calendar  
33 year, the county treasurer (~~shall~~) must place any excess revenue up  
34 to twenty percent of the total distributions made for the year under  
35 subsections (2) through (4) of this section in a reserve status until  
36 the beginning of the next calendar year. Any moneys remaining in the  
37 county timber tax account after this amount is placed in reserve  
38 (~~shall~~) must be distributed to each taxing district in the county  
39 in the same proportions as the distributions made under subsection  
40 (4) of this section.

1       (7)(a) On the last business day of the second month of each  
2 calendar quarter, the state treasurer (~~(shall)~~) must distribute from  
3 the timber tax distribution account to each county an amount of tax  
4 collected by the state under RCW 84.33.041 equal to the amount of any  
5 tribal tax credited against the county's tax under an agreement  
6 entered into under RCW 43.06.480(1).

7       (b) On the last business day of the second month of each calendar  
8 quarter, the state treasurer must make distributions from the timber  
9 tax distribution account to a tribe, as defined in RCW 43.06.475 and  
10 whose reservation is in excess of 1.35 million acres, for the  
11 duration an agreement entered into under RCW 43.06.480(2) is in  
12 effect. The amount of the distribution is equal to the amount of  
13 state and county excise taxes imposed under RCW 84.33.041 and  
14 84.33.051 and collected by the department during the immediately  
15 preceding calendar quarter with respect to timber harvested within  
16 the tribe's reservation boundaries, less an amount negotiated under  
17 section 3 of this act to reimburse the department for administrative  
18 costs to collect those taxes that are collected within the  
19 reservation's boundaries. Nothing in this subsection (7)(b) may be  
20 construed to affect distributions to a county, as provided in  
21 subsection (1) of this section, of taxes collected on behalf of the  
22 county under RCW 84.33.051 with respect to timber harvested within a  
23 tribe's reservation boundaries.

24       (c) No appropriation is required for distributions to a tribe  
25 under this subsection.

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