

# San Juan County Timber Tax Rules

There are three primary tax-related issues that small woodland owners should be aware of:

- County real estate taxes
- State excise taxes on the sale of forest products
- Federal income taxes

This brief summary introduces forest owners to these taxes, and provides guidance on where to find more information.

## **County Real Estate Taxes**

The Washington State Legislature recognizes that healthy forest lands are good for the State's citizens and economy. In addition to scenic and recreational spaces, healthy forests provide:

- An enhanced water supply,
- Reduced soil erosion, storm and flood damage,
- Habitat for wildlife,
- Employment opportunities, and
- Raw materials for products.

In order to support the development and preservation of forest lands, the legislature created two property tax deferral programs designed to help taxpayers who wish to grow timber for commercial purposes; the Designated Forest Lands program and the Open Space Timber Land program. The Designated Forest Lands program is governed by state statute (RCW 84.33) and managed by the County Assessor's Office.

Like every county in Washington State, San Juan County assesses a real estate property tax on all private property owners. It is the duty of the County Assessor to determine the value of all taxable real and personal property for the purpose of equitable tax distribution for various taxing districts, and to implement taxation practices in accordance with our

State laws. The amount of taxes required is determined by the Council Members or Commissioners of the taxing districts. The assessed value and tax dollar requirements are calculated to provide each owner with an amount of tax due according to their proportionate share of the total monies necessary to satisfy the budgeted levy requirements.

### **Quick Links**

San Juan County Assessor

<http://www.sanjuanco.com/153/Current-Use-Programs>

WA Administrative Code (WAC)

<http://apps.leg.wa.gov/WAC/default.aspx?cite=458-30>

Revised Code of WA (RCW)

<http://apps.leg.wa.gov/RCW/default.aspx?cite=84.34>

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## **Timberland (aka Designated Forest Lands)**

Through participation in the Designated Forest Lands program, Washington State encourages sound forestry practices so that present and future generations can enjoy the many benefits they provide. As a way to encourage commercial forestry in Washington State, landowners may apply to have their land classified as Designated Forest Land. Property owners that apply and are accepted into the Designated Forest Lands program have their lands valued at their current use rather than at their highest and best use for property tax purposes. This designation often results in a lower assessed value and lower taxes.

Designated Forest Land, or Timberland, means any parcel of land that is five or more acres or multiple parcels of land that are contiguous and total five or more acres which is or are devoted primarily to the growth and harvest of timber for commercial purposes. Timberland means the land only and does not include a residential homesite. The term includes land used for incidental uses that are compatible with the growing and harvesting of timber but no more than ten percent of the land may be used for such incidental uses. It also includes the land on which appurtenances necessary for the production, preparation, or sale of the timber products exist in conjunction with land producing these products.

## **Open Space**

The Open Space Taxation Act, enacted in 1970, allows property owners to have their open space, farm and agricultural, and timberlands valued at their current use rather than their highest and best use. The Act states that it is in the best interest of the State to maintain, preserve, conserve, and otherwise continue in existence adequate open space lands for the production of food, fiber, and forest crops and to assure the use and enjoyment of natural resources and scenic beauty for the economic and social well-being of the State and its citizens.

Open Space Land is defined as either:

1. Any land area zoned for open space by a comprehensive land use plan adopted by a city or county legislative authority, or
2. Any land area in which the preservation in its present use would:
  - Conserve and enhance natural or scenic resources,
  - Protect streams or water supply,
  - Promote conservation of soils, wetlands, beaches or tidal marshes,
  - Enhance the value to the public of abutting or neighboring parks, forest, wildlife preserves, nature reservations or sanctuaries or other open space,
  - Enhance recreation opportunities,
  - Preserve historic sites,
  - Preserve visual quality along highway, road, and street corridor or scenic vistas, or
  - Retain in its natural state tracts of land not less than one acre situated in an urban area and open to public use on such conditions as may be reasonably required by the granting authority.

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3. Or, any land meeting the definition of "farm and agricultural conservation land" which means either:
  - Land previously classified under farm and agriculture classification that no longer meets the criteria and is reclassified under open space land, or
  - "Traditional farmland", not classified, that has not been irrevocably devoted to a use inconsistent with agricultural uses, and that has a high potential for returning to commercial agriculture.

### **Washington State Timber Excise Tax**

Forest tax – sometimes called timber tax – is an excise tax that began in 1971, when the Legislature excluded timber from property taxation. In place of a property tax on trees, timber owners pay a 5 percent excise tax on the net value, or stumpage value, of their timber

when it is harvested. *The person who owns the timber at the time of harvest is responsible for paying the forest tax.* Contractors performing labor and services for the timber owner are not responsible for the forest tax. When the owner of the timber cannot be determined, the landowner at the time of harvest will be responsible for the tax. The revenue is split between the counties and the state general fund. The timber is taxed at 5 percent, with 4 percent going to the county where the harvest occurred and 1 percent going to the state general fund. The tax is collected quarterly by the WA Department of Revenue, and is based on the net revenue a landowner earns after all logging, hauling, infrastructure and administrative costs have been deducted.

#### **Quick Links**

WA Department of Revenue  
<http://dor.wa.gov/content/FindTaxesAndRates/OtherTaxes/Timber/default.aspx>

### **Federal Income Tax**

Both the revenue generated from selling forest products, as well as the costs of owning and managing forestland, can factor into an individual's or family's annual federal income taxes. The IRS tax code related to forestlands is a

little known section of the code, and many certified public accountants and other tax preparers are not familiar with it. Therefore, it behooves the small woodland owner to become familiar with the unique tax requirements and opportunities of owning forestland, and to properly and consistently document their costs and earnings. The National Timber Tax website, a joint project of the U.S. Forest Service and other public programs that support small woodland owners, is an excellent resource for both educational materials and necessary documents.

#### **Quick Links**

National Timber Tax  
<http://www.timbertax.org/>

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