



## Trust Land Transfer Revitalization Phase 2

# Taxing Districts Focus Group, Solutions Subcommittee Meeting #5

November 9, 2022  
9-10:30 a.m.



# Agenda



Time	Topic	Lead
9:00 – 9:10 p.m.	Welcome <ul style="list-style-type: none"><li>• Introductions</li><li>• Goal</li></ul>	Sarah
9:10 – 10:20 p.m.	• Exploring Solution Implementation <ul style="list-style-type: none"><li>○ Concerns and Potential Fixes</li><li>○ What Needs to Change and Where?</li></ul>	Sarah
10:20 – 10:30 a.m.	Wrap-up	Sarah

# Focus Group Goals



- Examine current options in the TLT tool and identify alternatives.
- Evaluate potential of options to avoid, minimize, and mitigate impacts.
- Suggest steps toward implementation of options.





## Implementation:

- *Concerns and Potential Fixes*
- *What Needs to Change and Where?*

# Cash for Timber



- DNR requests parcel's fair market value not actual value under DNR restrictions.
- Land replacement value goes to the Real Property Replacement Account, to fund purchase of replacement land.
- Funding in excess of this amount goes to the county as a one-time payment, instead of being deposited in the Real Property Replacement Account.
- Beneficiaries end up receiving more money for transferring the parcel than they would for harvesting it.
- Taxing districts reliant on these funds may not be able to wait for future timber harvests from replacement lands.
- Concerns: Diminished land base

# Direct Compensation to Counties

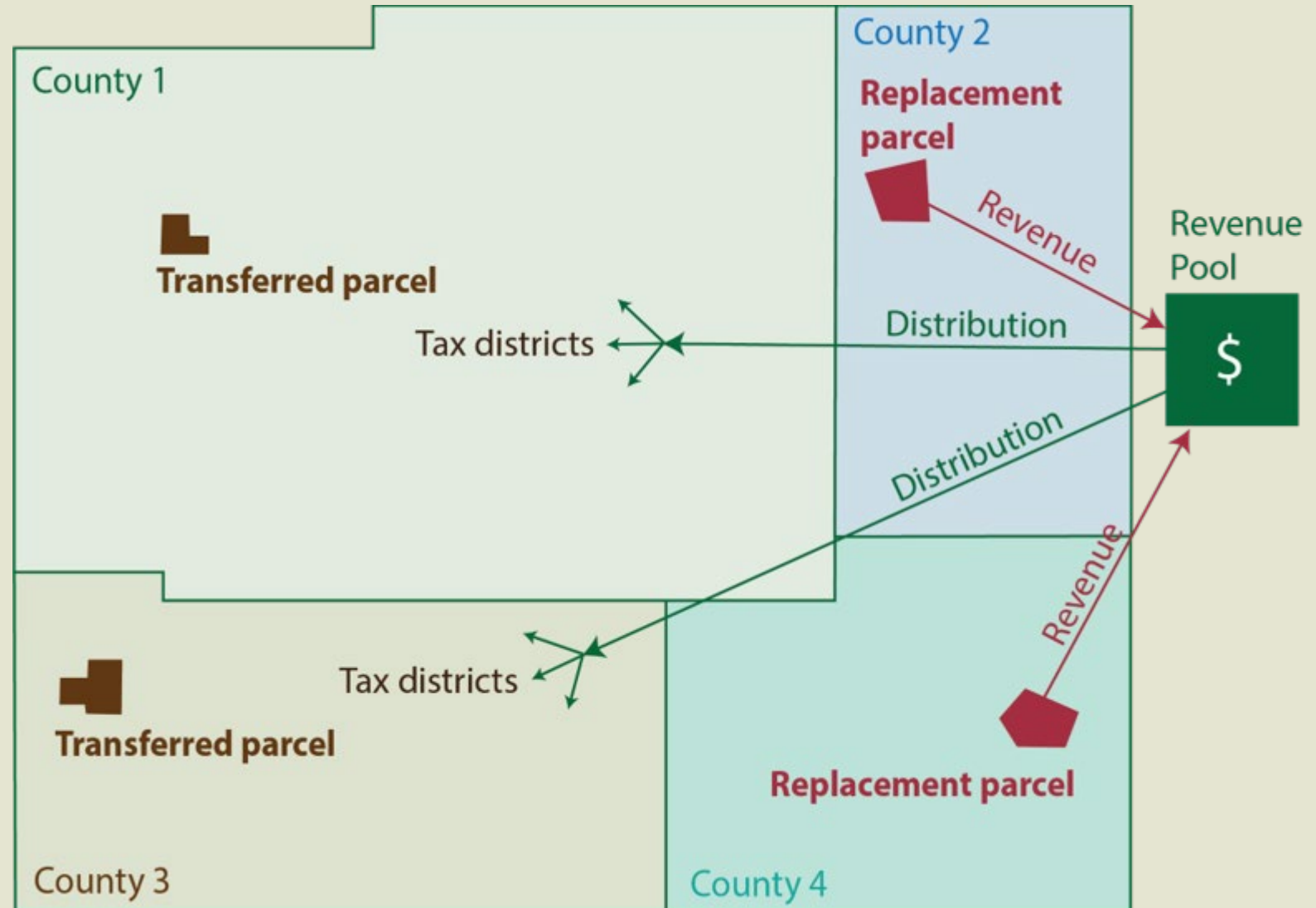


- DNR would compensate the county for the loss of revenue on transferred parcels in both a one-time payment and a payment in perpetuity
  - State Forest Transfer: one-time payment of the land value + 75% of timber value + 100% of the excise tax
  - State Forest Purchase: one-time payment of 26.5% timber value + 100% of the excise tax
  - State Forest Purchase: land value split of 50% to the Forest Development Account, 26.5% to the affected county, and 23.5% to a new “County Compensation Account”
- Other trusts and grants: Calculated annual payment in perpetuity to compensate for loss of future revenue for the excise tax
- Equity for counties experiencing decreased timber land base due to setbacks
- Concerns: Requires creation of a new account and diversion of funds from general fund, funding would need to be addressed every biennium

# Revenue Pooling and Distribution: Cross-county



State Forestland Pool. As authorized by RCW 79.22.140 where land can be replaced anywhere and future revenue is credited to its former taxing district according to percent of contribution. Currently only available for counties with population less than 25,000 with lands encumbered by endangered species.



# Revenue Pooling and Distribution: Cross-county



- This solution will require a change in statute to expand beyond counties with population below 25,000 and
- A county may or may not be willing to have private lands within their county become public lands, and for those lands to be managed on behalf of beneficiaries in another county.

**Solution:** Both counties involved sign an agreement to participate.

- How this solution will affect property taxes; many counties already have a small tax base due to the presence of federal lands.

**Solution:** The lands being transferred must be placed into conservation status so they are eligible for payment in lieu of taxes (PILT). The PILT payment would go to the county in which the replacement lands are purchased, and the revenue from timber harvest on the replacement lands would go to the county from which the lands were transferred.

- Land use on the replacement parcel may change over time.

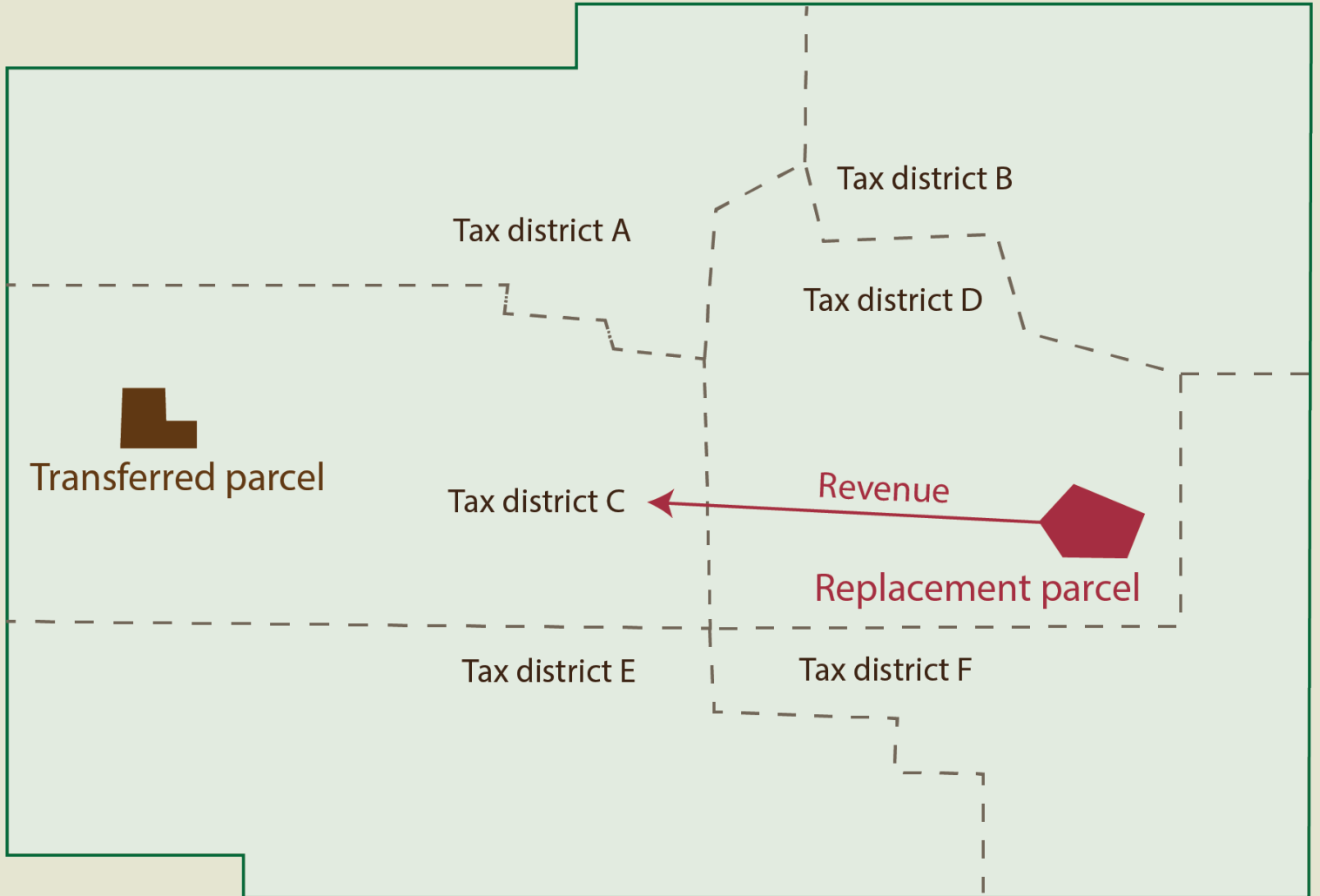
**Solution:** Per the agreement, the county in which the replacement parcel is purchased is prohibited from taking any action that would impede revenue-generating activity on that parcel. They could opt to leave the agreement, which requires paying the other county the full value of the replacement parcel.



# Replacement Land: New Tax Code Area



When a replacement parcel is located in a different tax area code than the parcel being transferred, counties could have the flexibility to assign the replacement parcel to the *affected* taxing district.



# Replacement Land: New Tax Code Area

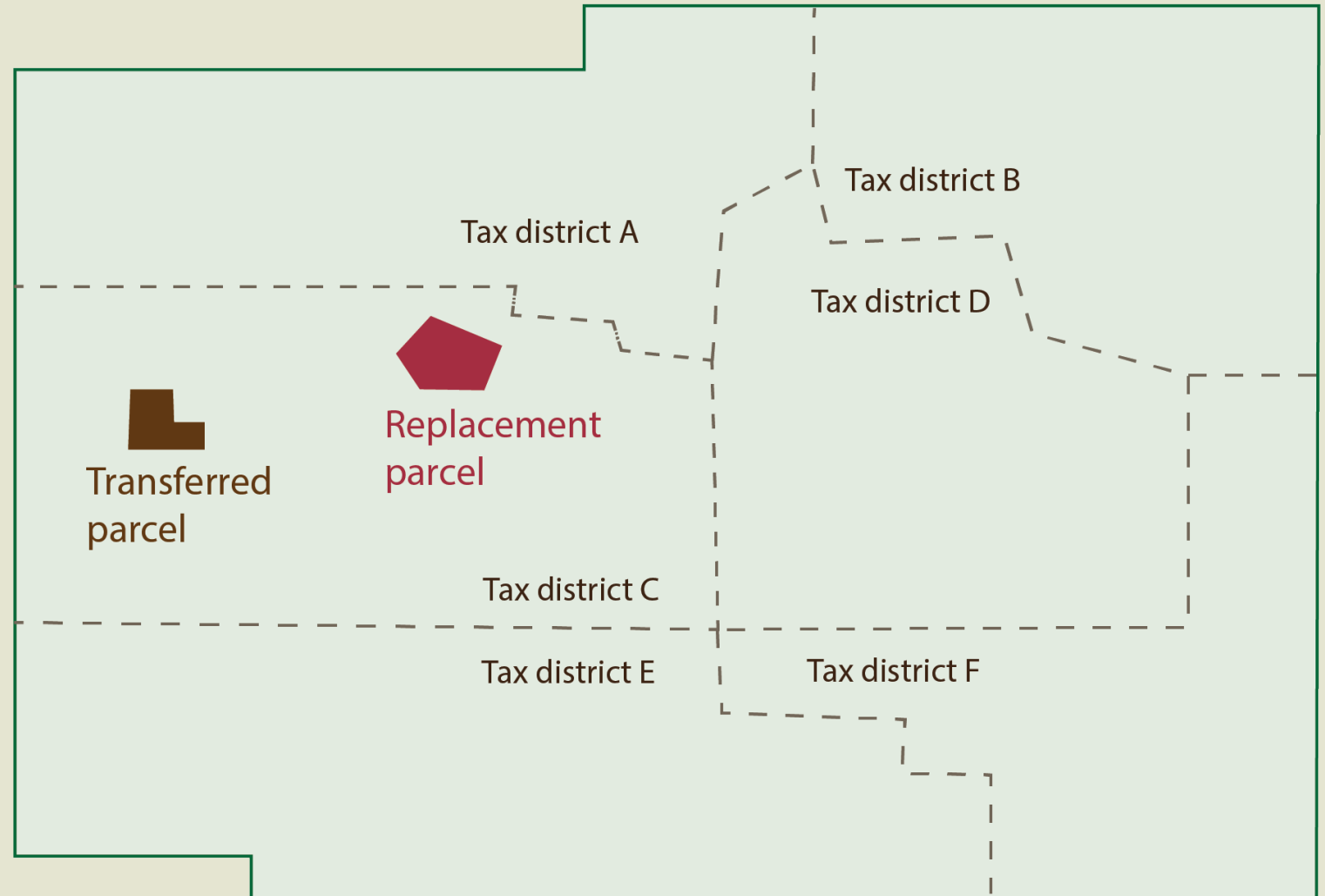


- For the County Assessors office, creating new tax codes within their software system would be complicated.
- This option could be cost prohibitive for smaller counties. Counties should have the option to opt out.

# The Simple Solution



A replacement parcel is found within the same tax area code. The replacement parcel is not an inter-trust exchange parcel using Common School trust land, but would be newly purchased private timber land.



# The Simple Solution



- County would lose the private timberland annual tax revenue, but that revenue is quite low and the county would still receive the forest excise tax.
- Some counties already have a lot of public lands and rely heavily on property taxes. Transfers could have significant cumulative impacts on these counties.
- Counties could request PILT payments for the loss.
- Revenue generated from the replacement lands would far outweigh PILT.

# Thank you!

