

# DESIGNATED FORESTLAND IN WASHINGTON STATE



## Introduction

Designated Forestland (DFL) is a money-saving property tax assessment option for qualifying forest landowners in the state of Washington. This publication is intended to help small forest landowners in Washington better understand DFL, including how it works, potential benefits, eligibility requirements, and other important program aspects so that landowners can make informed decisions about whether DFL is right for them.

Washington has an ad valorem property tax. Ad valorem means “based on value,” so real property in Washington is taxed based on an assessment of its fair market value. This value would typically reflect what is called “highest and best use” (HBU), which is the most economically advantageous use of the land, which is often real estate development. With the DFL option, the taxable value of forested land is assessed for forestry use, which is typically a much lower value. DFL was established by the legislature in 1971 (RCW 84.33). While DFL has its basis in state law, it is administered at the county level by the assessor’s office. DFL is independent of land zoning and should not be confused with any forest-related zoning designation.

The purpose of DFL is to encourage landowners to maintain their land in forest use by mitigating economic disincentives to do so, such as a high annual property tax burden. The legislature recognized that productive forestlands provide a multitude of public benefits, such as water supply, soil protection, stormwater management, wildlife habitat, aesthetics, recreation opportunity, ecosystem health, and jobs (RCW 84.33.010[1]).

## Tax Savings

### *Land Value Assessment under DFL*

DFL reduces property tax liability by reducing the assessed value of the land from whatever the fair market value is to the appropriate DFL land value. DFL values are established by law

(WAC 458-40-540) and change annually. Value tables for each year are published by the Department of Revenue at <https://dor.wa.gov/taxes-rates/other-taxes/forest-tax/forest-land-values>. Land values are based on land grade and operability class, as defined in WAC 458-40-530. Land grades are based on soil productivity for timber growth, as measured by site index. Land grades range from 1 (most productive) to 8 (least productive). Operability classes range from 1 (most favorable) to 4 (extreme) based on how difficult it would be to extract timber given soil characteristics and geomorphic features such as slope.

In 2024, land values for DFL ranged from a high of \$227/acre for land grade 1 and operability class 1 to a low of \$1/acre for land grade 8. In contrast, the fair market value of the land may be assessed at tens of thousands of dollars.

### *Theoretical Example of Tax Savings*

Consider a 30-acre forested property with a residence on it. Suppose the fair market value of this property is assessed as follows:

- House = \$1,000,000
- Excluded acre on which the house sits = \$30,000
- Remaining 29 forested acres = \$10,000/acre

Without DFL, the total assessed value would be,

$$\$1,000,000 + \$30,000 + (29 \times \$10,000) = \$1,320,000.$$

Under DFL, however, suppose the prescribed land value is \$150/acre. Under DFL, the total assessed value would then be,

$$\$1,000,000 + \$30,000 + (29 \times \$150) = \$1,034,350.$$

The total reduction in assessed value under DFL would be,

$$\$1,320,000 - \$1,034,350 = \$285,650.$$



If property tax was levied at 1.3% of assessed value, DFL in this case would result in an annual tax savings of,

$$1.3\% \times \$268,520 = \$3,713.$$

## Eligibility

### *Acreage*

To be designated as forestland, the land must be at least five contiguous acres of forest (which can comprise multiple adjacent parcels), not including any residential portion. If there is a residential portion, typically a minimum of one acre is excluded. Thus, landowners living on their property should have at least six acres total, five of which must be forest.

### *Timber Harvest Requirement*

The law specifies that DFL must be “devoted primarily to growing and harvesting timber” (RCW 84.33.035[5]). DFL is not simply a tax reduction; it is partly a tax deferral. In lieu of paying a higher property tax every year, landowners instead pay a 5% Forest Excise Tax (FET) on timber harvest revenue. FET payments are allocated to the county and the state similar to property tax. This way, much of the property tax liability of forestland is shifted to times of periodic revenue production instead of a high annual liability. A landowner paying lower property taxes through DFL but never intending to harvest and generate FET payments would not be in compliance with state

law. As such, landowners who are primarily interested in aesthetics, recreation, habitat, carbon sequestration, and other conservation values and do not intend to use their land for timber production should not enroll in DFL.

## *Forest Management Plan*

Counties will usually require a written forest management plan, also called a timber management plan, upon enrollment in or sale of DFL. The forest management plan must be “prepared by a trained forester or any other person with adequate knowledge of timber practices concerning the use of the land” (RCW 84.33.035). Washington State University Extension’s Forest Stewardship Coached Planning courses (<https://forestry.wsu.edu>) are designed to help landowners write their own forest plans that meet the requirements for DFL and provide coaching from professional foresters. Most county assessors will accept forest plans prepared through the WSU Coached Planning program, but landowners should confirm this with their county assessor. Landowners can also opt to pay a private consulting forester to write the plan. WSU Extension maintains an online directory of consulting foresters at <https://forestry.wsu.edu/consultingdirectory/>.

## Conservation-Based Current Use

General Open Space may be an option for landowners looking for a current use program that does not require periodic timber harvesting. Some counties have established a Public Benefit Rating System (PBRs) as one of their Open Space options. Under PBRs, landowners can earn points for voluntary conservation of public resources beyond the minimum required by law. Points add up to a percent reduction in property taxes. It is up to the discretion of the individual county as to what qualifies as a public resource eligible for points, so PBRs implementation varies widely from county to county. Whether or not to offer PBRs is also up to the individual county. For counties that do not offer PBRs, General Open Space may be an option. Interested landowners should contact their county to find out what options are available and what the eligibility requirements are. Open Space and PBRs programs are typically administered through a county’s planning department as opposed to the assessor’s office.

### *Counties Offering PBRs*

As of February 2024, 20 of Washington’s 39 counties offer a PBRs program:

- |             |                  |              |
|-------------|------------------|--------------|
| 1. Chelan   | 8. Jefferson     | 15. Pierce   |
| 2. Clallam  | 9. King          | 16. San Juan |
| 3. Clark    | 10. Kitsap       | 17. Spokane  |
| 4. Cowlitz  | 11. Kittitas     | 18. Thurston |
| 5. Douglas  | 12. Lewis        | 19. Whatcom  |
| 6. Franklin | 13. Okanogan     | 20. Yakima   |
| 7. Island   | 14. Pend Oreille |              |

# Enrollment and Removal

## *Applying for DFL*

An application to enroll a property in DFL must be submitted to the county assessor's office by December 31 for consideration the following calendar year. Applicants should obtain the application form, application instructions, and list of application requirements from their county assessor. The assessor must approve or deny the application before July 1 of the following

year. If the assessor fails to approve or deny by July 1 of the following year, the application is automatically considered approved. If an application is denied, an appeal can be made to the county board of equalization.

If the application is approved, the enrolled property will be assessed at the new, lower rate the year following that of application, for taxes payable the next year after that. For example, if an application is made before December 31, 2024, and it is approved, the property will be assessed at the lower value in 2025 for taxes payable in 2026. The first year of lower tax payments would be 2026.

## *Removing Property from DFL*

A compensating tax must be paid if the landowner wishes to remove a property from DFL at some point. The compensating tax is calculated by taking the tax difference between the DFL

assessment and the normal fair market value assessment in the year of removal and multiplying by nine years, or however many years the land was enrolled, if fewer than nine. Landowners should carefully consider their long-term plans before applying for DFL. If a landowner is not committed to managing the land for timber production for at least ten years, DFL may not be a financially advantageous option.

## *Sale of Property Enrolled in DFL*

Property enrolled in DFL can be sold and will remain in DFL if the buyer signs a form called a continuance in which the buyer commits to continue managing for timber production and abiding by all other DFL rules. The county assessor may require the buyer to submit a new management plan when signing a continuance. If the buyer declines to sign the continuance, the seller must pay the compensating tax before the sale can close and be recorded. The topic of the continuance should be discussed and agreed upon by the buyer and seller and the necessary arrangements be made with the county assessor's office well before the desired closing date, or the closing of the sale will likely be delayed. If the buyer signs the continuance, the sale is recorded, and the buyer later decides they do not wish to continue managing the property per DFL requirements, the buyer is then responsible for removing the property from DFL and paying up to nine years of compensating tax, including for years before the purchase was made.

# Timberland Designation

A separate but similar current use designation to DFL is called Timberland, which is one of several available Open Space designations under RCW 84.34. There are several administrative differences between DFL and Timberland, but the tax savings are the same. One of the most notable differences used to be that the minimum acreage for DFL was twenty acres while the minimum for Timberland was five. In 2014, the legislature lowered the DFL minimum acreage to 5, which increased the level of redundancy between the two programs. As such, the 2014 law change gives counties the option of simplifying and streamlining their forestry current use options by merging their Timberland program into DFL, eliminating Timberland as a separate option. If a county chooses to eliminate the Timberland program, landowners may receive a notice from their county assessor that their land is being transferred from Timberland to DFL. This does not change the landowner's tax benefit, so landowners who receive this notice should not be alarmed.

As of February 2024, 20 of Washington's 39 counties have eliminated their Timberland program in this way:

- |                  |                  |                 |
|------------------|------------------|-----------------|
| 19. Chelan       | 26. Kitsap       | 33. Pierce      |
| 20. Clallam      | 27. Kittitas     | 34. Skagit      |
| 21. Cowlitz      | 28. Klickitat    | 35. Spokane     |
| 22. Ferry        | 29. Lewis        | 36. Stevens     |
| 23. Grays Harbor | 30. Mason        | 37. Walla Walla |
| 24. Island       | 31. Pacific      | 38. Whatcom     |
| 25. King         | 32. Pend Oreille |                 |

# Additional Resources

- RCW (Revised Code of Washington)—Chapter 84.33 (<https://app.leg.wa.gov/RCW/default.aspx?cite=84.33>)
- WAC (Washington Administrative Code)—Chapter 458 (<https://apps.leg.wa.gov/wac/default.aspx?cite=458-40>)
- Washington State Department of Revenue Current Use and Designated Forestland Administration manual (<https://dor.wa.gov/sites/default/files/2022-02/CurrentUseDesignatedForestlandManual.pdf>)
- Washington State Department of Revenue Designated Forest Land Fact Sheet (<https://dor.wa.gov/sites/default/files/2022-02/designatedforestland.pdf>)
- Washington State Department of Revenue Guidelines for Timber Management Plans (<https://dor.wa.gov/sites/default/files/2022-02/ForestSum.pdf>)
- Washington State Department of Revenue list of counties with merged timberland and DFL classifications (<https://dor.wa.gov/sites/default/files/2022-11/CountieswithmergedtimberlandandDFLclassunderSB6180.pdf>)
- WSU Extension Fact Sheet FS060E—Your Forest Stewardship Plan (<https://pubs.extension.wsu.edu/your-forest-stewardship-plan>)
- WSU Extension Online Module OM18—Washington State Forest Land and Timber Taxes (<https://forestry.wsu.edu/fsu/>)

# References

RCW (Revised Code of Washington). Chapter 84.33. <https://app.leg.wa.gov/RCW/default.aspx?cite=84.33>.

WAC (Washington Administrative Code). Chapter 458. <https://apps.leg.wa.gov/wac/default.aspx?cite=458-40>.

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