



*Serving the
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Washington*

Forest Tax Report

1998



State of Washington

Department of Revenue
Frederick C. Kiga, Director



STATE OF WASHINGTON

DEPARTMENT OF REVENUE

Special Programs Division • Forest Tax Section

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June 18, 1999

To: The Honorable Valoria Loveland, Chair Senate Ways and Means
Committee

The Honorable Brian Thomas, Co-Chair, House Finance Committee
The Honorable Hans Dunshee, Co-Chair, House Finance Committee

The Honorable Maryann Mitchell, Co Chair, House Capitol Budget
Committee
The Honorable Murray Edward, Co Chair, House Capitol Budget
Committee

From: Fred C. Kiga
Director

Subject: 1998 FOREST TAX REPORT

Our annual report covering the forest tax law as required by RCW 84.33.200 is enclosed. This report summarizes the forest tax law and statistics for calendar year 1998.

Copies of this report will be distributed to each member of your committee and to Governor Locke and his staff. Additional copies may be obtained through our Special Programs Division, Forest Tax Section (360) 753-7086 or 1-800-548-8829. Questions regarding the content of this report should be referred to the Forest Tax Section.

cc: Governor Locke
Enclosure (1)

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Compilation of Annual Forest Tax Reports

The forest excise tax data for calendar year 1998 encompasses timber excise tax revenues from private and public timber. The Reclassified timber tax rate was phased down to the same rate as timber harvested from private land at the end of 1993. The last year for Reclassified timber tax collection was 1997.

Washington's Forest Tax Law is a two part complementary tax system composed of the current use property tax on the forest land and an excise or yield tax on timber harvested.

The 1971 Forest Tax Law required county assessors to identify and classify all lands that were primarily devoted to the growing and harvesting of timber. The assessors classified parcels of 20 acres or more with the highest and best use for growing timber as forest land. All classified forest land is assessed according to the value of land for growing and harvesting timber. The assessed value represents only the value of the bare land and excludes all timber values and other improvements. Table one, Washington State Forest Land Values, provides values per acre based upon land grade and operability class for five years. In 1994, the forest land assessed values ranged from a high of \$183 per acre for the most productive land to \$15 for the least productive land. For 1998 the highest value is \$245 whereas the lowest value is \$21.

Owners of forest land that had been previously classified for other uses by the county assessor may apply to have their lands designated as forest land. To qualify for designation, the applicant must own at least 20 acres and the land must be used primarily for growing and harvesting timber. Once land is classified or designated as forest land, it is assessed every year as forest land until the assessor removes the classification or the landowner requests removal. Under the 1971 law, 6.19 million acres (1998) of private timberlands are classified or designated. Table two provides tabulated data by county for the estimated property tax due in 1998.

The Washington State Department of Revenue administers Forest excise tax. The 1971 Forest Tax Law exempted the annual *ad valorem* property taxation of timber and replaced it with a yield tax at the time of harvest. The exemption applies to all timber even if it is growing on land that is not classified or designated as forest land. However, in lieu of the annual *ad valorem* property tax, timber owners must pay a five percent excise tax (yield tax) on the value of their timber when it is harvested. In 1982, the Legislature extended the tax from private land to the purchasers of timber cut from public land (state, federal, county, municipalities, etc.).

For calendar year 1998, the total timber harvested in the State of Washington (Private, and Public) was 3.57 billion board feet carrying a value of \$1.35 billion. The total tax distribution to the counties during 1998 was \$70.26 million. Table three provides a list of revenue distributions by county.

Forest Tax Program Administration:

The mandate of the Forest Tax Program is to administer the state law in a manner that is consistent with the legislative intent to encourage the growing and harvesting of timber on forest lands throughout the state. To this end, the Department of Revenue has three main objectives in administering the forest tax laws: (1) ensuring an open dialog has been established and remains open with industry in order to keep tax reporting as current and efficient as possible, (2) to provide the best possible service to taxpayers in helping them understand and report their taxes, and (3) to minimize administrative costs through efficient and fair tax administration.

The Department of Revenue has the responsibility to the counties to administer the timber tax law. Remembering that the timber tax is in lieu of the property tax, it is important that all the taxes legally due are collected so that forest landowners carry their fair share of the overall property tax burden in each county. Table four shows the collections and distributions for the past seven years and also identifies the administrative costs incurred by the Department of Revenue for the same periods.

TABLE 1

WASHINGTON STATE FOREST LAND VALUES

DEPARTMENT OF NATURAL RESOURCES LAND GRADING SYSTEM*

LAND GRADE	OPERABILITY CLASS		VALUES PER ACRE				
			1994	1995	1996	1997	1998
1	1	Favorable	\$183	\$201	\$220	\$232	\$245
	2	Average	\$178	\$196	\$215	\$226	\$238
	3	Difficult	\$169	\$186	\$204	\$215	\$227
	4	Inoperable	\$123	\$135	\$148	\$156	\$164
2	1	Favorable	\$154	\$170	\$186	\$196	\$207
	2	Average	\$148	\$163	\$179	\$188	\$198
	3	Difficult	\$142	\$156	\$171	\$180	\$190
	4	Inoperable	\$103	\$113	\$124	\$131	\$138
3	1	Favorable	\$120	\$132	\$145	\$153	\$161
	2	Average	\$117	\$129	\$141	\$148	\$156
	3	Difficult	\$115	\$127	\$139	\$146	\$154
	4	Inoperable	\$88	\$97	\$106	\$112	\$118
4	1	Favorable	\$91	\$100	\$110	\$116	\$122
	2	Average	\$89	\$98	\$107	\$113	\$119
	3	Difficult	\$88	\$97	\$106	\$112	\$118
	4	Inoperable	\$67	\$74	\$81	\$85	\$90
5	1	Favorable	\$66	\$73	\$80	\$84	\$89
	2	Average	\$62	\$68	\$74	\$78	\$82
	3	Difficult	\$61	\$67	\$73	\$77	\$81
	4	Inoperable	\$40	\$44	\$48	\$51	\$54
6	1	Favorable	\$34	\$37	\$41	\$43	\$45
	2	Average	\$31	\$34	\$37	\$39	\$41
	3	Difficult	\$31	\$34	\$37	\$39	\$41
	4	Inoperable	\$29	\$32	\$35	\$37	\$39
7	1	Favorable	\$16	\$18	\$20	\$21	\$22
	2	Average	\$16	\$18	\$20	\$21	\$22
	3	Difficult	\$15	\$17	\$19	\$20	\$21
	4	Inoperable	\$15	\$17	\$19	\$20	\$21
8			\$1	\$1	\$1	\$1	\$1

*The above forest land values were determined in accordance with RCW 84.33.120. Grades 1 through 5 are predominantly Western Washington lands; grades 6 and 7 are predominantly Eastern Washington lands. Grade 8 is marginal forest productivity (MFP) or noncommercial (NC).

TABLE 2
ESTIMATED PROPERTY TAX DUE IN 1998
ON CLASSIFIED AND DESIGNATED FOREST LAND

COUNTY	TOTAL ACREAGE	TOTAL ASSESSED VALUE 1997	ESTIMATED P. TAX \$/ 1000 AV(1) 1998	ESTIMATED PROPERTY TAX DUE(2) 1998
ADAMS	0	\$0	\$14.56	\$0
ASOTIN	20,477	\$275,856	\$14.47	\$3,992
BENTON	0	\$0	\$15.33	\$0
CHELAN	80,477	\$2,144,000	\$13.08	\$28,044
CLALLAM	305,396	\$36,987,693	\$12.14	\$449,031
CLARK	74,407	\$11,985,590	\$13.40	\$160,607
COLUMBIA	27,338	\$817,560	\$13.31	\$10,882
COWLITZ	485,750	\$75,380,704	\$11.76	\$886,477
DOUGLAS	351	\$27,600	\$13.53	\$373
FERRY	128,892	\$3,052,194	\$12.48	\$38,091
FRANKLIN	0	\$0	\$15.37	\$0
GARFIELD	1,479	\$46,345	\$16.90	\$783
GRANT	0	\$0	\$15.03	\$0
GRAYS HARBOR	645,273	\$113,893,466	\$12.71	\$1,447,586
ISLAND	13,703	\$1,925,600	\$9.86	\$18,986
JEFFERSON	174,703	\$21,251,735	\$11.88	\$252,471
KING	316,327	\$38,341,420	\$13.02	\$499,205
KITSAP	48,491	\$6,981,799	\$14.02	\$97,885
KITTITAS	0	\$0	\$10.51	\$0
KLICKITAT	278,412	\$15,940,223	\$11.37	\$181,240
LEWIS	688,385	\$103,993,350	\$12.17	\$1,265,599
LINCOLN	0	\$0	\$15.00	\$0
MASON	282,438	\$40,138,490	\$12.58	\$504,942
OKANOGAN	71,461	\$1,681,069	\$13.88	\$23,333
PACIFIC	431,177	\$69,210,840	\$12.29	\$850,601
PEND OREILLE	217,282	\$10,026,775	\$12.78	\$128,142
PEIRCE	272,077	\$29,791,347	\$15.85	\$472,193
SAN JUAN	18,289	\$1,640,760	\$8.10	\$13,290
SKAGIT	230,470	\$29,090,000	\$12.98	\$377,588
SKAMANIA	105,786	\$12,637,580	\$10.71	\$135,348
SNOHOMISH	144,702	\$18,370,200	\$13.82	\$253,876
SPOKANE	102,676	\$5,542,031	\$14.99	\$83,075
STEVENS	688,386	\$22,935,855	\$11.59	\$265,827
THURSTON	0	\$18,710,090	\$14.94	\$279,529
WAHKIAKUM	106,694	\$17,095,260	\$11.25	\$192,322
WALLA WALLA	4,182	\$114,241	\$14.55	\$1,662
WHATCOM	127,133	\$14,689,100	\$12.72	\$186,845
WHITMAN	0	\$0	\$14.39	\$0
YAKIMA	97,981	\$3,419,500	\$13.57	\$46,403
TOTAL	6,190,595	\$728,138,273		\$9,156,229

(1) Includes the equalized state school levy.

(2) 1998 property tax due is based on assessed values as of 1-1-97.

TABLE 3

**REVENUE DISTRIBUTIONS BY COUNTY
CALENDAR YEAR 1998**

County	4.0% County Timber Tax
Adams	\$0.00
Asotin	\$20,337.07
Benton	\$0.00
Chelan	\$112,060.09
Clallam	\$2,460,405.67
Clark	\$1,089,095.77
Columbia	\$88,273.58
Cowlitz	\$4,544,403.16
Douglas	\$2,823.58
Ferry	\$137,538.98
Franklin	\$0.00
Garfield	\$15,620.40
Grant	\$0.00
Grays Hbr.	\$6,267,199.15
Island	\$105,515.28
Jefferson	\$788,409.81
King	\$2,070,957.38
Kitsap	\$422,218.16
Kittitas	\$1,161,862.03
Klickitat	\$831,820.02
Lewis	\$5,338,275.91
Lincoln	\$71,924.25
Mason	\$2,920,157.79
Okanogan	\$184,817.85
Pacific	\$3,027,344.75
P. Oreille	\$824,499.25
Pierce	\$3,252,373.75
San Juan	\$26,994.55
Skagit	\$1,448,691.49
Skamania	\$258,713.93
Snohomish	\$954,323.57
Spokane	\$406,528.24
Stevens	\$1,155,284.67
Thurston	\$1,055,545.29
Wahkiakum	\$840,368.42
Walla Walla	\$43,256.96
Whatcom	\$1,052,356.71
Whitman	\$5,064.70
Yakima	\$329,717.59
COUNTY TOTAL	\$43,314,779.80
STATE TOTAL(2)	\$18,988,786.18
TOTAL REVENUE	\$62,303,565.98

(2) State distribution includes revenue from public as well as private timber distributed to the General Fund.

TABLE 4

**HISTORICAL COLLECTIONS & DISTRIBUTIONS
AND ADMINISTRATIVE COSTS**

CALENDAR YEAR 1992 THROUGH CALENDAR YEAR 1998
(\$ MILLIONS)

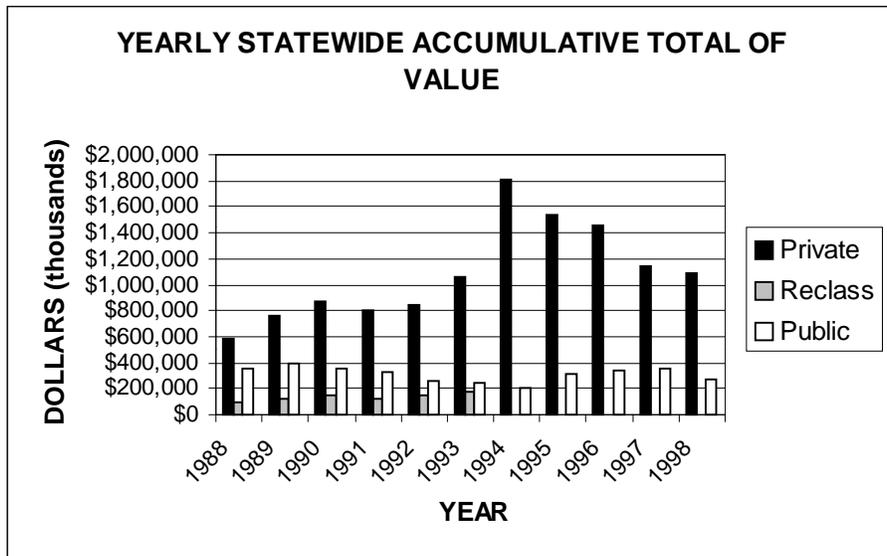
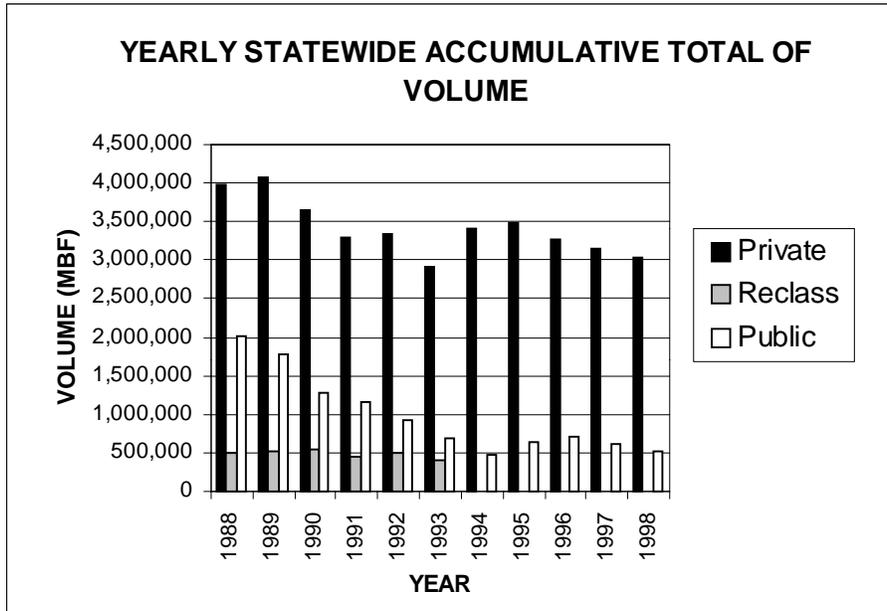
	1992	1993	1994	1995	1996	1997	1998
TOTAL COLLECTIONS							
Public Timber Taxes	\$13	\$14	\$10	\$15	\$17	\$17	\$14
Private Timber Taxes	\$41	\$49	\$84	\$84	\$71	\$63	\$56
Reclassified Timber Taxes	\$9	\$10	\$2	\$0	\$0	\$0	\$0
TOTAL	\$63	\$72	\$96	\$99	\$88	\$80	\$70
 TOTAL DISTRIBUTIONS							
County Revenue	\$39	\$46	\$69	\$66	\$56	\$48	\$43
State Revenue	\$21	\$23	\$23	\$27	\$27	\$25	\$19
TOTAL	\$60	\$70	\$92	\$93	\$83	\$73	\$62
<hr/>							
ADMIN. COST BY FISCAL YEAR	\$2.2	\$2.0	\$2.2	\$2.9	\$2.3	\$2.4	\$2.4
Dept. of Revenue							

NOTE: CALENDAR YEAR DISTRIBUTION REVENUES REFLECT TAXES DUE ON TIMBER HARVESTED FROM THE FOURTH QUARTER OF THE PRECEDING YEAR THROUGH THIRD QUARTER OF CURRENT YEAR.

TABLE 5

ANNUAL HARVEST VOLUME AND VALUE BY LAND TYPE

Year	PRIVATE		RECLASSIFIED		PUBLIC		Year
	Volume	Value	Volume	Value	Volume	Value	
1988	3,970,237	\$587,583,548	501,997	\$89,686,531	2,005,107	\$354,151,486	1988
1989	4,067,342	\$760,184,716	524,414	\$116,900,197	1,787,318	\$399,766,248	1989
1990	3,645,497	\$877,550,805	534,948	\$146,872,038	1,289,988	\$357,284,537	1990
1991	3,302,370	\$800,532,599	444,399	\$128,971,417	1,166,627	\$329,734,588	1991
1992	3,327,952	\$837,551,016	493,785	\$147,605,208	912,712	\$256,336,531	1992
1993	2,905,593	\$1,056,355,665	409,562	\$181,162,554	675,345	\$250,259,087	1993
1994	3,408,123	\$1,807,231,045	0	\$0	475,058	\$206,326,284	1994
1995	3,489,175	\$1,541,302,515	0	\$0	648,034	\$311,958,265	1995
1996	3,265,429	\$1,453,915,479	0	\$0	710,227	\$341,823,713	1996
1997	3,148,885	\$1,148,827,502	0	\$0	626,130	\$347,228,624	1997
1998	3,042,928	\$1,088,271,645	0	\$0	528,423	\$266,462,805	1998



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