

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 153

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO FOREST LANDS TAXATION; AMENDING SECTION 63-1705, IDAHO CODE, TO
2 EXTEND A SUNSET DATE REGARDING THE USE OF CERTAIN CRITERIA RELATING TO
3 TIMBER PRODUCTIVITY VALUATION AND TO FOREST MANAGEMENT COST ALLOWANCES
4 AND TO MAKE TECHNICAL CORRECTIONS; DECLARING AN EMERGENCY AND PROVIDING
5 RETROACTIVE APPLICATION.
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 taxa-
17 tion methodologies (CFTM), user's guide to the timber productivity option's
18 valuation method - 2005 (Schlosser, January 1, 2005, Moscow, Idaho), re-
19 ferred to in this chapter as the "user's guide," on file with the Idaho state
20 tax commission, available on the website of the Idaho state tax commission,
21 and which shall be made available in the office of each county assessor,
22 which values the net wood production over a reasonable rotation period plus
23 other agricultural-related income, if any, less annualized custodial ex-
24 penses as defined in section 63-1701, Idaho Code. Pursuant to the provisions
25 of this section, the inventory of forest products shall not be included as
26 part of the valuation of the forest land as provided in section 63-602W,
27 Idaho Code. The state tax commission shall promulgate rules relating to the
28 timber productivity valuation process, including custodial expenses, as
29 provided for in the user's guide and the provisions of this chapter.

30 (3) The market value for assessment purposes shall be determined annu-
31 ally by the county assessor using the timber productivity valuation process
32 developed by the CFTM, and as further prescribed in rule. Effective January
33 1, 2012, the forest land values for taxation purposes will be floored at the
34 2011 valuation level of all four (4) of the forest value zones for the next
35 ten (10) year period. The ceiling for taxation purposes for forest land val-
36 ues during such ten (10) year period will be capped at thirty percent (30%)
37 above the 2011 forest land values. The annual changes for taxation purposes
38 shall be limited to not more than a five percent (5%) annual increase or de-
39 crease from the immediate prior year based upon the 2005 "user's guide" val-
40 uation model, provided however, that no decrease shall be in an amount less
41 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~~ that
20 considers the productive capacity of the soil to grow forest products
21 and 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
24 increment, guiding discount rate, annualized custodial expenses, ap-
25 propriate property tax rates, and real price appreciation rate of
26 stumpage according to the user's guide. The guiding discount rate and
27 the real price appreciation rate for timber products shall remain con-
28 stant at four percent (4%) and one and one-quarter percent (1.25%),
29 respectively, until January 1, 201722;

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, 201722; 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 no fewer than five thousand (5,000) acres of Idaho forest land,
28 provided that there shall be only one (1) representative for each indi-
29 vidual business entity and provided further that affiliated business
30 entities shall be considered a single business entity for the purposes
31 of this section. The business entity employing such member shall des-
32 ignate a successor member at its discretion. If a vacancy occurs among
33 the representatives of forest landowners owning ~~not less~~ no fewer than
34 five thousand (5,000) acres, a replacement member will be selected by
35 the remaining 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 repre-
48 sentatives revenue and taxation committee and the senate local government
49 and taxation committees of its findings and recommendations for legislation

1 as the need may arise. The CFTM may meet periodically as determined by its
2 chairman or 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, 2017.