Outline

- Timberland property tax
- State tax incentives for timberland
- Wildlife management valuation on timberland
- Landowners’ rights and remedies
Timberland Property Tax in Texas

- Ad valorem tax

Property Tax = Timberland Appraised Value × Tax Rate

County Appraisal Districts

Taxing Units
Timberland Property Tax

Suppose a 10-acre pine tract is appraised at $200/acre, and the tax rate set by the TA in the county is $3 per $100 value. Then

Property tax = \$200 \times 10 \times \frac{3}{100} = \$60
Timberland Property Tax

- Local tax, not state tax
- Tax on timberland, not timber
Timberland Valuation

- Market value
- Timber in transition value
- Timberland productivity value
  - Restricted-use value
- 1978 market value
Timber in Transition

- Agricultural land → timber use
- Tax benefit: 15 years as agricultural land
- In the 16th year, timber use applies
“Equals the average annual net income a prudent manager could earn from growing timber over the 5-year period preceding the appraisal’s effective year, divided by a statutory capitalization rate”

— the Manual
Timberland Productivity Value

Timber-use Value:

\[
\text{Average Annual Net Income} = \frac{\text{TimberPrice} \times \text{TimberGrowth} - \text{ManagementCosts}}{\text{CapRate}}
\]

Capitalization of net annual income

Based on productivity, potential income
Timberland Productivity Value

Market Value
Productivity Value

$/acre

Year

Timberland Productivity Value

- Timberland value differs by forest type and soil type
- 3 Forest Types: Pine, Hardwood, Mixed
- 4 Soil Types: I, II, III, IV
- 12 Categories
### Example

<table>
<thead>
<tr>
<th></th>
<th>Pine</th>
<th>Mixed</th>
<th>Hardwood</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I</strong></td>
<td>$299</td>
<td>$303</td>
<td>$172</td>
</tr>
<tr>
<td><strong>II</strong></td>
<td>$180</td>
<td>$197</td>
<td>$91</td>
</tr>
<tr>
<td><strong>III</strong></td>
<td>$85</td>
<td>$102</td>
<td>$66</td>
</tr>
<tr>
<td><strong>IV</strong></td>
<td>$152</td>
<td>$89</td>
<td>$38</td>
</tr>
</tbody>
</table>

Comptroller Office, 2012
Restricted Use Timberland Valuation
Reforested Land (SB977)

- Property tax benefit: 50% of regular timber-use appraisal for 10 years
- In the 11th year, regular timber-use appraisal applies as long as it qualifies
TFS Recommended Criteria for Reforested Land Appraisal

- Upland site regeneration
  - 300 trees / acre
  - At least 8 trees/acre well-spaced with 16 inch DBH
  - Site preparation recommended

- Bottomland site regeneration
  - 300 trees / acre
  - Natural regeneration by cutting all trees
  - Planted hardwoods or pines are an option depending on site conditions
Special Forest Zones (SB977)

- Aesthetic Management Zone (AMZ)
- Critical Wildlife Habitat Zone (CWHZ)
- Streamside Management Zone (SMZ)

- Property tax benefits:

  50% of the regular timber-use appraisal as long as it qualifies
Aesthetic Management Zone (AMZ)

- Timberland determined as special or unique for aesthetic purpose
- Two types:
  - Public rights-of-way
    - Highway or other public road, public use area (park, cemetery, school...)
  - Special or unique area
    - Natural beauty, topography, historic significance
TFS Recommended Criteria for AMZ Public Rights of Way

- 10 years old or 35 ft tall
- Zone width: 100-200 ft, within 200 ft from edge
- Management plan
- Harvest restriction (BA>50 ft²/acre)
Critical Wildlife Habitat Zone (CWHZ)

Timberland on which timber harvest is restricted to:

- protect endangered/threatened species
- provide at least 3 of 7 benefits
  - Erosion control
  - Habitat control
  - Predator control
  - Providing supplemental water supplies
  - Providing supplemental food supplies
  - Providing shelters
  - making census counts to determine population
TFS Recommended Criteria for CWHZ

- Conservation agreement
- Endangered or threatened species
- Management plan
- Harvest restriction (BA > 50 ft²/acre)
Streamside Management Zone (SMZ)

Timberland on which harvest is restricted to:

- Protect water quality or
- Preserve a waterway (lake, river, stream or creek)
TFS Recommended Criteria for SMZ

- Streams or waterbody
- Width: 50 ft from each bank, up to 200 ft
- Trees 10 years old or more
- 300 trees per acre
- Minimum 50 ft$^2$ / acre basal area
- Management plan
When CA Questions an Application, TFS Makes Final Determination on:

- AMZ-Public Rights of Way
- Critical Wildlife Habitat Zone
- Streamside Management Zone
Before TFS Make Final Decision:

- The appraisal office will notify landowner of the request for TFS determination
- Landowner should submit evidence to the TFS to support their claims
AMZ – Special or Unique

- Landowner seeks TFS determination first
- Upon approval, apply with appraisal district offices

Old-growth forest

Historical site
Timberland Special Appraisal
(7.6 million acres)

- Timberland at 1978 market value: 5%
- Transition to timber: 1%
- Timberland at restricted use: 13%
- Timberland at productivity value: 81%
Landowner’s Role

- File timely application
- Notify appraisal districts about ownership changes, eligibility changes
- Pay tax
Rollback Tax Penalty on Land Use Changes

- Up to 5-year rollback taxes plus annual interest @ 7%

- Not land use changes:
  - Sale for right of way
  - Condemnation
  - Transferred for public use by government
  - Agricultural use
Landowner’s Rights

- Your land should be taxed at timber value if it qualifies
- You should be informed about a taxing unit’s proposed tax rate increase and have an opportunity to comment
- Protest to ARB (Appraisal Review Board)
- Binding arbitration
- File suit in district court
81st Session Legislation and Forest Landowners

- SB 801
  Extends wildlife management valuation to timberland
SB 801

- Qualified timberland can be converted to wildlife management use **directly**
- Appraised at the same category before conversion
- Effect on Jan. 2010
SB 801— Eligibility

- Timber-use before conversion
- At least 3 of the 7 management practices for wild animals for human use
  - Erosion control
  - Habitat control
  - Predator control
  - Providing supplemental water supplies
  - Providing supplemental food supplies
  - Providing shelters
  - Making census counts to determine population
SB 801—Application

- Complete 1-d-1 Open-Space Agricultural Appraisal form and select wildlife management option
- Attach a wildlife management plan on a form developed by TPWD
- Other documents required by CAD
- Submit application
SB 801 - Few Questions

- How long does a landowner need to have timberland exemption before being eligible for wildlife exemption?
- Are tax rates for timber exemption and wildlife exemption the same?
Questions?