

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 462

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO FOREST LANDS TAXATION; AMENDING SECTION 63-1705, IDAHO CODE,
2 TO PROVIDE FOR A PRODUCTIVITY CLASSIFICATION OF A FOREST LAND PARCEL
3 TO REMAIN OR REVERT TO ITS JANUARY 1, 2016, CLASSIFICATION STATUS, TO
4 AFFIRM TAXES DUE UNDER THE PREVIOUS CLASSIFICATION STATUS, TO AUTHO-
5 RIZE THE COMMITTEE ON FOREST LAND TAXATION METHODOLOGIES TO DEVELOP A
6 PROCESS BY WHICH A COUNTY ASSESSOR MAY SEEK TO CHANGE THE PRODUCTIVITY
7 CLASSIFICATION OF A FOREST LAND PARCEL, TO REQUIRE RULEMAKING AND TO
8 MAKE TECHNICAL CORRECTIONS; AND DECLARING AN EMERGENCY.
9

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

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

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

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

33 (3) (a) The market value for assessment purposes shall be determined an-
34 nually by the county assessor using the timber productivity valuation
35 process developed by the CFTM, and as further prescribed in rule. Ef-
36 fective January 1, 2012, the forest land values for taxation purposes
37 will be floored at the 2011 valuation level of all four (4) of the for-
38 est value zones for the next ten (10) year period. The ceiling for taxa-
39 tion purposes for forest land values during such ten (10) year period
40 will be capped at thirty percent (30%) above the 2011 forest land val-
41 ues. The annual changes for taxation purposes shall be limited to not
42 more than a five percent (5%) annual increase or decrease from the imme-

1 diate prior year based upon the 2005 user's guide valuation model, pro-
2 vided however, that no decrease shall be in an amount less than the es-
3 tablished floor nor increase above the established ceiling.

4 (b) Actual annual valuation calculations shall also be tracked, though
5 not necessarily utilized for taxation purposes. Actual annual valua-
6 tion calculations may drop below the floor or rise above the ceiling.
7 Forest land values derived by the model will be used as the forest land
8 value for taxation purposes only when the derived value is between the
9 floor and the ceiling. Furthermore, the actual annual valuation calcu-
10 lations shall not exceed a five percent (5%) adjustment from the previ-
11 ous year's valuation calculation. When the model-derived values for a
12 given year are below the floor, the forest land value for taxation pur-
13 poses will be equal to the floor value for that year. When the model-de-
14 rived values in a given year are above the ceiling, the forest land value
15 for taxation purposes will be equal to the ceiling for that year.

16 (4) On the effective date of this act, each forest land parcel shall
17 remain at or revert to the productivity classification it held on January
18 1, 2016; however, taxes assessed prior to the effective date of this act
19 shall be due and payable under the productivity classification in effect at
20 the time of assessment. The CFTM shall designate a process by which county
21 assessors may change a parcel's productivity classification. At a mini-
22 mum, the process shall set forth requirements for landowner notification,
23 inspector qualifications and document retention. The state tax commission
24 shall promulgate rules to implement the CFTM-designated process. After leg-
25 islative adoption of the rules, forest productivity classification may be
26 subject to change pursuant to the process set forth in the rules.

27 (5) Notwithstanding any other provision of law, the state tax commis-
28 sion is authorized to cite the user's guide in its rules and shall:

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

33 (b) Establish a uniform system of forest land classification that con-
34 sider the productive capacity of the soil to grow forest products and
35 furnish other associated agricultural uses;

36 (c) Provide for the annual input to the timber productivity valuation
37 process including the stumpage value, rotation length, mean annual
38 increment, guiding discount rate, annualized custodial expenses, ap-
39 propriate property tax rates, and real price appreciation rate of
40 stumpage according to the user's guide. The guiding discount rate and
41 the real price appreciation rate for timber products shall remain con-
42 stant at four percent (4%) and one and one-quarter percent (1.25%),
43 respectively, until January 1, 2022;

44 (d) Upon the recommendation of the CFTM or when deemed appropriate by
45 the commission according to evidence of significant trends in custodial
46 expenses, conduct a forest management cost study; provided however,
47 that such forest management cost study shall be no more frequent than
48 five (5) years from the previous forest management cost study. The
49 forest management cost study and a report shall be provided to the
50 CFTM following a recommendation of any changes in custodial expenses

1 and the CFTM shall determine whether the cost study will be incorpo-
2 rated into the forest land valuation process. The forest management
3 cost allowance (FMCA) will continue to be calculated based on the 2004
4 CFTM-negotiated custodial rates and indexed by the adjustment in the
5 ten (10) year rolling average changes in the producer price index (PPI),
6 as has been done by the Idaho state tax commission since 2005, and this
7 will remain in effect until January 1, 2022; and

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

9 (46) The state tax commission shall, by March 1 of each year, furnish
10 all input for the timber productivity valuation process to the county asses-
11 sor.

12 (57) Stumpage values shall be based upon the preceding five (5) year
13 rolling average value of timber harvested within the forest value zone from
14 state timber sales and/or the best available data for the same five (5) year
15 period. Average agricultural-related income and the average expense compo-
16 nent for each forest value zone shall be determined for the same time period
17 as the period used to determine average stumpage values.

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

34 (79) Buildings and other improvements, other than roads, located on
35 forest lands shall be appraised, assessed and taxed as provided by applica-
36 ble laws and rules.

37 (810) There is created within the Idaho state tax commission the CFTM.
38 The membership of the CFTM shall be:

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

41 (b) Four (4) members who are representing business entities owning no
42 fewer than five thousand (5,000) acres of Idaho forest land, provided
43 that there shall be only one (1) representative for each individual
44 business entity and provided further that affiliated business entities
45 shall be considered a single business entity for the purposes of this
46 section. The business entity employing such member shall designate a
47 successor member at its discretion. If a vacancy occurs among the rep-
48 resentatives of forest landowners owning no fewer than five thousand
49 (5,000) acres, a replacement member will be selected by the remaining
50 members qualifying under the provisions of this section;

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

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

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

7 (11) The CFTM may retain a forest economist selected by a majority of its
8 members to advise the CFTM.

9 (12) The costs of each CFTM member shall be borne by the respective mem-
10 ber. The fees and costs of the forest economist shall be borne as determined
11 by the CFTM.

12 (13) The CFTM may prepare and deliver written reports to the house of
13 representatives revenue and taxation committee and the senate local govern-
14 ment and taxation committee of its findings and recommendations for legisla-
15 tion as the need may arise. The CFTM may meet periodically as determined by
16 its chairman or the CFTM.

17 SECTION 2. An emergency existing therefor, which emergency is hereby
18 declared to exist, this act shall be in full force and effect on and after its
19 passage and approval.