Outline

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

- Ad valorem tax

Property Tax = Timberland Appraised Value \times 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

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

![Graph showing the comparison between Market Value and Productivity Value over the years from 2000 to 2015](image)

- Market Value
- Productivity Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Value</th>
<th>Productivity Value</th>
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<tr>
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</table>
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>
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<tr>
<td>I</td>
<td>$345.98</td>
<td>$295.08</td>
<td>$166.45</td>
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<tr>
<td>II</td>
<td>$211.01</td>
<td>$192.88</td>
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<td>$154.53</td>
<td>$113.34</td>
<td>$60.62</td>
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<td>IV</td>
<td>$169.56</td>
<td>$82.64</td>
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</tbody>
</table>

Comptroller Office, 2015
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 ft² / 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 (7.9 million acres)

- Timberland at Productivity Value: 79%
- Transition to Timber Restricted Use: 12%
- Timberland at 1978 Market Value: 6%
- Timberland at Restricted Use: 3%
- Timberland at Productivity Value: 79%
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.
- 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.
Wildlife Management Valuation on Timberland
Wildlife Management on Timberland (SB 801)

- 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
Questions?