

CHAPTER 6

[Engrossed Senate Bill No. 2111]

TAXATION OF TIMBER AND FOREST LANDS

AN ACT Relating to revenue and taxation of timber and forest lands; amending section 7, chapter 294, Laws of 1971 ex. sess. as last amended by section 1, chapter 347, Laws of 1977 ex. sess. and RCW 82.04.291; amending section 6, chapter 294, Laws of 1971 ex. sess. as last amended by section 2, chapter 347, Laws of 1977 ex. sess. and RCW 84.33-.060; amending section 8, chapter 294, Laws of 1971 ex. sess. as last amended by section 3, chapter 347, Laws of 1977 ex. sess. and RCW 84.33.080; amending section 9, chapter 187, Laws of 1974 ex. sess. and RCW 84.33.200; repealing section 9, chapter 123, Laws of 1975-76 2nd ex. sess. (uncodified); and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

Section 1. Section 7, chapter 294, Laws of 1971 ex. sess. as last amended by section 1, chapter 347, Laws of 1977 ex. sess. and RCW 82.04.291 are each amended to read as follows and, as amended, shall be recodified as a section of chapter 84.33 RCW:

(1) Upon every person engaging within this state in business as a harvester of timber; as to such persons the amount of tax with respect to such business shall be equal to the stumpage value of timber harvested for sale or for commercial or industrial use multiplied by the appropriate rate as follows:

(a) For timber harvested between October 1, 1972 and September 30, 1973 inclusive, the rate shall be one and three-tenths percent;

(b) For timber harvested between October 1, 1973 and September 30, 1974 inclusive, the rate shall be two and nine-tenths percent and between October 1, 1974 and (~~December 31, 1978~~) June 30, 1981, inclusive, six and one-half percent.

(2) For purposes of this section:

(a) "Harvester" means every person who from his own privately owned land or from the privately owned land of another under a right or license granted by lease or contract, either directly or by contracting with others for the necessary labor or mechanical services fells, cuts or takes timber for sale or for commercial or industrial use. It does not include persons performing under contract the necessary labor or mechanical services for a harvester.

(b) "Timber" means forest trees, standing or down on privately owned land, and except as provided in RCW 84.33.170 includes Christmas trees.

(c) "Stumpage value of timber" means the appropriate stumpage value shown on tables to be prepared by the department of revenue pursuant to subsection (3) of this section.

(d) Timber shall be considered harvested at the time when in the ordinary course of business the quantity thereof by species is first definitely determined. The amount harvested shall be determined by the Scribner

Decimal C Scale or other prevalent measuring practice adjusted to arrive at substantially equivalent measurements, as approved by the department of revenue.

(3) The department of revenue shall designate areas containing timber having similar growing, harvesting and marketing conditions to be used as units for the preparation and application of stumpage values. Each year on or before December 31 for use the following January through June 30, and on or before June 30 for use the following July through December 31, the department shall prepare tables of stumpage values of each species or subclassification of timber within such units, which values shall be the amount that each such species or subclassification would sell for at a voluntary sale made in the ordinary course of business for purposes of immediate harvest. Such stumpage values, expressed in terms of a dollar amount per thousand board feet or other unit measure, shall be determined from (a) gross proceeds from sales on the stump of similar timber of like quality and character at similar locations, and in similar quantities, or from (b) gross proceeds from sales of logs adjusted to reflect only the portion of such proceeds attributable to value on the stump immediately prior to harvest, or from a combination of (a) and (b), and shall be determined in a manner which makes reasonable and adequate allowances for age, size, quality, costs of removal, accessibility to point of conversion, market conditions and all other relevant factors. Upon application from any person who plans to harvest damaged timber, the stumpage values for which have been materially reduced from the values shown in the applicable tables due to damage resulting from fire, blow down, ice storm, flood or other sudden unforeseen cause, the department shall revise such tables for any area in which such timber is located and shall specify any additional accounting or other requirements to be complied with in reporting and paying such tax. The preliminary area designations and stumpage value tables and any revisions thereof shall be subject to review by the ways and means committees of the house and senate prior to finalization. Tables of stumpage values shall be signed by the director or his designee and authenticated by the official seal of the department. A copy thereof shall be mailed to anyone who has submitted to the department a written request therefor.

(4) On or before the sixtieth day after the date of final adoption of any stumpage value tables, any harvester may appeal to the board of tax appeals for a revision of stumpage values for an area determined pursuant to subsection (3) of this section.

(5) There are hereby created in the state treasury a state timber tax account A and a state timber tax reserve account in the state general fund and any interest earned on the investment of cash balances shall be deposited in these accounts. The revenues from the tax imposed by subsection (1) of this section shall be deposited in state timber tax account A and state timber tax reserve account as follows:

YEAR OF COLLECTION	ACCOUNT A	RESERVE ACCOUNT
1973 through 1982	100%	0%
1983 and thereafter	0%	100%

(6) In addition to the rates specified in subsection (1) of this section, there shall be imposed upon such persons a surtax at a rate of .5% of the stumpage value of timber as specified in such subsection (1) upon timber harvested between October 1, 1972 and September 30, 1974 inclusive. The revenues from such surtax shall be deposited in the state timber tax reserve account. Such surtax shall be reimposed for one year upon timber harvested in any calendar year following any fourth quarter during which transfers from such reserve account pursuant to subsection (3) of RCW 84.33.080 reduce the balance in such account to less than five hundred thousand dollars, but in no event shall such surtax be imposed in any year after 1980.

(7) The tax imposed under this section shall be computed with respect to timber harvested each calendar quarter and shall be due and payable in quarterly installments and remittance therefor shall be made on or before the last day of the month next succeeding the end of the quarterly period in which the tax accrued. The taxpayer on or before such date shall make out a return, upon such forms and setting forth such information as the department of revenue may require, showing the amount of the tax for which he is liable for the preceding quarterly period, and shall sign and transmit the same to the department of revenue, together with a remittance for such amount.

(8) The taxes imposed by this section shall be in addition to any taxes imposed upon the same persons pursuant to one or more of sections RCW 82.04.230 to 82.04.290, inclusive, and RCW 82.04.440, and none of such sections shall be construed to modify or interact with this section in any way, except RCW 82.04.450 and 82.04.490 shall not apply to the taxes imposed by this section.

(9) Any harvester incurring less than ten dollars tax liability under this section in any calendar quarter shall be excused from the payment of such tax, but may be required by the department of revenue to file a return even though no tax may be due.

Sec. 2. Section 6, chapter 294, Laws of 1971 ex. sess. as last amended by section 2, chapter 347, Laws of 1977 ex. sess. and RCW 84.33.060 are each amended to read as follows:

In each year commencing with 1972 (~~and ending with 1981~~), solely for the purpose of determining, calculating and fixing, pursuant to chapter 84.52 RCW, the dollar rates for all regular and excess levies for the state and each timber county and taxing district lying wholly or partially in such county within which there was timber on January 1 of such year, the assessor of such timber county shall, for each such district, add to the amount of

the "assessed valuation of the property" of all property other than timber the product of:

(a) The portion indicated below for each year of the value of timber therein as shown on the timber roll prepared in accordance with RCW 84.33.050 for such year; and

(b) The assessment ratio applied generally by such assessor in computing the assessed value of other property in his county:

YEAR	PORTION OF TIMBER ROLL
1972 through 1977	100%
1978 and thereafter	80%
((1979	60%
1980	40%
1981	20%
1982 and thereafter	None))

Sec. 3. Section 8, chapter 294, Laws of 1971 ex. sess. as last amended by section 3, chapter 347, Laws of 1977 ex. sess. and RCW 84.33.080 are each amended to read as follows:

(1) On or before December 15 of each year commencing with 1972 ~~((and ending with 1981))~~, the assessor of each timber county shall deliver to the treasurer of such county and to the department of revenue a schedule setting forth for each taxing district or portion thereof lying within such county:

(a) The value of timber as shown on the timber roll for such year;

(b) The aggregate dollar rate calculated pursuant to RCW 84.33.060 and actually utilized the immediately preceding October in extending real property taxes upon the tax rolls for collection in the following year;

(c) A "timber factor" which is the product of such aggregate dollar rate, the assessment ratio applied generally by such assessor in computing the assessed value of other property in his county and the appropriate portion listed below of the timber roll for such year ((a) above):

YEAR	PORTION OF TIMBER ROLL
1972	25%
1973	55%
1974 through 1977	100%
1978 and thereafter	80%
((1979	60%
1980	40%
1981	20%))

On or before December 31 of each year commencing with 1972 ~~((and ending with 1981))~~, the department of revenue shall determine the proportion that each taxing district's timber factor bears to the sum of the timber

factors for all taxing districts in the state, and shall deliver a list to the assessor and the treasurer of each timber county and to the state treasurer showing the factor and proportion for each taxing district.

(2) On the twentieth day of the second month of each calendar quarter, commencing February 20, 1974 (~~and ending November 20, 1982~~), the state treasurer shall pay to the treasurer of each timber county for the account of each taxing district such district's proportion and pay into the state general fund for the support of the common schools the state's proportion (determined in December of the preceding year pursuant to subsection (1) of this section) of the amount in state timber tax account A collected upon timber harvested in the preceding calendar quarter, but in no event shall any such quarterly payment to a taxing district, when added to such payments made to such district the previous quarters of the same year, exceed, respectively one-fourth, one-half, three-fourths, or the full amount of the timber factor for such district determined in December of the preceding year.

The balance in state timber tax account A, if any, on the twentieth day of the second month of each calendar quarter commencing February 20, 1975 and ending November 20, 1982 shall be transferred to the state timber tax reserve account.

(3) If the balance in state timber tax account A immediately prior to such twentieth day of the second month of each calendar quarter is not sufficient to permit a payment of one-fourth, one-half, three-fourths, or the full amount, as the case may be, which, when added to the payments made to any taxing district the previous quarters of the same year, will equal the timber factor for such district determined in December of the preceding year, the necessary additional amount shall be transferred from the state timber tax reserve account to state timber tax account A.

(4) If, after the transfer, if any, from the state timber tax account A (pursuant to subsection (2) of this section) in August of any year commencing with 1974, the balance in the state timber reserve account exceeds two million dollars, the amount of the excess shall be applied first, subject to legislative appropriation of funds allocated from the state timber reserve account, for activities undertaken by the department of revenue forest tax division and for the activities undertaken by the department of natural resources relating to classification of lands as required by this chapter. If following the transfer, if any, from the state timber tax account A (pursuant to subsection (2) of this section) in November of 1977 and each year thereafter, the balance in the state timber tax reserve account exceeds two million dollars, the department of revenue shall determine on or before December 31 of such year, an amount to be distributed to the taxing districts the following calendar year, which distribution shall be determined in the following manner: **PROVIDED**, That the amount of such excess reserve account distribution shall be limited to that amount which, when added to

the total account A distribution for the same calendar year, will allow a percentage increase or decrease in total calendar year distributions equal to the percentage increase or decrease in excise tax collections between the preceding calendar year and the current calendar year:

(a) The department of revenue shall calculate a harvest factor and a harvest factor proportion for each taxing district, in the manner provided in subsection (5) of this section except that for years before 1978 there shall be used the aggregate value of timber harvested for as many quarters for which information is available;

(b) By multiplying the amount of such excess by the harvest factor proportion for each taxing district respectively, the department of revenue shall calculate the amount to be distributed to each local taxing district and to the state and shall certify such amounts to the respective county assessors and state;

(c) Along with each quarterly payment pursuant to subsection (2) of this section, the state treasurer shall pay, out of the state timber reserve account, to the treasurer of each timber county for the account of each local taxing district one-fourth of such district's portion (determined pursuant to (b) above) of such excess and the state treasurer shall pay into the state's general fund for the support of the common schools out of the state timber tax reserve account such additional one-fourth amount due the state.

(5) On or before December 31 of each year commencing with 1978, the department of revenue shall deliver to the treasurer of each timber county a schedule setting forth for each taxing district or portion thereof lying within such county:

(a) The average of the aggregate value of all timber harvested within such district in each of the immediately preceding five years as determined from the excise tax returns filed with the department of revenue;

(b) The aggregate dollar rate calculated pursuant to RCW 84.33.060 and chapter 84.52 RCW and actually utilized the immediately preceding October in extending real property taxes upon the tax rolls for collection the following year;

(c) A "harvest factor" which is the product of such five year average and such aggregate dollar rate;

(d) The proportion that each taxing district's harvest factor bears to the sum of the harvest factors for all taxing districts in the state.

Sec. 4. Section 9, chapter 187, Laws of 1974 ex. sess. and RCW 84.33-.200 are each amended to read as follows:

(1) The legislature shall review the system of distribution and allocation of all timber excise tax revenues in January, 1975 and each year thereafter to provide a uniform and equitable distribution and allocation of such revenues to the state and local taxing districts.

(2) In order to allow legislative review of the rules and regulations to be adopted by the department of revenue establishing the stumpage value index provided for in RCW 82.04.291(3), such rules and regulations shall be effective not less than sixty days after transmitting to the staffs of the senate and house ways and means committees (or their successor committees) the same proposed rules and regulations as shall have been previously filed with the office of the code reviser pursuant to RCW 34.04.025(1)(a).

~~((3) The ways and means committees of the house and senate, with the advice of the department of revenue, the department of natural resources, office of the superintendent of public instruction, county government, and affected landowners, shall review the yield tax rate and rate structure prior to December 31, 1978, and shall recommend modification of the rate and rate structure as necessary so that timber bears an equitable and proportionate tax share in conformance with the provisions of this chapter-))~~

(3) In the event that a permanent timber tax rate is not set in 1979, a joint timber tax advisory committee shall be established. The joint advisory committee shall be composed of members of the house of representatives and the senate and co-chaired by a member of the house revenue committee and a member of the senate ways and means committee. The joint advisory committee shall recommend a rate level and distribution system on or before the convening of the forty-seventh legislature.

(4) The department of revenue and the department of natural resources shall make available to the revenue committees of the senate and house of representatives of the state legislature information and data, as it may be available, pertaining to the status of forest land grading throughout the state, the collection of timber excise tax revenues, the distribution and allocation of timber excise tax revenues to the state and local taxing districts, and any other information as may be necessary for the proper legislative review and implementation of the timber excise tax system, and in addition, the departments shall provide an annual report of such matters in January of each year to such committees.

NEW SECTION. Sec. 5. Section 9, chapter 123, Laws of 1975-'76 2nd ex. sess. (uncodified) is repealed.

NEW SECTION. Sec. 6. The tax rate provided in RCW 82.04.291 applies retrospectively to January 1, 1979.

NEW SECTION. Sec. 7. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the Senate February 28, 1979.

Passed the House February 27, 1979.

Approved by the Governor March 1, 1979.

Filed in Office of Secretary of State March 1, 1979.