Presentation at the 2018 Texas Timber Workshop

*Timberland Property Tax in Texas*

February 13, 2018
Property Tax Assistance Division
Texas Comptroller of Public Accounts

*Joe Holcomb*
Ag & Timberland Appraiser
Texas Comptroller of Public Accounts
(512)936-6945
or 1-800-252-9121 (press 1 to access the directory, then press 6-6945)
Joe.Holcomb@cpa.texas.gov
Outline

• Timberland property tax
• Timberland valuation in Texas
• Landowner’s roles, rights, and remedies
• Timberland Data

Timberland Property Tax in Texas

• Ad valorem tax

\[
\text{Property Tax} = \frac{\text{Timberland Appraised Value}}{\text{County Appraisal Districts}} \times \text{Tax Rate} = \frac{\text{Taxing Units}}{\text{County Appraisal Districts}}
\]
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

\[
\text{Property tax} = \frac{200 \times 10 \times 3}{100} = 60
\]

Timberland Property Tax

- Local tax, not state tax
- Tax on timberland, not the 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
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

Timber-use Value:

\[
\text{Average Annual Net Income} = \frac{(\text{Timber Price} \times \text{Timber Growth}) - \text{Management Costs}}{\text{Cap Rate}}
\]

Capitalization of net annual income
Based on productivity, potential income
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

PTAD Timber Values

<table>
<thead>
<tr>
<th>Soil Type</th>
<th>Pine</th>
<th>Mixed</th>
<th>Hardwood</th>
</tr>
</thead>
<tbody>
<tr>
<td>III</td>
<td>212.58</td>
<td>102.17</td>
<td>29.77</td>
</tr>
<tr>
<td>IV</td>
<td>192.29</td>
<td>65.49</td>
<td>6.22</td>
</tr>
<tr>
<td>II</td>
<td>270.91</td>
<td>173.61</td>
<td>51.29</td>
</tr>
<tr>
<td>I</td>
<td>428.55</td>
<td>275.51</td>
<td>123.55</td>
</tr>
</tbody>
</table>

Comptroller Office, 2017
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:
  ❖ Special or unique area
    Natural beauty, topography, historic significance
  ❖ Public rights-of-way
    Highway or other public road, public use area (park, cemetery, school...)

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 Special or Unique

• Must have attributes, such as:
  – Archaeological sites
  – Rare geological formations
  – Unique:
    • Scenic beauty
    • Plant or animal communities
• Recommended by a qualified specialist
• Harvest Restrictions:
  – Could be totally restricted
  – Management plan addresses it
  – BA\(250 \text{ ft}^2 /\text{acre}\)
  – May be regenerated using different methods
• Land is appraised as timber-use
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
- Boundaries self-evident or marked
- 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

Timber at 1978 Value
Timber at 1978 Value

- Minimum taxable value of qualifying timberland.
- Market value assigned to the land by the taxing unit in 1978.
- Does not apply to timber at restricted-use.

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 Role, Rights, & Remedies

**Landowner’s Role**

- File timely application
  - Before April 30th
- Notify appraisal districts about ownership changes, eligibility changes
- Pay tax
Landowner’s Rights & Remedies

- Your land should be taxed at timber value if it qualifies
- Protest to ARB (Appraisal Review Board)
- Binding arbitration
- File suit in district court

Timberland Data
Land Class %’s in the State of Texas

Source: Texas Comptroller of Public Accounts

Land Class %’s in East Texas Timber Counties

Source: Texas Comptroller of Public Accounts
Timberland in Texas

- Timber @ Productivity, 82%
- Transition to Timber, 3%
- Timber @ 78.5%
- Timber @ Restricted Use, 12%

Timber Categories Percentages in East Texas

- Pine I, 5.65%
- Pine II, 30.45%
- Pine III, 11.17%
- Pine IV, 0.80%
- Mixed I, 4.65%
- Mixed II, 23.72%
- Mixed III, 9.10%
- Mixed IV, 1.15%
- Hardwood I, 2.66%
- Hardwood II, 7.79%
- Hardwood III, 2.24%
- Hardwood IV, 0.62%

Source: State Comptroller of Public Accounts
Acres in Timber

Source: State Comptroller of Public Accounts

Helpful Websites


- Comptroller Forms: [https://comptroller.texas.gov/taxes/property-tax/forms/](https://comptroller.texas.gov/taxes/property-tax/forms/)

- Texas A&M Forest Service: [http://tfsweb.tamu.edu/](http://tfsweb.tamu.edu/)

- TPWD’s Endangered Species List: [https://tpwd.texas.gov/huntwild/wild/wildlife_diversity/nongame/listed-species/](https://tpwd.texas.gov/huntwild/wild/wildlife_diversity/nongame/listed-species/)
Questions?

Joe Holcomb
(512)936-6945
or 1-800-252-9121 (press 1 to access the directory, then press 6-6945)

Joe.Holcomb@cpa.texas.gov