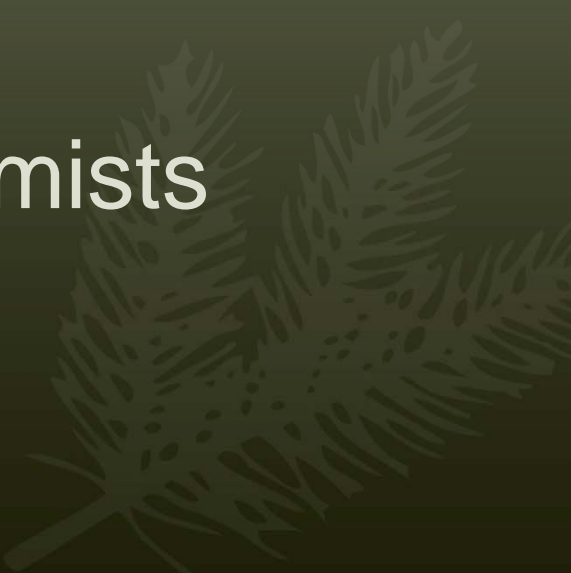


# Timber and Timberland Taxes in Washington State

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Western Forest Economists

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# Originally, annual ad valorem applied to both land and timber

- Carrying costs increased as timber grew
- Wildly different values from county to county



# 1931 Reforestation Act

- Large amounts of cutover bare land
- 1930 Constitutional amendment allowed option
  - Annual ad valorem on bare land only
  - Severance tax on timber 12.5%
- Only about 500,000 acres ever signed up



# 1971 Law Changes How Timber and Timberland are Taxed

- Severance (excise) tax *in lieu* of annual ad valorem on *in situ* (stumpage) value
- Bare land still subject to annual ad valorem, but taxed only on value attributable to the growing and harvesting of timber.
- Bare land property tax rate same as all other property in taxing district

# Timber Tax Wars

- 1971 law did not settle
  - Timber excise tax rate or stumpage valuation methodology
  - Bare land valuation methodology
- Period leading up to 1971 through 1996 when the last of these issues was settled was known as the Timber Tax Wars
- Many lawsuits and legislative fights

# Bare Land Values

- Valuation problems that existed prior to 1971 law still existed
- Legislature finally stepped in and adopted a schedule of land values
  - Centrally assessed
  - Based on site index (soil productivity) and logging chance
  - Changes with 50% of the change in the five year rolling average of stumpage values

# 2009 Western Washington Bare Land Values

**WAC 458-40-540 FOREST LAND VALUES.** The forest land values per acre, for each grade of forest land for the 2009 assessment year.

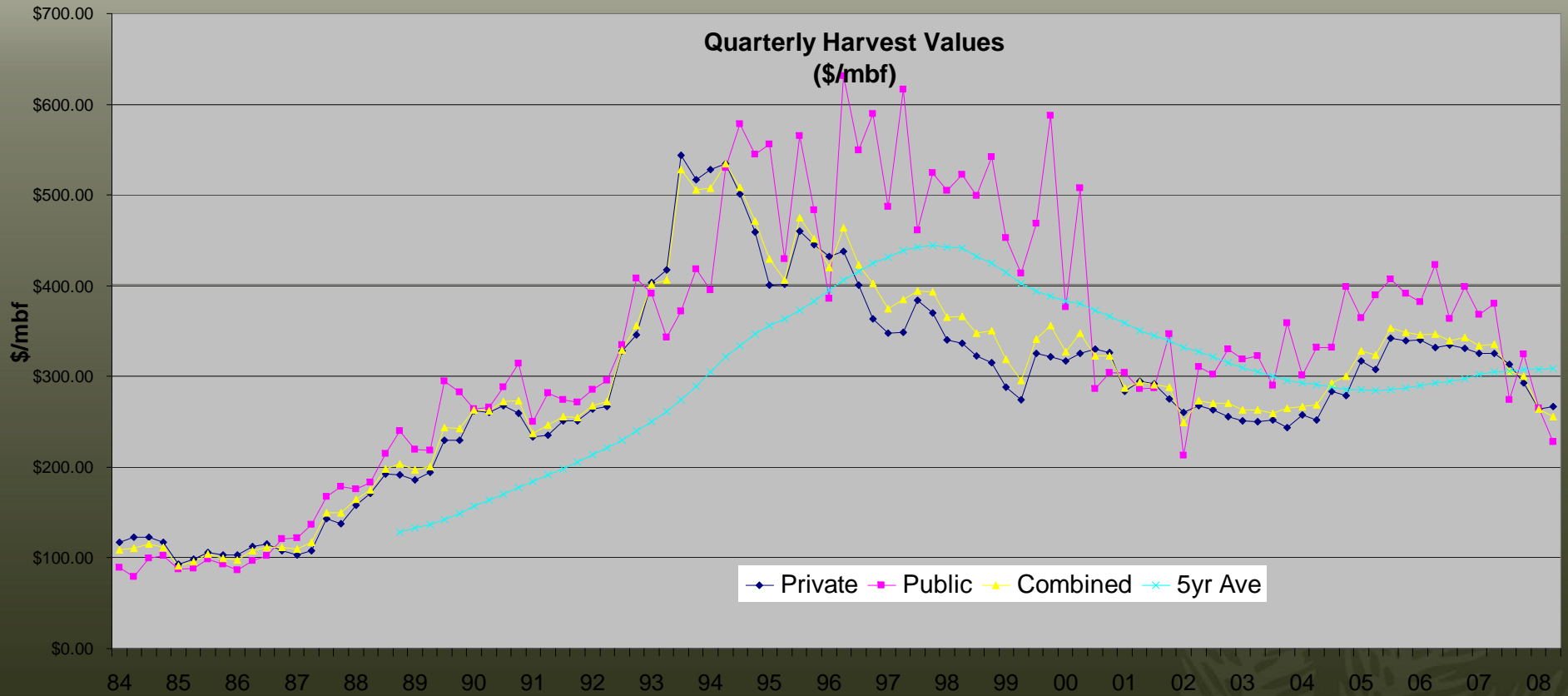
LAND GRADE	OPERABILITY CLASS	VALUE PER ACRE
1	1	\$209
	2	\$207
	3	\$194
	4	\$140
2	1	175
	2	170
	3	163
	4	117
3	1	137
	2	133
	3	132
	4	101
4	1	105
	2	102
	3	101
	4	77

# 2009 Eastern Washington Bare Land Values


5	1	76
	2	69
	3	68
	4	47
6	1	39
	2	36
	3	36
	4	34
7	1	17
	2	17
	3	16
	4	16
8	1	1




# Five Year Rolling Average



# Compensating Tax

- If land use changes, then tax parcel must come out of current use program and pay compensating tax
  - Compensating tax is equal to the difference between HBU tax and CU tax multiplied by nine years
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# Timber Excise Tax Rate

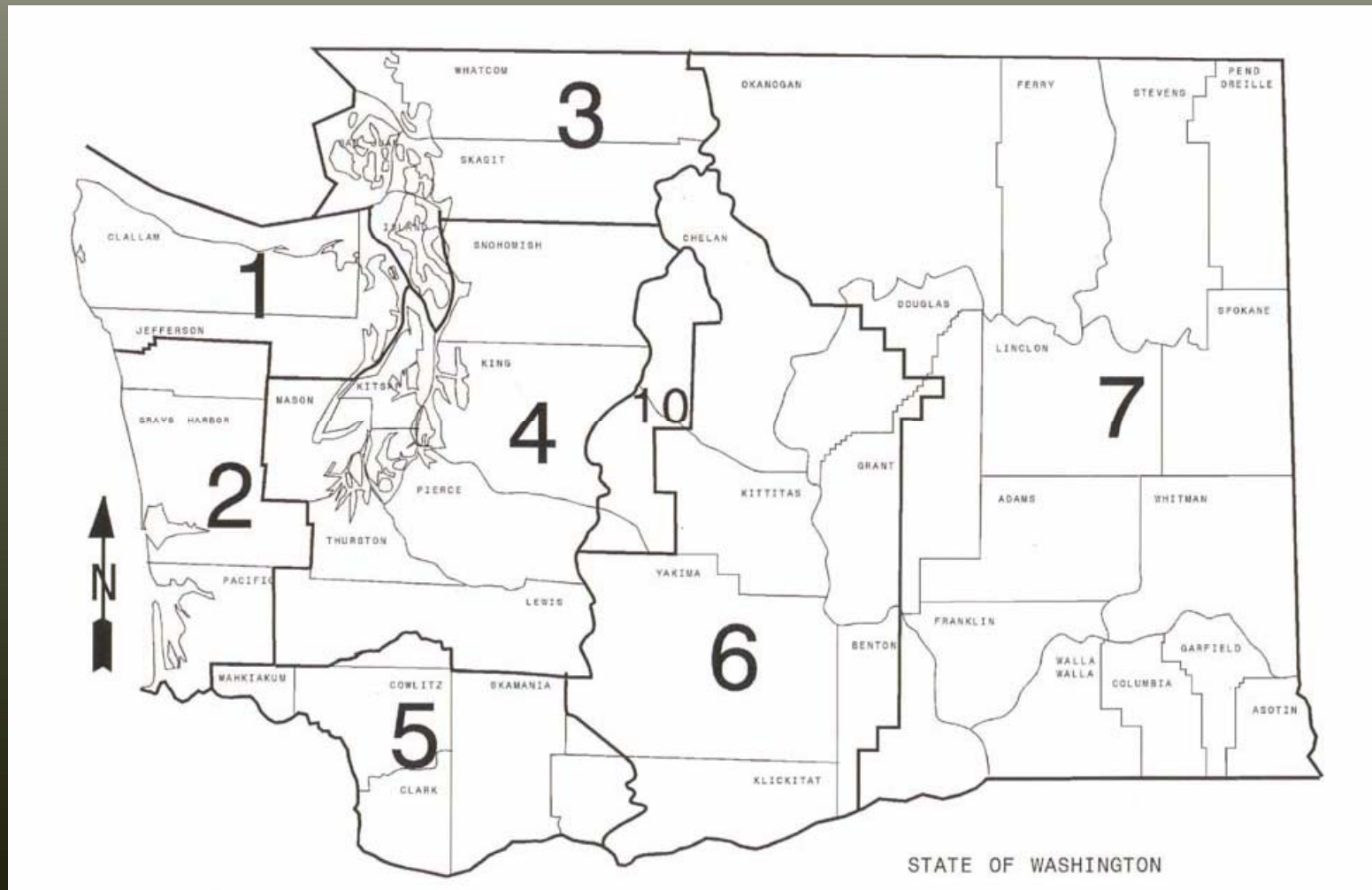
- Initial rate was 6.5%
  - Continuously re-adopted by legislature until 1984, when it began to phase down
  - 5% rate since 1988
  - Old Reforestation Act repealed
- 

# Stumpage Valuation for Large Harvesters

- 1971 Law requires DOR to publish twice annual stumpage value tables
- Allowances for Stumpage Value Areas, species, quality, haul distance, logging chance, etc.



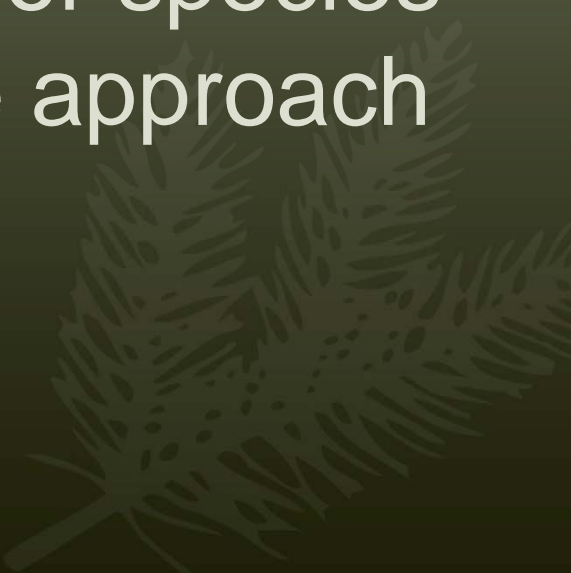
# Stumpage Value Areas



# Stumpage Value Table

STUMPAGE VALUE TABLE							
STUMPAGE VALUE AREA 1							
January 1 through June 30, 2009							
Stumpage Values per Thousand Board Feet Net Scribner Log Scale(1)							
Species Name	Species Code	Timber Quality Code Number	Hauling Distance Zone Number				
			1	2	3	4	5
Douglas-fir	DF	1	\$288	\$281	\$274	\$267	\$260
		2	288	281	274	267	260
		3	288	281	274	267	260
		4	238	231	224	217	210
Western Redcedar(2)	RC	1	651	644	637	630	623
Western Hemlock and Other Conifer(3)	WH	1	230	223	216	209	202
		2	230	223	216	209	202
		3	230	223	216	209	202
		4	230	223	216	209	202
Red Alder	RA	1	533	526	519	512	505
		2	473	466	459	452	445
Black Cottonwood	BC	1	38	31	24	17	10
Other Hardwood	OH	1	160	153	146	139	132
Douglas-fir Poles & Piles	DFL	1	692	685	678	671	664
Western Redcedar Poles	RCL	1	1380	1373	1366	1359	1352
Chipwood (4)	CHW	1	10	9	8	7	6

# Stumpage Valuation


- Westside Douglas fir and Western Hemlock and associated white woods valued using a transaction evidence regression equation
  - Eastside and Westside minor species valued using residual value approach starting with delivered logs
- 

# Stumpage Valuation for Small Harvesters

- Small Harvesters – Harvest less than two million bdft per year
- Three options for figuring value of stumpage for excise tax purposes
  - Large Harvester tables
  - Documented income minus allowed, documented costs
  - Income minus 35% for log and haul



# Bare Land Tax Distribution

- Annual ad valorem bare land property tax is distributed like all other taxes in a taxing district
  - State receives about one quarter of property tax
  - About \$9 million per year total
- 
- A decorative graphic of a dark evergreen branch with needles, positioned in the bottom right corner of the slide.

# Timber Excise Tax Distribution

- Four of five percentage points goes to local governments, schools, etc
- Distributed similarly to the annual ad valorem property tax
- One percentage point goes to state
- About \$28 million per year at current depressed stumpage values and harvest volume

# Public Timber Excise Tax

- All public timber is subject to a five percent excise tax applied to auction value of timber
- State used to receive all of this, but the revenues are now transitioning to local governments, schools, etc.
- When transition is complete state will receive one percent
- About \$9 million per year total

# Salmon Credit

- 1999 Forest and Fish Law allows for an eight/tenths of a percentage point credit against the state portion of the timber excise tax when a harvest unit has been impacted by the F&F restrictions
- Today, about 95% of all private timber value harvested enjoys the credit