

Multiple Agency Fiscal Note Summary

Bill Number: 1818 S HB	Title: Forestland/compensating tax
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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.								
Total \$	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	7,600	7,600	7,600	.0	0	0	0	.0	0	0	0
Total \$	0.0	7,600	7,600	7,600	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
Total \$	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

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 2/15/2024
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Department of Revenue Fiscal Note

Bill Number: 1818 S HB	Title: Forestland/compensating tax	Agency: 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		
Account					
GF-STATE-State 001-1		7,600	7,600		
Total \$		7,600	7,600		

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: 02/11/2024
Agency Preparation: Kari Kenall	Phone: 60-534-1508	Date: 02/13/2024
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/13/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/14/2024

Request # 1818-1-1

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.

Note: This fiscal note reflects language in SHB 1818, 2024 Legislative Session.

COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL BILL:

The substitute bill requires the governmental entity to provide an updated land management plan to the county assessor and also allows the county to collect a fee for filing land management plans.

CURRENT LAW:

COMPENSATING TAX:

When the assessor removes land once classified as forestland under the designated forestland (DFL) program or the land sells or transfers, and the removal, sale, or transfer doesn't fit one of the exceptions in law, a "compensating tax" is due. The amount of compensating tax is:

- The difference between the last DFL value and the new assessed value of the land.
- The calculated difference is multiplied by the last levy rate extended against the land and by the number of years the land was in the DFL program, not to exceed nine.
- Plus compensating taxes on the land at forestland values up to the date of removal.
- Plus the prorated taxes on the land at true and fair value from the date of removal to the end of the current tax year.
- Plus interest at a rate established by law.

ADDITIONAL TAX:

When the assessor removes land once classified as timberland under the open space taxation program or the land sells or transfers and the removal, sale, or transfer doesn't fit one of the exceptions in law, an "additional tax" is due. The amount of additional tax is:

- The difference between the property tax paid when the land was in the open space taxation program and the amount of property tax due and payable for the seven years prior had the land not been in the program.
- Plus interest and penalty at rates established by law.

Compensating tax and additional tax become a lien on the property if not paid within 30 days after notification of it being due.

PROPOSAL:

This bill creates an exception to the compensating tax for DFL and additional tax for timberland when the sale or transfer made is to a governmental entity and the governmental entity continues to manage the land consistent with forestland in the DFL program or timberland under the open space taxation program. The governmental entity must provide the county assessor with a timber management plan or a notice of intent to manage the land as DFL or as timberland under the open space program as required by law and provide an updated plan to the county assessor at least once every revaluation cycle. The county may collect a fee from the governmental entity for the filing of the forestland or timberland management plan according to the county's fee schedule.

EFFECTIVE DATE:

The bill takes effect 90 days after the 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

- Governmental entities means organizations automatically exempt from ad valorem taxation.
- Governmental entities cannot be in the DFL or open space taxation programs because they are exempt from property taxes.

DATA SOURCES

Department of Revenue, Property Tax Statistics, 2023

REVENUE ESTIMATES

This legislation results in a loss to state and local revenues; however, the loss is indeterminate.

When the county treasurer collects compensating tax or additional tax, they distribute what they collect to taxing districts in the same manner they distribute current taxes applicable to the subject land. The treasurer distributes collected interest to the county's current expense fund. Although this legislation decreases the amount that will be distributed to taxing districts in the form of compensating and additional tax revenues, it does not result in a loss of state or local property tax levies.

There are currently 15.5 million acres of Washington land in the DFL and current use taxation programs. These acres have a combined DFL and current use value of approximately \$8.5 billion. The number of governmental entities acquiring ownership of these acres with the intent to continue managing the land as required by DFL or open space law is immeasurable.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): indeterminate

Local Government, if applicable (cash basis, \$000): indeterminate

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 of Revenue (department) will not incur any costs in fiscal year 2025.

SECOND YEAR COSTS:

The department will incur total costs of \$7,600 in fiscal year 2025. These costs include:

- Labor Costs – Time and effort equate to 0.08 FTE.
- Amend two administrative rules.

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		5,000	5,000		
B-Employee Benefits		1,600	1,600		
E-Goods and Other Services		600	600		
J-Capital Outlays		400	400		
Total \$		\$7,600	\$7,600		

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	131,684		0.0	0.0		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120		0.0	0.0		
TAX POLICY SP 3	88,416		0.0	0.0		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			0.1	0.1		

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 458-30-300, titled: "Additional tax - Withdrawal or removal from classification", and WAC 458-30-700, titled: "Designated forest land - Removal - Change in status - Compensating tax". Persons affected by this rulemaking would include owners of classified or designated lands that will be transferring the land to a government entity for certain users.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1818 S HB

Title: Forestland/compensating tax

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

Legislation Impacts:

- Cities: indeterminate expenditure decrease
- Counties: indeterminate expenditure decrease, indeterminate revenue decrease
- 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: how many local governments are purchasing Designated Forestland with the intent of maintaining the DFL status, purchase price of the DFL, amount of DFL to be potentially sold to local governments

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: 02/15/2024
Leg. Committee Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/11/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/15/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/15/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill creates an exception to the compensating tax for DFL and additional tax for timberland when the sale or transfer made is to a governmental entity and the governmental entity continues to manage the land consistent with forestland in the DFL program or timberland under the open space taxation program. The governmental entity must provide the county assessor with a timber management plan or a notice of intent to manage the land as DFL or as timberland under the open space program as required by law and provide an updated plan to the county assessor at least once every revaluation cycle. The county may collect a fee from the governmental entity for the filing of the forestland or timberland management plan according to the county's fee schedule.

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

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 decrease the expenses of local governments purchasing forestland (previously managed in the DFL or open space taxation program), indeterminately.

The compensation tax is an expense due at the time of sale on 10 years of back taxes and is paid by the seller of forestland (previously managed in the DFL or open space taxation program) if the land will no longer be managed in these programs. This bill allows a governmental entity purchasing such property to continue to manage the property in the DFL or open space taxation program which will remove the burden of paying compensation tax on the sale of the property from the seller. This essentially removes a disincentive of private forestland sellers from selling to governmental entities. According to local governments in Grays Harbor County, current law requires governmental entities purchasing forestland to pay more in order to offset the obligation of the seller to pay compensation tax due to the discontinuation of the property in the program.

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 county revenue indeterminately due to an indeterminate decrease of compensation tax and additional tax amounts.

According to the Dept. of Revenue, "when the county treasurer collects compensating tax or additional tax, they distribute what they collect to taxing districts in the same manner they distribute current taxes applicable to the subject land. The treasurer distributes collected interest to the county's current expense fund. Although this legislation decreases the amount that will be distributed to taxing districts in the form of compensating and additional tax, it does not result in a loss of state or local property tax levies."

According to county assessors, revenue from compensation tax and additional tax are not budgeted for, are sporadic, and the decrease due to this legislation is expected to be minor.

SOURCES

Dept. of Revenue Fiscal Note

Grays Harbor County Assessors Office