

Department of Finance		Fund: 0965
STATE OF CALIFORNIA MANUAL OF STATE FUNDS		PAGE 1 Renumbered From:
<u>Legal Title</u> Timber Tax Fund		
<u>Legal Citation/Authority</u> Chapter 176, Statutes of 1975 Revenue and Taxation Code sections 38101-38908 (38903 Creation) Government Code section 27423		
<u>Fund Classification</u> <u>GAAP Basis</u> Fiduciary/Agency Funds	<u>Fund Classification</u> <u>Legal Basis</u> Nongovernmental/Trust and Agency Funds-- Non-Federal	
<u>Purpose</u> Chapter 176, Statutes of 1975 created the Timber Tax Fund and changed the method of taxation on timber and the land on which the timber is growing. The purpose of this legislation was to increase prudent and responsible forest resources management throughout the state. The legislation changed the ad valorem tax on privately owned land and land acquired for the primary purpose of growing and harvesting timber by zoning such land, for a minimum of 10 years, as a timberland preserve and provided that such land would be valued, for property taxation in general on the basis of its use for growing and harvesting time only. Timber was exempted from the ad valorem or property tax. The reductions in the property tax received are offset by a yield tax at the time the timber is harvested. The Timber Tax Fund was created as a depository of monies received pursuant to a six percent yield tax imposed upon public or private lands. This tax is subject to adjustment each year to match the change in the overall rate of certain counties. Monies in the fund are paid to the counties throughout the state in which timber was assessed during the 1972-73 to 1974-75 fiscal years (Government Code section 27423). Monies are distributed from the counties to local taxing agencies pursuant to Section 27423(f) of the Government Code. On June 1 each year, the balance in the fund, in excess of \$250,000, is transferred to the Timber Tax Reserve Fund. The amount retained in the Timber Tax Fund is primarily for the purpose of making refunds of taxes that were overpaid and for the payment of administrative costs of the State Board of Equalization and the Department of Forestry. In the event that there are insufficient monies in the fund to make allocation to the counties as provided, monies are transferred from the Timber Tax Reserve Fund to the Timber Tax Fund for the purpose of meeting the revenue guarantee. The revenue guarantee is the amount that would have been received by each taxing district under the ad valorem tax on timber, based on the average assessed valuation of timber in those districts for the 1972-73 through 1974-75 fiscal years. If the money in the reserve is inadequate, each county's apportioned share is reduced on a prorata basis and will be made up from future collections of tax. Penalties and interest are charged for late payment of the yield tax and violation of the law. These amounts are deposited in the fund.		

Administering Agency/Organization Code

State Board of Equalization/Org 0860 and the Department of Forestry/Org 3540

Major Revenue Source

Timber yield taxes.

Interest and penalties collected for late payment of the timber yield tax, the Timber Tax Reserve Fund, and violation of the law.

Monies transferred from the Timber Tax Reserve Fund to make up deficiencies in the fund for apportionment to the counties.

Disposition of Fund (upon abolishment)

Allocations to counties for distribution to the local taxing agencies located therein that derived ad valorem taxes on timber during 1972-73 to 1974-75 fiscal years or were subsequently formed and certified.

Refunds of taxes overpaid.

Transfers to the Timber Tax Reserve Fund.

Appropriation Authority

Section 38904 of the Revenue and Taxation Code provides that the monies in the fund are appropriated to the Controller to allocate pursuant to Section 38905 of the Revenue and Taxation Code for apportionment to counties and for transfer to the Timber Tax Reserve Fund, and to reimburse the Board of Equalization and the Department of Forestry for approved administrative costs.

State Appropriations Limit

Always Excluded – Revenues in this fund are not proceeds of taxes and even after transfer, will never become proceeds of taxes because the major revenue source is derived from a Trust and Agency Fund (Non-Federal).

Comments/Historical Information