

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5701 SB	<b>Title:</b> Definition of designated forestland
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	0	0	0	0	0	0	0	0	0

Agency Name	2023-25		2025-27		2027-29		
	GF- State	Total	GF- State	Total	GF- State	Total	
Local Gov. Courts							
Loc School dist-SPI							
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.						
Local Gov. Total							

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.0	3,700	3,700	3,700	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	0.0	3,700	3,700	3,700	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

# Estimated Capital Budget Breakout

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 2/25/2023
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5701 SB	<b>Title:</b> Definition of designated forestland	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

No Fiscal Impact

**Estimated Cash Receipts to:**

Non-zero but indeterminate cost and/or savings. Please see discussion.

**Estimated Expenditures from:**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.0		
<b>Account</b>					
GF-STATE-State 001-1	3,700		3,700		
<b>Total \$</b>	3,700		3,700		

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jeff Olsen	Phone: 60-786-7428	Date: 02/03/2023
Agency Preparation: Kari Kenall	Phone: 60-534-1508	Date: 02/24/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/24/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/25/2023

Request # 5701-1-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

#### CURRENT LAW:

With few exceptions, real and personal property is valued for property taxation purposes based on its highest and best use. One of the exceptions to valuing and taxing property at its highest and best use is land designated as forest land primarily used to grow and harvest timber.

The Department of Revenue (department) annually adjusts and certifies forest land values to be used by county assessors when valuing these lands. The values per acre are currently between \$1 and \$224 depending on land grade and operability.

A landowner must apply to have their land designated as forest land. In addition to growing and harvesting timber as the primary land use, requirements for designated forest land include:

- Consisting of a minimum of five acres not including residential homesites.
- Incidental use compatible with the primary activity on no more than 10% of the land.
- Complying with forest practice laws.

The timber on designated forestland is exempt from property taxes but is subject to a 5% timber excise tax when the timber is harvested.

#### PROPOSAL:

This bill adds property primarily used to preserve forest health or provide wildfire resiliency to the types of property that qualify as designated forestland. Such land would no longer be required to be used primarily to grow and commercially harvest, but must still meet the additional requirements:

- Consisting of a minimum of five acres not including residential homesites.
- Incidental use compatible with the primary activity on no more than 10% of the land.
- Complying with forest practice laws.

#### EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

#### ASSUMPTIONS:

- Approximately half of the acres potentially eligible for forestland designation are already in the program.
- Parcels qualifying as designated forestland with the primary activity of preserving forest health or providing wildfire resiliency will not have harvestable timber, therefore will not have a timber excise tax component.

#### DATA SOURCES

- U.S. Department of Agriculture, Forest Service
- Washington State Department of Natural Resources
- Department of Revenue, Property Tax Division data

#### REVENUE ESTIMATES

The state and local revenue impacts of this bill are indeterminate.

There are approximately 22.5 million acres of forestland in Washington. Approximately 10 million acres are national or state forested lands and exempt from property taxes. Of the remaining 12.5 acres, approximately half are currently in the designated forestland program. The number of additional property owners that may have qualifying acres due to this proposal and will participate in the designated forestland program is unknown.

In addition, the amount of state and local property tax revenue shifted would be dependent on the difference between the property valued at highest and best use compared to at forestland designation. The variance is too great to make a reliable estimate. For example, qualifying acreage in an urban county may have a highest and best use value of \$300,000 per acre or more, but a forestland designated value of a minimum \$1 per acre and a maximum of \$224 per acre. By contrast, qualifying acreage in a rural county may have a highest and best use value of \$500 per acre, but a forestland designated value of a minimum value of \$1 per acre and a maximum of \$224 per acre.

**II. C - Expenditures**

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

**FIRST YEAR COSTS:**

The department will incur total costs of \$3,700 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.07 FTEs.
- Amend one administrative rule.

**SECOND YEAR COSTS:**

The department will not incur costs in fiscal year 2025.

**ONGOING COSTS:**

There are no ongoing costs.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.0		
A-Salaries and Wages	2,400		2,400		
B-Employee Benefits	800		800		
E-Goods and Other Services	300		300		
J-Capital Outlays	200		200		
<b>Total \$</b>	<b>\$3,700</b>		<b>\$3,700</b>		

**III. B - Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
<b>Total FTEs</b>		<b>0.1</b>		<b>0.1</b>		

**III. C - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the department will use the expedited process to amend WAC 458-30-700 Rule, titled: "Designating forest land-Removal-Change in status-Compensating tax." Persons affected by this rulemaking would include eligible forest land owners.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 5701 SB

**Title:** Definition of designated forestland

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities:
- Counties: Indeterminate expenditure impact to county assessors
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

### Estimated expenditure impacts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

## Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/16/2023
Leg. Committee Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/03/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/16/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/17/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

This bill will expand the definition of designated forestland.

Section 1 amends RCW 84.33.035 [Timber and Forestland - Definitions] to alter the definition of “contiguous,” “forestland,” and “incidental use.”

Section 2 amends RCW 84.33.130 [Forestland valuation—Application by owner that land be designated and valued as forestland—Hearing—Rules—Approval, denial of application—Appeal] to integrate “preserving forest health,” or “providing wildfire resiliency” uses into the application for designation of forestland.

Section 3 amends RCW 84.33.140 [Forestland valuation—Notation of forestland designation upon assessment and tax rolls—Notice of continuance—Removal of designation—Compensating tax] to integrate “preserving forest health,” or “providing wildfire resiliency” uses into county assessor determinations.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill will indeterminately increase the expenditure impacts of county assessors.

Current law relies on a definition of forestland that applies to commercial forestland only. It is unknown how the change of the definition of forestland will impact assessed lands because the definitions of “preserving forest health,” or “providing wildfire resiliency” are not provided. Due to this fact it is undeterminable how this legislation will impact the work of county assessors.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This bill will decrease local government revenues indeterminately.

Reassessment of designated forestlands creates a loss of property tax revenue for local governments. Expanding the definition of designated forestland will likely increase the use of this property tax assessment program and decrease the amount of property tax revenues received by local governments. It is unknown how much this bill will increase the use of this reassessment program due to the lack of definitions for the terms: “preserving forest health,” or “providing wildfire resiliency.” Therefore, the scale of the decreased revenue impacts are indeterminate.

#### **SOURCES**

Dept. of Revenue website  
Grays Harbor County