Presentation at the 2017 Texas Timber Workshop

Timberland Property Tax in Texas

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Outline

• Timberland property tax
• Timberland valuation in Texas
• Landowners’ roles, rights, and remedies
• Wildlife management valuation on timberland
Timberland Property Tax in Texas

- Ad valorem tax

\[
\text{Property Tax} = \text{Timberland Appraised Value} \times \text{Tax Rate}
\]

- 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 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 $\rightarrow$ timber use
• Tax benefit: 15 years as agricultural land
• In the 16$^{\text{th}}$ year, timber use applies
Timberland Productivity Value

“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:

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

Capitalization of net annual income

Based on productivity, potential income
Productivity Value vs. Market Value
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 Values

<table>
<thead>
<tr>
<th></th>
<th>Pine</th>
<th>Mixed</th>
<th>Hardwood</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>$392.70</td>
<td>$257.24</td>
<td>$99.60</td>
</tr>
<tr>
<td>II</td>
<td>$246.35</td>
<td>$163.08</td>
<td>$37.85</td>
</tr>
<tr>
<td>III</td>
<td>$194.82</td>
<td>$98.27</td>
<td>$22.31</td>
</tr>
<tr>
<td>IV</td>
<td>$184.73</td>
<td>$65.21</td>
<td>$3.59</td>
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</table>

Comptroller Office, 2016
Restricted-Use Timberland Valuation
Two ways to Qualify for Restricted-Use

• Reforested land
• Special forest zones
Reforested Land

• 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

- 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

• 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
AMZ – Special or Unique

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

Old-growth forest  Historical site
TFS Recommended Criteria for AMZ Public Rights of Way

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

Timberland on which timber harvest is restricted:

- 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 ft² / acre basal area
- Management plan
When CA Questions a Restricted-use 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
Timberland Appraisal
(7.9 Million Acres)

- Timber at Productivity: 80%
- Timber at 1978 Market Value: 5%
- Transition to Timber: 3%
- Restricted Use Timber: 12%
Landowner’s Role

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

• 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
• Protest to ARB (Appraisal Review Board)
• Binding arbitration
• File suit in district court
Wildlife Management Valuation on Timberland
Wildlife Management on Timberland

- Qualified timberland can be converted to wildlife management use **directly**
- Appraised at the same category before conversion
- Came into effect in Jan. 2010
To Be Eligible for Wildlife Valuation

- 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
Wildlife Management 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
85th Legislative Session

Bills that deal with Timber Taxation

• H.B. No. 1299
• S.B. No. 594
Questions?

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