

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 11

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO TAXATION OF FOREST LANDS; AMENDING SECTION 63-1705, IDAHO CODE,  
2 TO REMOVE A REQUIREMENT TO CONDUCT A FOREST MANAGEMENT COST STUDY EVERY  
3 FIVE YEARS, TO REQUIRE A FOREST MANAGEMENT COST STUDY BE CONDUCTED PE-  
4 RIODICALLY AND TO REVISE THE MEMBERSHIP OF THE COMMITTEE ON FOREST LAND  
5 TAXATION METHODOLOGIES.  
6

7 Be It Enacted by the Legislature of the State of Idaho:

8 SECTION 1. That Section 63-1705, Idaho Code, be, and the same is hereby  
9 amended to read as follows:

10 63-1705. TAXATION OF FOREST LANDS UNDER THE PRODUCTIVITY OPTION. (1)  
11 In order to encourage private forest landowners to retain and improve their  
12 holdings of forest lands and to promote better forest management, forest  
13 lands subject to this option shall be appraised, assessed and taxed as real  
14 property under the provisions of this section.

15 (2) The forest land value shall be determined by the timber productiv-  
16 ity valuation process, as provided for in the committee on forest land tax-  
17 ation methodologies, User's Guide to the Timber Productivity Option's Val-  
18 uation Method - 2005 (Schlosser, January 1, 2005, Moscow, Idaho), referred  
19 to in this chapter as the "user's guide," on file with the Idaho state tax  
20 commission, available on the website of the Idaho state tax commission, and  
21 which shall be made available in the office of each county assessor, which  
22 values the net wood production over a reasonable rotation period plus other  
23 agricultural-related income, if any, less annualized custodial expenses as  
24 defined in section 63-1701, Idaho Code. Pursuant to the provisions of this  
25 section, the inventory of forest products shall not be included as part of  
26 the valuation of the forest land as provided in section 63-602W, Idaho Code.  
27 The state tax commission shall promulgate rules relating to the timber pro-  
28 ductivity valuation process, including custodial expenses, as provided for  
29 in the user's guide and the provisions of this chapter.

30 (3) ~~Effective January 1, 2005, t~~The market value for assessment pur-  
31 poses shall be determined annually by the county assessor using the timber  
32 productivity valuation process developed by the CFTM, and as further pre-  
33 scribed in rule. Notwithstanding any other provision of law, the state tax  
34 commission is authorized to cite the user's guide in its rules and shall:

35 (a) Divide the state into appropriate forest valuation zones, with each  
36 zone designated so as to recognize the uniqueness of marketing areas,  
37 timber types, growth rates, access, operability, and other pertinent  
38 factors of that zone;

39 (b) Establish a uniform system of forest land classification which con-  
40 sideres the productive capacity of the soil to grow forest products and  
41 furnish other associated agricultural uses;

1 (c) Provide for the annual input to the timber productivity valuation  
2 process including the stumpage value, rotation length, mean annual in-  
3 crement, guiding discount rate, annualized custodial expenses, appro-  
4 priate property tax rates, and real price appreciation rate of stumpage  
5 according to the user's guide. The guiding discount rate and the real  
6 price appreciation rate for timber products shall remain constant at  
7 four percent (4%) and one and one-quarter percent (1.25%) respectively,  
8 until January 1, 2012;

9 (d) Upon the recommendation of the CFTM or when deemed appropriate by  
10 the commission according to evidence of significant trends in custo-  
11 dial expenses, cConduct a forest management cost study; every five (5)-  
12 years to determine the annualized custodial expenses to be used in the  
13 timber productivity valuation process as provided in the user's guide.  
14 The first study shall be conducted in 2005 and evaluated by the CFTM,  
15 with the results incorporated into the user's guide timber productivity  
16 valuation process on January 1, 2007. The forest management cost study  
17 shall be funded by the state tax commission, subject to appropriation  
18 by the legislature provided however, that such forest management cost  
19 study shall be no more frequent than five (5) years from the previous  
20 forest management cost study. The forest management cost study and a  
21 report shall be provided to the CFTM following a recommendation of any  
22 changes in custodial expenses and the CFTM shall determine whether the  
23 cost study will be incorporated into the forest land valuation process;

24 and

25 (e) Provide for any additional data as needed.

26 (4) The state tax commission shall by March 1 of each year, furnish all  
27 input for the timber productivity valuation process to the county assessor.

28 (5) Stumpage values shall be based upon the preceding five (5) year  
29 rolling average value of timber harvested within the forest value zone from  
30 state timber sales and/or the best available data for the same five (5) year  
31 period. Average agricultural-related income and the average expense compo-  
32 nent for each forest value zone shall be determined for the same time period  
33 as the period used to determine average stumpage values.

34 (6) Forest lands upon which, at any time after January 1, 1982, the  
35 trees are destroyed by fire, disease, insect infestation or other natural  
36 disaster such that the lands affected will not meet minimum stocking re-  
37 quirements under rules adopted pursuant to chapter 13, title 38, Idaho Code,  
38 shall be eligible for a reduction in value for the first ten (10) property  
39 tax years following the loss. The amount of reduction shall be determined  
40 by dividing the average age of the trees destroyed by the rotation age for  
41 the specific forest productivity class appropriate for the affected acres.  
42 In no instance shall the annual reduction exceed eighty percent (80%) of  
43 the original forest value per year. In order to obtain a reduction, the  
44 landowner shall, on or before January 1, following the destruction, make  
45 written application to the assessor indicating the legal description of the  
46 lands in question and stating all pertinent facts. The assessor may inves-  
47 tigate the facts and may request assistance from the state tax commission in  
48 performing such investigations. If the requirements are met, such forest  
49 lands shall be assessed and taxed on the reduced basis herein provided.

1 (7) Buildings and other improvements, other than roads, located on for-  
2 est lands shall be appraised, assessed and taxed as provided by applicable  
3 laws and rules.

4 (8) ~~Effective January 1, 2004, t~~There is created within the Idaho state  
5 tax commission the CFTM. The membership of the CFTM shall be:

6 (a) A nonvoting chairman who shall be the member of the Idaho state tax  
7 commission assigned to property tax matters;

8 (b) ~~Four (4) members selected from the membership of the intermountain~~  
9 ~~forest association who are representing business entities owning not~~  
10 ~~less than five thousand (5,000) acres of Idaho forest land, provided~~  
11 ~~that there shall be only one (1) representative for each individual~~  
12 ~~business entity and provided further that affiliated business entities~~  
13 ~~shall be considered a single business entity for the purposes of this~~  
14 ~~section. The business entity employing such member shall designate a~~  
15 ~~successor member at its discretion. If a vacancy occurs among the rep-~~  
16 ~~resentatives of forest landowners owning not less than five thousand~~  
17 ~~(5,000) acres, a replacement member will be selected by the remaining~~  
18 ~~members qualifying under the provisions of this section;~~

19 (c) One (1) member selected from the membership of the Idaho forest own-  
20 ers' association;

21 (d) Five (5) members selected from the membership of the Idaho associa-  
22 tion of counties; and

23 (e) The state superintendent of public instruction or his/her de-  
24 signee, in a nonvoting capacity.

25 The CFTM may retain a forest economist selected by a majority of its members  
26 to advise the CFTM.

27 The costs of each CFTM member shall be borne by the respective member.  
28 The fees and costs of the forest economist shall be borne as determined by the  
29 CFTM.

30 The CFTM may prepare and deliver written reports to the house of rep-  
31 resentatives revenue and taxation and senate local government and taxation  
32 committees of its findings and recommendations for legislation as the need  
33 may arise. The CFTM may meet periodically as determined by its chairman or  
34 the CFTM.