

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 553

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO FOREST LAND TAXATION; AMENDING SECTION 63-1705, IDAHO CODE,
2 TO REVISE PROVISIONS REGARDING THE ASSESSMENT OF FOREST LAND; AMEND-
3 ING CHAPTER 17, TITLE 63, IDAHO CODE, BY THE ADDITION OF A NEW SECTION
4 63-1705A, IDAHO CODE, TO PROVIDE FOR CLASSIFICATION OF FOREST LANDS;
5 AND DECLARING AN EMERGENCY AND PROVIDING 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) Forest lands shall be governed by the following productivity clas-
16 sifications and assessments:

17 (a) All forest land shall retain the productivity classification that
18 it held in tax year 2021 for each year thereafter, unless there is a sub-
19 stantial change of use or the landowner successfully appeals the clas-
20 sification pursuant to chapter 5, title 63, Idaho Code. All forest land
21 shall be assessed in accordance with subsection (4) of this section.

22 (b) Changes to productivity classification of forest land prior to Jan-
23 uary 1, 2021, shall be made pursuant to the process set forth in sec-
24 tion 63-1705A, Idaho Code, and shall be assessed each year thereafter
25 in accordance with the provisions of subsection (4) of this section, ex-
26 cept that all reviews by county assessors pursuant to section 63-1705A,
27 Idaho Code, shall be completed no later than January 1, 2021.

28 (c) The productivity classification for land newly classified as for-
29 est land after tax year 2021 shall be determined pursuant to section
30 63-1705A, Idaho Code. In the year immediately following classification
31 and for each year thereafter, newly classified forest land shall retain
32 its productivity classification and shall be valued in accordance with
33 the provisions of subsection (4) of this section.

34 (3) (a) Prior to tax year 2021, the forest land value shall be deter-
35 mined by the timber productivity valuation process, as provided for
36 in the committee on forest land taxation methodologies (CFTM), user's
37 guide to the timber productivity option's valuation method - 2005
38 (Schlosser, January 1, 2005, Moscow, Idaho), referred to in this chap-
39 ter as the "user's guide," on file with the Idaho state tax commission,
40 available on the website of the Idaho state tax commission, and which
41 shall be made available in the office of each county assessor, which
42 values the net wood production over a reasonable rotation period plus

1 other agricultural-related income, if any, less annualized custodial
2 expenses as defined in section 63-1701, Idaho Code. Pursuant to the
3 provisions of this section, the inventory of forest products shall not
4 be included as part of the valuation of the forest land as provided in
5 section 63-602W, Idaho Code. The state tax commission shall promulgate
6 rules relating to the timber productivity valuation process, including
7 custodial expenses, as provided for in the user's guide and the provi-
8 sions of this chapter.

9 ~~(3)~~ (a) The market value for assessment purposes shall be determined
10 annually by the county assessor using the timber productivity valuation
11 process developed by the CFTM, and as further prescribed in rule. Ef-
12 fective January 1, 2012, the forest land values for taxation purposes
13 will be floored at the 2011 valuation level of all four (4) of the for-
14 est value zones for the next ten (10) year period. The ceiling for tax-
15 ation purposes for forest land values during such ten (10) year period
16 will be capped at thirty percent (30%) above the 2011 forest land val-
17 ues. The annual changes for taxation purposes shall be limited to not
18 more than a five percent (5%) annual increase or decrease from the imme-
19 mediate prior year based upon the 2005 user's guide valuation model, pro-
20 vided however, that no decrease shall be in an amount less than the es-
21 tablished floor nor increase above the established ceiling.

22 (b) Actual annual valuation calculations shall also be tracked,
23 though not necessarily utilized for taxation purposes. Actual annual
24 valuation calculations may drop below the floor or rise above the ceil-
25 ing. Forest land values derived by the model will be used as the forest
26 land value for taxation purposes only when the derived value is between
27 the floor and the ceiling. Furthermore, the actual annual valuation
28 calculations shall not exceed a five percent (5%) adjustment from the
29 previous year's valuation calculation. When the model-derived values
30 for a given year are below the floor, the forest land value for taxa-
31 tion purposes will be equal to the floor value for that year. When the
32 model-derived values in a given year are above the ceiling, the forest
33 land value for taxation purposes will be equal to the ceiling for that
34 year.

35 (d) Except as provided in subsection (6) of this section, any change
36 to the productivity classification of a forest land parcel prior to tax
37 year 2021 shall adhere to the process set forth in this subsection and in
38 section 63-1705A, Idaho Code, or else such change shall be void. How-
39 ever, the assessor's appraisal shall be upheld upon appeal if the board
40 of equalization determines that the landowner has purposely or unrea-
41 sonably denied the assessor timely access to the land to complete field-
42 work under the provisions of section 63-1705A, Idaho Code.

43 (e) The CFTM may recommend to the legislature a new process by which
44 county assessors establish forest land productivity classification for
45 land newly designated as forest land after tax year 2021.

46 ~~(4)~~ On the effective date of this act, each forest land parcel shall
47 remain at or revert to the productivity classification it held on January
48 1, 2016; however, taxes assessed prior to the effective date of this act
49 shall be due and payable under the productivity classification in effect at
50 the time of assessment. The CFTM shall designate a process by which county

1 assessors may change a parcel's productivity classification. At a mini-
 2 mum, the process shall set forth requirements for landowner notification,
 3 inspector qualifications and document retention. The state tax commission
 4 shall promulgate rules to implement the CFTM-designated process. After leg-
 5 islative adoption of the rules, forest productivity classification may be
 6 subject to change pursuant to the process set forth in the rules.

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

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

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

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

24 (d) Upon the recommendation of the CFTM or when deemed appropriate by
 25 the commission according to evidence of significant trends in custodial
 26 expenses, conduct a forest management cost study; provided however,
 27 that such forest management cost study shall be no more frequent than
 28 five (5) years from the previous forest management cost study. The
 29 forest management cost study and a report shall be provided to the
 30 CFTM following a recommendation of any changes in custodial expenses
 31 and the CFTM shall determine whether the cost study will be incorpo-
 32 rated into the forest land valuation process. The forest management
 33 cost allowance (FMCA) will continue to be calculated based on the 2004
 34 CFTM-negotiated custodial rates and indexed by the adjustment in the
 35 ten (10) year rolling average changes in the producer price index (PPI),
 36 as has been done by the Idaho state tax commission since 2005, and this
 37 will remain in effect until January 1, 2022; and

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

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

41 (74) Stumpage Beginning in tax year 2021 and each tax year thereafter,
 42 land assessed as forest land shall be valued by indexing each parcel's value
 43 by the percentage change in the five (5) year rolling average stumpage val-
 44 ues, with 2019 being the base year. The stumpage values shall be based upon
 45 the preceding five (5) year rolling average value of timber harvested within
 46 the forest value zone from state timber sales and/or, if unavailable, the
 47 best available data for the same five (5) year period. Average agricultural-
 48 related income and the average expense component for each forest value zone
 49 shall be determined for the same time period as the period used to determine
 50 average stumpage values. Any changes in value shall be limited to no more

1 than a five percent (5%) annual increase or decrease from the immediate prior
 2 year. The state tax commission shall provide the stumpage value calculation
 3 required under this subsection by March 1 of each year.

4 (5) Pursuant to the provisions of section 63-602W, Idaho Code, the in-
 5 ventory of forest products shall not be included as part of the valuation of
 6 the forest land.

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

23 (~~9~~7) Buildings and other improvements, other than roads, located on
 24 forest lands shall be appraised, assessed and taxed as provided by applica-
 25 ble laws and rules.

26 (~~10~~8) There is created within the Idaho state tax commission the CFTM.
 27 The membership of the CFTM shall be:

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

30 (b) Four (4) members who are representing business entities owning no
 31 fewer than five thousand (5,000) acres of Idaho forest land, provided
 32 that there shall be only one (1) representative for each individual
 33 business entity and provided further that affiliated business entities
 34 shall be considered a single business entity for the purposes of this
 35 section. The business entity employing such member shall designate a
 36 successor member at its discretion. If a vacancy occurs among the rep-
 37 resentatives of forest landowners owning no fewer than five thousand
 38 (5,000) acres, a replacement member will be selected by the remaining
 39 members qualifying under the provisions of this section;

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

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

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

46 (~~11~~9) The CFTM may retain a forest economist selected by a majority of
 47 its members to advise the CFTM.

48 (~~12~~0) The costs of each CFTM member shall be borne by the respective mem-
 49 ber. The fees and costs of the forest economist shall be borne as determined
 50 by the CFTM.

1 (131) The CFTM may prepare and deliver written reports to the house of
2 representatives revenue and taxation committee and the senate local govern-
3 ment and taxation committee of its findings and recommendations for legisla-
4 tion as the need may arise. The CFTM may meet periodically as determined by
5 its chairman or the CFTM.

6 SECTION 2. That Chapter 17, Title 63, Idaho Code, be, and the same is
7 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
8 ignated as Section 63-1705A, Idaho Code, and to read as follows:

9 63-1705A. CLASSIFICATION OF FOREST LANDS. (1) The state shall be di-
10 vided into four (4) forest valuation zones:

11 (a) Zone 1 shall consist of Boundary, Bonner, and Kootenai counties;

12 (b) Zone 2 shall consist of Benewah, Shoshone, Latah, Clearwater, Nez
13 Perce, Lewis, and Idaho counties;

14 (c) Zone 3 shall consist of Adams, Valley, Washington, Payette, Gem,
15 Boise, Canyon, Ada, Elmore, Camas, Blaine, Gooding, Lincoln, Jerome,
16 and Minidoka counties; and

17 (d) Zone 4 shall consist of the remaining nineteen (19) counties.

18 (2) In all forest valuation zones, there shall be three (3) separate
19 productivity classes of forest land: poor, medium, and good. These classes
20 apply to forest land that may or may not be stocked with commercial or young
21 growth timber.

22 (a) Poor productivity class is defined as forest land having a mean
23 annual increment (MAI) of one hundred twenty-five (125) board feet
24 per acre per year, based on a seventy-three (73) year rotation. This
25 productivity class includes western white pine site index 35-45 and
26 ponderosa pine site index 45-80. One hundred twenty-five (125) board
27 feet per acre MAI shall be used in the valuation process.

28 (b) Medium productivity class is defined as forest land having an MAI
29 of two hundred twenty-five (225) board feet per acre per year, based on a
30 sixty-eight (68) year rotation. This productivity class includes west-
31 ern white pine site index 46-60 and ponderosa pine site index 81-110.
32 Two hundred twenty-five (225) board feet per acre MAI shall be used in
33 the valuation process.

34 (c) Good productivity class is defined as forest land having an MAI
35 of three hundred fifty (350) board feet per acre per year, based on a
36 sixty-three (63) year rotation. This productivity class includes west-
37 ern white pine site index 61 and above and ponderosa pine site index 111
38 and above. Three hundred fifty (350) board feet per acre MAI shall be
39 used in the valuation process.

40 (d) For forest valuation zones 1 and 2, forest land shall be stratified
41 into areas of similar productive potential using the habitat typing
42 methodology described in "forest habitat types of northern Idaho:
43 a second approximation," published by the United States government
44 printing office for the United States forest service in 1991. Within
45 these stratified areas, site index trees shall be selected and measured
46 that will identify the site index to be used to place the land in one (1)
47 of the three (3) productivity classes set forth in paragraphs (a), (b),
48 and (c) of this subsection.

1 (e) For forest valuation zones 3 and 4, the criteria for stratification
2 shall be generally the same as that used in zones 1 and 2 based on the
3 habitat typing methodology described in "forest habitat types of cen-
4 tral Idaho," published by the United States government printing office
5 for the United States forest service in 1981, with the following adjust-
6 ments made in growth rates for lower moisture levels:

7 (i) For poor productivity class, one hundred twenty-five (125)
8 board feet per acre MAI shall be used in the valuation process;

9 (ii) For medium productivity class, two hundred thirteen (213)
10 board feet per acre MAI shall be used in the valuation process; and

11 (iii) For good productivity class, three hundred twenty (320)
12 board feet per acre MAI shall be used in the valuation process.

13 (3) Lakes, solid rock bluffs, talus slopes, and continuously flooded
14 swampy areas that are larger than five (5) contiguous acres in size and that
15 can be identified through remote sensing shall be valued at forty percent
16 (40%) of the poor bare land value as described in section 63-1706, Idaho
17 Code. These areas are defined as being incapable of growing trees.

18 (4) Except as provided in subsection (5) of this section, no parcel's
19 productivity classification can be changed from the classification existing
20 on January 1, 2016, until requirements for landowner notification, inspec-
21 tor qualifications, and document retention have been met.

22 (a) Notice of intent to change classification must be provided in
23 writing to the landowner of record or the landowner's designee within
24 two (2) weeks of any determination by the county assessor of intent to
25 change classification. Such notice must be provided no later than the
26 first Monday in November for the change to be in effect during the fol-
27 lowing year. Notice may be delivered in person or by United States mail,
28 or, if agreed to by the assessor and the landowner, by electronic mail.
29 Notice of intent to change classification shall include:

30 (i) A statement of intent to change the classification;

31 (ii) A statement of the present classification and the intended
32 new classification;

33 (iii) A statement that the intent notice is not an assessment no-
34 tice and that the assessment notice will be sent by the first Mon-
35 day in June in the following year;

36 (iv) A statement that both the taxable value stated on the assess-
37 ment notice and the classification may be appealed to the county
38 board of equalization as provided in section 63-501A, Idaho Code;
39 and

40 (v) Contact information identifying assessor's office staff who
41 may be contacted and how to do so.

42 (b) The inspector is the person assigned by the county assessor to re-
43 view property characteristics and complete a timberland classification
44 form provided by the state tax commission. The inspector must be profi-
45 cient in each of the following:

46 (i) Navigating forest locations;

47 (ii) Skilled mapping techniques;

48 (iii) Establishment of plot locations;

49 (iv) Plant and tree identification; and

50 (v) Site tree identification and measurements.

1 (c) Inspector proficiency must be established by a minimum of twelve
2 (12) months of experience doing fieldwork, including reviewing the
3 characteristics of timberland, and:

4 (i) Passing a state tax commission-sponsored class on timberland
5 appraisal and inspection;

6 (ii) Passing equivalent courses from an accredited college or
7 university; or

8 (iii) Obtaining a degree in forestry or a related field from an
9 accredited institution.

10 (d) Documentation related to timberland productivity classification
11 shall be retained for no less than ten (10) years following classifica-
12 tion determination. Documentation shall include but is not limited to:

13 (i) Timberland characteristics, on a form provided by the state
14 tax commission, with sufficient detail to verify the classifica-
15 tion, including the calculation of productivity class as set forth
16 in subsection (2) of this section;

17 (ii) The location of any field plots and any site trees using map
18 or global positioning system (GPS) coordinates;

19 (iii) A map illustrating property boundaries, habitat type-based
20 stratifications as provided in subsection (2) of this section, and
21 plot locations used in the determination of productivity class;
22 and

23 (iv) Any imagery used to assess the parcel prior to field review.

24 (5) Provided the county assessor and forest land owner agree and the
25 data is deemed by the county assessor to be acceptable and accurate, the data
26 used to establish any parcel's productivity classification may be provided
27 by the forest land owner. In this case, inspector qualifications and profi-
28 ciency provisions of this section shall not apply.

29 (a) When productivity data is provided to the county assessor by the
30 forest land owner, it shall be deemed confidential production record
31 information and not subject to public disclosure, pursuant to section
32 74-107(2), Idaho Code.

33 (b) When the alternate method described in this section is to be used,
34 the county shall not be required to have a certified inspector to review
35 property characteristics.

36 (c) To be considered acceptable, the classification of the timberland
37 so established must result in market value for assessment purposes as
38 defined in section 63-1705(3), Idaho Code.

39 SECTION 3. An emergency existing therefor, which emergency is hereby
40 declared to exist, this act shall be in full force and effect on and after its
41 passage and approval, and retroactively to January 1, 2020.