

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 357

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO PROPERTY TAXES; AMENDING SECTION 63-1705, IDAHO CODE, TO ESTAB-  
2 LISH STANDARDS AND METHODS FOR THE VALUATION FOR THE TAXATION OF FOREST  
3 LANDS UNDER THE PRODUCTIVITY OPTION TO APPLY FOR A TEN YEAR PERIOD, TO  
4 PROVIDE FOR THE FOREST MANAGEMENT ALLOWANCE TO BE CALCULATED ON CERTAIN  
5 CRITERIA AND TO MAKE A TECHNICAL CORRECTION; DECLARING AN EMERGENCY AND  
6 PROVIDING RETROACTIVE APPLICATION.  
7

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

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

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

16 (2) The forest land value shall be determined by the timber productiv-  
17 ity valuation process, as provided for in the committee on forest land taxa-  
18 tion methodologies, ~~U~~user's ~~G~~uide to the ~~T~~timber ~~P~~productivity ~~O~~option's  
19 ~~V~~aluation ~~M~~ethod - 2005 (Schlosser, January 1, 2005, Moscow, Idaho), re-  
20 ferred to in this chapter as the "user's guide," on file with the Idaho state  
21 tax commission, available on the website of the Idaho state tax commission,  
22 and which shall be made available in the office of each county assessor,  
23 which values the net wood production over a reasonable rotation period plus  
24 other agricultural-related income, if any, less annualized custodial ex-  
25 penses as defined in section 63-1701, Idaho Code. Pursuant to the provisions  
26 of this section, the inventory of forest products shall not be included as  
27 part of the valuation of the forest land as provided in section 63-602W,  
28 Idaho Code. The state tax commission shall promulgate rules relating to the  
29 timber productivity valuation process, including custodial expenses, as  
30 provided for in the user's guide and the provisions of this chapter.

31 (3) The market value for assessment purposes shall be determined annu-  
32 ally by the county assessor using the timber productivity valuation process  
33 developed by the CFTM, and as further prescribed in rule. Effective January  
34 1, 2012, the forest land values for taxation purposes will be floored at the  
35 2011 valuation level of all four (4) of the forest value zones for the next  
36 ten (10) year period. The ceiling for taxation purposes for forest land val-  
37 ues during such ten (10) year period will be capped at thirty percent (30%)  
38 above the 2011 forest land values. The annual changes for taxation purposes  
39 shall be limited to not more than a five percent (5%) annual increase or de-  
40 crease from the immediate prior year based upon the 2005 "user's guide" val-  
41 uation model, provided however, that no decrease shall be in an amount less  
42 than the established floor nor increase above the established ceiling.

1        Actual annual valuation calculations shall also be tracked, though not  
 2 necessarily utilized for taxation purposes. Actual annual valuation cal-  
 3 culations may drop below the floor or rise above the ceiling. Forest land  
 4 values derived by the model will be used as the forest land value for taxa-  
 5 tion purposes only when the derived value is between the floor and the ceil-  
 6 ing. Furthermore, the actual annual valuation calculations shall not exceed  
 7 a five percent (5%) adjustment from the previous year's valuation calcula-  
 8 tion. When the model derived values for a given year are below the floor, the  
 9 forest land value for taxation purposes will be equal to the floor value for  
 10 that year. When the model derived values in a given year are above the ceil-  
 11 ing, the forest land value for taxation purposes will be equal to the ceiling  
 12 for that year.

13        Notwithstanding any other provision of law, the state tax commission is  
 14 authorized to cite the user's guide in its rules and shall:

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

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

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

30        (d) Upon the recommendation of the CFTM or when deemed appropriate by  
 31 the commission according to evidence of significant trends in custodial  
 32 expenses, conduct a forest management cost study; provided however,  
 33 that such forest management cost study shall be no more frequent than  
 34 five (5) years from the previous forest management cost study. The  
 35 forest management cost study and a report shall be provided to the CFTM  
 36 following a recommendation of any changes in custodial expenses and  
 37 the CFTM shall determine whether the cost study will be incorporated  
 38 into the forest land valuation process. The forest management cost  
 39 allowance (FMCA) will continue to be calculated based on the 2004 CFTM  
 40 negotiated custodial rates and indexed by the adjustment in the ten (10)  
 41 year rolling average changes in the producer price index (PPI), as has  
 42 been done by the Idaho state tax commission since 2005, and this will  
 43 remain in effect until January 1, 2017; and

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

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

47        (5) Stumpage values shall be based upon the preceding five (5) year  
 48 rolling average value of timber harvested within the forest value zone from  
 49 state timber sales and/or the best available data for the same five (5) year  
 50 period. Average agricultural-related income and the average expense compo-

1     nent for each forest value zone shall be determined for the same time period  
2     as the period used to determine average stumpage values.

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

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

22    (8) There is created within the Idaho state tax commission the CFTM. The  
23    membership of the CFTM shall be:

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

26    (b) Four (4) members who are representing business entities owning not  
27    less than five thousand (5,000) acres of Idaho forest land, provided  
28    that there shall be only one (1) representative for each individual  
29    business entity and provided further that affiliated business entities  
30    shall be considered a single business entity for the purposes of this  
31    section. The business entity employing such member shall designate a  
32    successor member at its discretion. If a vacancy occurs among the rep-  
33    resentatives of forest landowners owning not less than five thousand  
34    (5,000) acres, a replacement member will be selected by the remaining  
35    members qualifying under the provisions of this section;

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

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

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

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

44    The costs of each CFTM member shall be borne by the respective member.  
45    The fees and costs of the forest economist shall be borne as determined by the  
46    CFTM.

47    The CFTM may prepare and deliver written reports to the house of rep-  
48    resentatives revenue and taxation and senate local government and taxation  
49    committees of its findings and recommendations for legislation as the need

1 may arise. The CFTM may meet periodically as determined by its chairman or  
2 the CFTM.

3 SECTION 2. An emergency existing therefor, which emergency is hereby  
4 declared to exist, this act shall be in full force and effect on and after its  
5 passage and approval, and retroactively to January 1, 2012.