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**SUBSTITUTE SENATE BILL 5903**

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**State of Washington**

**60th Legislature**

**2007 Regular Session**

**By** Senate Committee on Ways & Means (originally sponsored by Senators Hargrove, Hatfield and Sheldon)

READ FIRST TIME 03/05/07.

1       AN ACT Relating to cooperative agreements concerning the timber  
2 harvest excise taxation of timber harvests on fee land within the  
3 boundaries of the Quinault Indian Reservation; amending RCW 84.33.081;  
4 adding a new section to chapter 43.06 RCW; adding a new section to  
5 chapter 84.33 RCW; and creating a new section.

6       BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7       NEW SECTION.   **Sec. 1.** The legislature finds that in certain areas  
8 of taxation, where both a tribe and the state have jurisdiction and  
9 where there are challenges to administering a tax, tax agreements  
10 between the state and a tribe are a sound approach to resolving issues  
11 and simplifying processes. The legislature specifically recognizes  
12 that in the area of the timber excise tax, within the boundaries of the  
13 Quinault Reservation, the state faces challenges due to access to land  
14 and access to taxpayers. The activity being taxed takes place entirely  
15 within the reservation and is regulated by the tribe and by the state.  
16 The legislature therefore finds that shifting from a state administered  
17 tax, to a tribal tax credited against the state tax, will bring  
18 benefits such as consistent taxation, improved forest practices and  
19 water quality, improved fisheries, and sustainability. The legislature

1 intends to further the government-to-government relationship between  
2 the state of Washington and the Quinault Nation by authorizing the  
3 governor to enter into an agreement related to timber harvest excise  
4 taxes.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.06 RCW  
6 to read as follows:

7 (1) The governor may enter into a timber harvest excise tax  
8 agreement with the Quinault Nation concerning the harvest of timber.  
9 The tax agreement must meet the requirements under this section.

10 (2) The agreement shall be in regard to timber harvests on fee land  
11 within the exterior boundaries of the reservation of the Quinault  
12 Nation and are not in regard to timber harvests on trust land or land  
13 owned by the tribe within the exterior boundaries of the reservation.

14 (3) The agreement must provide that the tribal tax shall be  
15 credited against the state and county taxes otherwise due under RCW  
16 84.33.041 and 84.33.051 with respect to timber harvested on fee land  
17 within the exterior boundaries of the reservation of the Quinault  
18 Nation, and that the tribal tax rate be equal to the rate of the state  
19 tax imposed under RCW 84.33.041.

20 (4) Tribal ordinances for timber harvest excise taxation, or other  
21 authorizing tribal laws, which implement the timber harvest excise tax  
22 agreement with the state, must incorporate or contain provisions  
23 identical to chapter 84.33 RCW that relate to the tax rates and  
24 measures, such as stumpage values.

25 (5) The agreement must be for renewable periods of no more than  
26 eight years.

27 (6) The agreement must include provisions for compliance, such as  
28 inspection procedures, recordkeeping, and audit requirements.

29 (7) Tax revenue retained by the tribe must be used for essential  
30 government services. Use of tax revenue for subsidization of timber  
31 harvesters is prohibited.

32 (8) The governor may delegate the power to negotiate the timber  
33 harvest excise tax agreement to the department of revenue.

34 (9) Information received by the state or open to state review under  
35 the terms of the timber harvest excise tax agreement is subject to the  
36 provisions of RCW 82.32.330. The department of revenue may enter into

1 an information sharing agreement with the tribe to facilitate sharing  
2 information to improve tax collection.

3 (10) The timber harvest excise tax agreement must include dispute  
4 resolution procedures, contract termination procedures, and provisions  
5 delineating the respective roles and responsibilities of the tribe and  
6 the department of revenue. The timber harvest excise tax agreement may  
7 include provisions to resolve disputes using a nonjudicial process,  
8 such as mediation.

9 (11) The timber harvest excise tax agreement must include  
10 provisions to require taxpayers to submit information that may be  
11 required by the department of revenue or tribe.

12 (12) For the purposes of this section:

13 (a) "Essential government services" means services such as forest  
14 land management; protection, enhancement, regulation, and stewardship  
15 of forested land; land consolidation; tribal administration; public  
16 facilities; fire; police; public health; education; job services;  
17 sewer; water; environmental and land use; transportation; utility  
18 services; and public facilities serving economic development purposes  
19 as those terms are defined in RCW 82.14.370(3)(c);

20 (b) "Forest land" has the same meaning as in RCW 84.33.035;

21 (c) "Harvester" has the same meaning as in RCW 84.33.035; and

22 (d) "Timber" has the same meaning as in RCW 84.33.035.

23 NEW SECTION. **Sec. 3.** A new section is added to chapter 84.33 RCW  
24 to read as follows:

25 A credit is allowed against the tax imposed under RCW 84.33.041 and  
26 84.33.051, with respect to timber harvested on fee land within the  
27 exterior boundaries of the reservation of the Quinault Nation, for a  
28 tribal tax imposed on the same taxable activities under an agreement  
29 authorized by section 2 of this act. Refunds may not be given in place  
30 of credits. Credit may not be claimed in excess of the tax otherwise  
31 due.

32 **Sec. 4.** RCW 84.33.081 and 1985 c 184 s 1 are each amended to read  
33 as follows:

34 (1) On the last business day of the second month of each calendar  
35 quarter, the state treasurer shall distribute from the timber tax  
36 distribution account to each county the amount of tax collected on

1 behalf of each county under RCW 84.33.051, less each county's  
2 proportionate share of appropriations for collection and administration  
3 activities under RCW 84.33.051, and shall transfer to the state general  
4 fund the amount of tax collected on behalf of the state under RCW  
5 84.33.041, less the amount of the distribution under subsection (7) of  
6 this section and the state's proportionate share of appropriations for  
7 collection and administration activities under RCW 84.33.041. The  
8 county treasurer shall deposit moneys received under this section in a  
9 county timber tax account which shall be established by each county.  
10 Following receipt of moneys under this section, the county treasurer  
11 shall make distributions from any moneys available in the county timber  
12 tax account to taxing districts in the county, except the state, under  
13 subsections (2) through (4) of this section.

14 (2) From moneys available, there first shall be a distribution to  
15 each taxing district having debt service payments due during the  
16 calendar year, based upon bonds issued under authority of a vote of the  
17 people conducted pursuant to RCW 84.52.056 and based upon excess levies  
18 for a capital project fund authorized pursuant to RCW 84.52.053, of an  
19 amount equal to the timber assessed value of the district multiplied by  
20 the tax rate levied for payment of the debt service and capital  
21 projects: PROVIDED, That in respect to levies for a debt service or  
22 capital project fund authorized before July 1, 1984, the amount  
23 allocated shall not be less than an amount equal to the same percentage  
24 of such debt service or capital project fund represented by timber tax  
25 allocations to such payments in calendar year 1984. Distribution under  
26 this subsection (2) shall be used only for debt service and capital  
27 projects payments. The distribution under this subsection shall be  
28 made as follows: One-half of such amount shall be distributed in the  
29 first quarter of the year and one-half shall be distributed in the  
30 third quarter of the year.

31 (3) From the moneys remaining after the distributions under  
32 subsection (2) of this section, the county treasurer shall distribute  
33 to each school district an amount equal to one-half of the timber  
34 assessed value of the district or eighty percent of the timber roll of  
35 such district in calendar year 1983 as determined under this chapter,  
36 whichever is greater, multiplied by the tax rate, if any, levied by the  
37 district under RCW 84.52.052 or 84.52.053 for purposes other than debt  
38 service payments and capital projects supported under subsection (2) of

1 this section. The distribution under this subsection shall be made as  
2 follows: One-half of such amount shall be distributed in the first  
3 quarter of the year and one-half shall be distributed in the third  
4 quarter of the year.

5 (4) After the distributions directed under subsections (2) and (3)  
6 of this section, if any, each taxing district shall receive an amount  
7 equal to the timber assessed value of the district multiplied by the  
8 tax rate, if any, levied as a regular levy of the district or as a  
9 special levy not included in subsection (2) or (3) of this section.

10 (5) If there are insufficient moneys in the county timber tax  
11 account to make full distribution under subsection (4) of this section,  
12 the county treasurer shall multiply the amount to be distributed to  
13 each taxing district under that subsection by a fraction. The  
14 numerator of the fraction is the county timber tax account balance  
15 before making the distribution under that subsection. The denominator  
16 of the fraction is the account balance which would be required to make  
17 full distribution under that subsection.

18 (6) After making the distributions under subsections (2) through  
19 (4) of this section in the full amount indicated for the calendar year,  
20 the county treasurer shall place any excess revenue up to twenty  
21 percent of the total distributions made for the year under subsections  
22 (2) through (4) of this section in a reserve status until the beginning  
23 of the next calendar year. Any moneys remaining in the county timber  
24 tax account after this amount is placed in reserve shall be distributed  
25 to each taxing district in the county in the same proportions as the  
26 distributions made under subsection (4) of this section.

27 (7) On the last business day of the second month of each calendar  
28 quarter, the state treasurer shall distribute from the timber tax  
29 distribution account to the county an amount of tax collected by the  
30 state under RCW 84.33.041 equal to the amount of any tribal tax  
31 credited against the county's tax under an agreement entered into under  
32 section 2 of this act.

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