PROPOSED RULE MAKING

CR-102 (June 2012)
(Implements RCW 34.05.320)
Do **NOT** use for expedited rule making

Agency: Department of Revenue

☒ **Preproposal Statement of Inquiry was filed as WSR 16-18-076; or**
☐ **Expedited Rule Making--Proposed notice was filed as WSR ; or**
☐ **Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1).**

☒ **Original Notice**
☐ **Supplemental Notice to WSR**
☐ **Continuance of WSR**

Title of rule and other identifying information: WAC 458-40-540 Forest land values and WAC 458-40-660 Timber excise tax – Stumpage value tables – Stumpage value adjustments.

Hearing location(s):
Conference Center Rm 114A
6400 Linderson Way SW
Tumwater, Washington

Copies of draft rules are available for viewing and printing on our website at dor.wa.gov

Call in option can be provided upon request no later than 3 days before the hearing date.

Date: **December 6, 2016** **Time:** **1:00 p.m.**

Date of intended adoption: December 9, 2016
(Note: This is **NOT** the **effective** date)

Submit written comments to:
Name: Danitza M. Casselman
Address: Department of Revenue
PO Box 47453
Olympia, Washington 98504-7453

E-mail: danitzac@dor.wa.gov
Fax: (360) 534-1606

By: December 9, 2016

Assistance for persons with disabilities: Contact Julie King (360) 704-5717 or Renee Cosare (360) 725-7514 no later than 10 days before the hearing date. For Hearing Impaired please contact us via the Washington Relay Operator at (800) 833-6384.

Purpose of the proposal and its anticipated effects, including any changes in existing rules: RCW 84.33.091 requires the Department to revise the stumpage value tables every six months. The Department establishes stumpage value tables to apprise timber harvesters of the timber values used to calculate the timber excise tax. The values in the proposed rule (WAC 458-40-660) will apply to the 1st half of 2016.

Further, RCW 84.33.140 requires that forest land values be adjusted annually by a statutory formula contained in RCW 84.33.140(3). The Department anticipates amending the Forest Land Values rule (WAC 458-40-540) to adjust the table of forest land values in Washington as required by statute. County assessors will use these published land values for property tax purposes in 2016.

Reasons supporting proposal: Required by statutes and values needed to calculate timber excise and property taxes.

Statutory authority for adoption: RCW 82.32.300, 82.01.060(2), and 84.33.096.

Statute being implemented: RCW 84.33.091

Is rule necessary because of a:

Federal Law?	☐ Yes	☒ No
Federal Court Decision?	☐ Yes	☒ No
State Court Decision?	☐ Yes	☒ No

If yes, CITATION:

DATE
November 2, 2016

NAME
Kevin Dixon

SIGNATURE

TITLE
Rules Coordinator

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: November 02, 2016
TIME: 8:06 AM

WSR 16-22-081

(COMPLETE REVERSE SIDE)

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: None.

Name of proponent: Department of Revenue

☐ Private
☐ Public
☒ Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting.....	Danitza M. Casselman	1025 Union Ave. SE. Ste #544, Olympia ,WA	(360) 534-1583
Implementation....	Stuart Thronson	1025 Union Ave. SE. Ste #500, Olympia ,WA	(360) 534-1300
Enforcement.....	Stuart Thronson	1025 Union Ave. SE. Ste #500, Olympia ,WA	(360) 534-1300

Has a small business economic impact statement been prepared under chapter 19.85 RCW or has a school district fiscal impact statement been prepared under section 1, chapter 210, Laws of 2012?

☐ Yes. Attach copy of small business economic impact statement or school district fiscal impact statement.

A copy of the statement may be obtained by contacting:
Name:
Address:

phone ()
fax ()
e-mail

☒ No. Explain why no statement was prepared.

A small business economic statement has not been prepared as the proposed rules do not impose more than a minor cost on small businesses. Only large businesses are statutorily required to utilize the values contained in the rules, while small businesses have other statutory authority for their tax reporting obligations.

Is a cost-benefit analysis required under RCW 34.05.328?

☒ Yes A preliminary cost-benefit analysis may be obtained by contacting:
Name: Danitza M. Casselman
Address: Interpretations & Technical Advice Division
PO Box 47453
Olympia, WA 98504-7453

phone (360) 534-1583
fax (360) 534-1606
e-mail danitzac@dor.wa.gov

☐ No: Please explain:
The proposed rule is a significant legislative rule as defined by RCW 34.05.328

Under no circumstances is this proposed rule to be used to determine tax liability and/or exemptions.

AMENDATORY SECTION (Amending WSR 16-01-069, filed 12/14/15, effective 1/1/16)

WAC 458-40-540 Forest land values—((~~2016~~)) 2017. The forest land values, per acre, for each grade of forest land for the ((~~2016~~)) 2017 assessment year are determined to be as follows:

LAND GRADE	OPERABILITY CLASS	((~~2016~~)) 2017 VALUES PER ACRE
1	1	$((~~203~~)) 209
	2	((~~201~~)) 207
	3	((~~188~~)) 193
	4	((~~137~~)) 141
2	1	((~~172~~)) 177
	2	((~~166~~)) 171
	3	((~~159~~)) 164
	4	((~~113~~)) 116
3	1	((~~133~~)) 137
	2	((~~129~~)) 133
	3	((~~128~~)) 132
	4	((~~99~~)) 102
4	1	((~~103~~)) 106
	2	((~~100~~)) 103
	3	((~~99~~)) 102
	4	((~~75~~)) 77
5	1	((~~75~~)) 77
	2	((~~66~~)) 68
	3	((~~65~~)) 67
	4	((~~46~~)) 47
6	1	((~~38~~)) 39
	2	((~~36~~)) 37
	3	((~~36~~)) 37
	4	((~~34~~)) 35
7	1	17
	2	17
	3	16
	4	16
8	1	1

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AMENDATORY SECTION (Amending WSR 16-14-035, filed 6/28/16, effective 7/1/16)

WAC 458-40-660 Timber excise tax—Stumpage value tables—Stumpage value adjustments. (1) **Introduction.** This rule provides stumpage value tables and stumpage value adjustments used to calculate the amount of a harvester's timber excise tax.

(2) **Stumpage value tables.** The following stumpage value tables are used to calculate the taxable value of stumpage harvested from ((~~July~~)) January 1 through ((~~December 31, 2016~~)) June 30, 2017:

Washington State Department of Revenue
STUMPAGE VALUE TABLE
((~~July~~)) January 1 through ((~~December 31, 2016~~)) June 30, 2017
Stumpage Values per Thousand Board Feet Net Scribner Log Scale(1)
Starting July 1, 2012, there are no separate Quality Codes per Species Code.

Species Name	Species Code	SVA (Stumpage Value Area)	Haul Zone 1	2	3	4	5
((~~Douglas-fir(2)~~	~~DF~~	~~1~~	~~$369~~	~~$362~~	~~$355~~	~~$348~~	~~$341~~
		~~2~~	~~388~~	~~381~~	~~374~~	~~367~~	~~360~~
		~~3~~	~~444~~	~~437~~	~~430~~	~~423~~	~~416~~
		~~4~~	~~474~~	~~467~~	~~460~~	~~453~~	~~446~~
		~~5~~	~~373~~	~~366~~	~~359~~	~~352~~	~~345~~
		~~6~~	~~299~~	~~292~~	~~285~~	~~278~~	~~271~~
~~Western Hemlock and Other Conifer(3)~~	~~WH~~	~~1~~	~~243~~	~~236~~	~~229~~	~~222~~	~~215~~
		~~2~~	~~262~~	~~255~~	~~248~~	~~241~~	~~234~~
		~~3~~	~~260~~	~~253~~	~~246~~	~~239~~	~~232~~
		~~4~~	~~248~~	~~241~~	~~234~~	~~227~~	~~220~~
		~~5~~	~~243~~	~~236~~	~~229~~	~~222~~	~~215~~
		~~6~~	~~243~~	~~236~~	~~229~~	~~222~~	~~215~~
~~Western Redcedar(4)~~	~~RC~~	~~1-5~~	~~1048~~	~~1041~~	~~1034~~	~~1027~~	~~1020~~
		~~6~~	~~887~~	~~880~~	~~873~~	~~866~~	~~859~~
~~Ponderosa Pine(5)~~	~~PP~~	~~1-6~~	~~215~~	~~208~~	~~201~~	~~194~~	~~187~~
~~Red Alder~~	~~RA~~	~~1-5~~	~~468~~	~~461~~	~~454~~	~~447~~	~~440~~
~~Black Cottonwood~~	~~BC~~	~~1-5~~	~~86~~	~~79~~	~~72~~	~~65~~	~~58~~
~~Other Hardwood~~	~~OH~~	~~1-5~~	~~301~~	~~294~~	~~287~~	~~280~~	~~273~~
		~~6~~	~~23~~	~~16~~	~~9~~	~~2~~	~~1~~
~~Douglas-fir Poles & Piles~~	~~DFL~~	~~1-5~~	~~787~~	~~780~~	~~773~~	~~766~~	~~759~~
~~Western Redcedar Poles~~	~~RCL~~	~~1-5~~	~~1576~~	~~1569~~	~~1562~~	~~1555~~	~~1548~~
		~~6~~	~~1104~~	~~1097~~	~~1090~~	~~1083~~	~~1076~~
~~Chipwood(6)~~	~~CHW~~	~~1-5~~	~~13~~	~~12~~	~~11~~	~~10~~	~~9~~
		~~6~~	~~3~~	~~2~~	~~1~~	~~1~~	~~1~~
~~Small Logs(6)~~	~~SML~~	~~6~~	~~25~~	~~24~~	~~23~~	~~22~~	~~21~~
~~RC Shake & Shingle Blocks(7)~~	~~RCS~~	~~1-6~~	~~289~~	~~282~~	~~275~~	~~268~~	~~261~~
~~Posts(8)~~	~~LPP~~	~~1-6~~	~~0.35~~	~~0.35~~	~~0.35~~	~~0.35~~	~~0.35~~
~~DF Christmas Trees(9)~~	~~DFX~~	~~1-6~~	~~0.25~~	~~0.25~~	~~0.25~~	~~0.25~~	~~0.25~~
~~Other Christmas Trees(9)~~	~~TFX~~	~~1-6~~	~~0.50~~	~~0.50~~	~~0.50~~	~~0.50~~	~~0.50~~))

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Species Name	Species Code	SVA (Stumpage Value Area)	Haul Zone 1	2	3	4	5
Douglas-fir(2)	DF	1	$318	$311	$304	$297	$290
		2	420	413	406	399	392
		3	410	403	396	389	382
		4	456	449	442	435	428
		5	423	416	409	402	395
		6	273	266	259	252	245
Western Hemlock and Other Conifer(3)	WH	1	240	233	226	219	212
		2	281	274	267	260	253
		3	262	255	248	241	234
		4	286	279	272	265	258
		5	282	275	268	261	254
		6	236	229	222	215	208
Western Redcedar(4)	RC	1-5	1111	1104	1097	1090	1083
		6	935	928	921	914	907
Ponderosa Pine(5)	PP	1-6	193	186	179	172	165
Red Alder	RA	1-5	477	470	463	456	449
Black Cottonwood	BC	1-5	80	73	66	59	52
Other Hardwood	OH	1-5	282	275	268	261	254
		6	23	16	9	2	1
Douglas-fir Poles & Piles	DFL	1-5	711	704	697	690	683
Western Redcedar Poles	RCL	1-5	1545	1538	1531	1524	1517
		6	1228	1221	1214	1207	1200
Chipwood(6)	CHW	1-5	13	12	11	10	9
		6	3	2	1	1	1
Small Logs(6)	SML	6	23	22	21	20	19
RC Shake & Shingle Blocks(7)	RCS	1-6	289	282	275	268	261
Posts(8)	LPP	1-6	0.35	0.35	0.35	0.35	0.35
DF Christmas Trees(9)	DFX	1-6	0.25	0.25	0.25	0.25	0.25
Other Christmas Trees(9)	TFX	1-6	0.50	0.50	0.50	0.50	0.50

(1) Log scale conversions Western and Eastern Washington. See conversion methods WAC 458-40-680.
(2) Includes Western Larch.
(3) Includes all Hemlock, Spruce and true Fir species, Lodgepole Pine in SVA 6, or any other conifer not listed on this page.
(4) Includes Alaska-Cedar.
(5) Includes Western White Pine in SVA 6, and all Pines in SVA 1-5.
(6) Stumpage value per ton.
(7) Stumpage value per cord.
(8) Includes Lodgepole posts and other posts, Stumpage Value per 8 lineal feet or portion thereof.
(9) Stumpage Value per lineal foot.

(3) **Harvest value adjustments.** The stumpage values in subsection (2) of this rule for the designated stumpage value areas are adjusted for various logging and harvest conditions, subject to the following:

(a) No harvest adjustment is allowed for special forest products, chipwood, or small logs.

(b) Conifer and hardwood stumpage value rates cannot be adjusted below one dollar per MBF.

(c) Except for the timber yarded by helicopter, a single logging condition adjustment applies to the entire harvest unit. The taxpayer

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must use the logging condition adjustment class that applies to a majority (more than 50%) of the acreage in that harvest unit. If the harvest unit is reported over more than one quarter, all quarterly returns for that harvest unit must report the same logging condition adjustment. The helicopter adjustment applies only to the timber volume from the harvest unit that is yarded from stump to landing by helicopter.

(d) The volume per acre adjustment is a single adjustment class for all quarterly returns reporting a harvest unit. A harvest unit is established by the harvester prior to harvesting. The volume per acre is determined by taking the volume logged from the unit excluding the volume reported as chipwood or small logs and dividing by the total acres logged. Total acres logged does not include leave tree areas (RMZ, UMZ, forested wetlands, etc.,) over 2 acres in size.

(e) A domestic market adjustment applies to timber which meet the following criteria:

(i) **Public timber** - Harvest of timber not sold by a competitive bidding process that is prohibited under the authority of state or federal law from foreign export may be eligible for the domestic market adjustment. The adjustment may be applied only to those species of timber that must be processed domestically. According to type of sale, the adjustment may be applied to the following species:

Federal Timber Sales: All species except Alaska-cedar. (Stat. Ref. - 36 C.F.R. 223.10)

State, and Other Nonfederal, Public Timber Sales: Western Redcedar only. (Stat. Ref. - 50 U.S.C. appendix 2406.1)

(ii) **Private timber** - Harvest of private timber that is legally restricted from foreign export, under the authority of The Forest Resources Conservation and Shortage Relief Act (Public Law 101-382), (16 U.S.C. Sec. 620 et seq.); the Export Administration Act of 1979 (50 U.S.C. App. 2406(i)); a Cooperative Sustained Yield Unit Agreement made pursuant to the act of March 29, 1944 (16 U.S.C. Sec. 583-583i); or Washington Administrative Code (WAC 240-15-015(2)) is also eligible for the Domestic Market Adjustment.

The following harvest adjustment tables apply from ((~~July~~)) January 1 through ((~~December 31, 2016~~)) June 30, 2017:

TABLE 9—Harvest Adjustment Table
Stumpage Value Areas 1, 2, 3, 4, and 5
((~~July~~)) January 1 through ((~~December 31, 2016~~)) June 30, 2017

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
I. Volume per acre		
Class 1	Harvest of 30 thousand board feet or more per acre.	$0.00
Class 2	Harvest of 10 thousand board feet to but not including 30 thousand board feet per acre.	-$15.00
Class 3	Harvest of less than 10 thousand board feet per acre.	-$35.00
II. Logging conditions		
Class 1	Ground based logging a majority of the unit using tracked or wheeled vehicles or draft animals.	$0.00
Class 2	Cable logging a majority of the unit using an overhead system of winch driven cables.	-$85.00

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Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
Class 3	Applies to logs yarded from stump to landing by helicopter. This does not apply to special forest products.	-$145.00
III. Remote island adjustment:		
	For timber harvested from a remote island	-$50.00
IV. Thinning		
Class 1	A limited removal of timber described in WAC 458-40-610 (28)	-$100.00

TABLE 10—Harvest Adjustment Table
Stumpage Value Area 6
((~~July~~)) January 1 through ((~~December 31, 2016~~)) June 30, 2017

Type of Adjustment	Definition	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
I. Volume per acre		
Class 1	Harvest of more than 8 thousand board feet per acre.	$0.00
Class 2	Harvest of 8 thousand board feet per acre and less.	-$8.00
II. Logging conditions		
Class 1	The majority of the harvest unit has less than 40% slope. No significant rock outcrops or swamp barriers.	$0.00
Class 2	The majority of the harvest unit has slopes between 40% and 60%. Some rock outcrops or swamp barriers.	-$50.00
Class 3	The majority of the harvest unit has rough, broken ground with slopes over 60%. Numerous rock outcrops and bluffs.	-$75.00
Class 4	Applies to logs yarded from stump to landing by helicopter. This does not apply to special forest products.	-$145.00
Note:	A Class 2 adjustment may be used for slopes less than 40% when cable logging is required by a duly promulgated forest practice regulation. Written documentation of this requirement must be provided by the taxpayer to the department of revenue.	
III. Remote island adjustment:		
	For timber harvested from a remote island	-$50.00

TABLE 11—Domestic Market Adjustment

Class	Area Adjustment Applies	Dollar Adjustment Per Thousand Board Feet Net Scribner Scale
	SVAs 1 through 5 only:	$0.00

Note: This adjustment only applies to published MBF sawlog values.

(4) **Damaged timber.** Timber harvesters planning to remove timber from areas having damaged timber may apply to the department of revenue for an adjustment in stumpage values. The application must contain a map with the legal descriptions of the area, an accurate estimate of the volume of damaged timber to be removed, a description of the damage sustained by the timber with an evaluation of the extent to which the stumpage values have been materially reduced from the values shown in the applicable tables, and a list of estimated additional costs to be incurred resulting from the removal of the damaged timber. The application must be received and approved by the department of revenue before the harvest commences. Upon receipt of an application, the de-

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partment of revenue will determine the amount of adjustment to be applied against the stumpage values. Timber that has been damaged due to sudden and unforeseen causes may qualify.

(a) Sudden and unforeseen causes of damage that qualify for consideration of an adjustment include:

(i) Causes listed in RCW 84.33.091; fire, blow down, ice storm, flood.

(ii) Others not listed; volcanic activity, earthquake.

(b) Causes that do not qualify for adjustment include:

(i) Animal damage, root rot, mistletoe, prior logging, insect damage, normal decay from fungi, and pathogen caused diseases; and

(ii) Any damage that can be accounted for in the accepted normal scaling rules through volume or grade reductions.

(c) The department of revenue will not grant adjustments for applications involving timber that has already been harvested but will consider any remaining undisturbed damaged timber scheduled for removal if it is properly identified.

(d) The department of revenue will notify the harvester in writing of approval or denial. Instructions will be included for taking any adjustment amounts approved.

(5) **Forest-derived biomass,** has a $0/ton stumpage value.

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