Presentation at the 2023 Texas Timber Workshop

Timberland Property Tax in Texas

February 7, 2023

Property Tax Assistance Division

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Outline

• What is timberland valuation?
• Ways for Land to Qualify
• Change in Use & Rollback
• The 88th Legislative Session
What is timberland valuation?
Timberland Property Tax in Texas

- Ad valorem tax

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

- 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

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

• Subchapter D:
  – Timberland in Transition (§23.59)

• Subchapter E:
  – Timberland at Productivity
  – Timber at 1978 (§23.78)

• Subchapter H: Restricted-Use Timberland
**Timberland in Texas**

- **8,017,238 Acres**

- **Timber at Productivity, 82%**
- **Timber at Restricted Use, 12%**
- **Transition to Timber, 3%**
- **Timber at 1978, 4%**

*Source: Texas Comptroller of Public Accounts, 2021*
“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”

— Manual for the Appraisal of Timberland
Timberland Productivity Value Years

• 2023 Productivity Value based on:
  – Years 2022 to 2018

• 2022 Productivity Value was based on:
  – Years 2021 to 2017
Timberland Property Tax

- Local tax, not state tax

- Tax on timberland, not the timber

- Barns, sheds, etc. taxed at market value
  - Land beneath them taxed at productive value IF used for production
Total Timber Acres in Texas

Source: State Comptroller of Public Accounts
Market Value vs. Productivity Value

Source: Texas Comptroller of Public Accounts
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
Pine Forest Counties

Legend

Total Pine Acreage

- 0
- 1 - 5,000
- 5,001 - 70,000
- 70,001 - 145,000
- 145,001 - 300,000
Hardwood Forest Counties

Legend

Total Hardwood Acres

- 0
- 1 - 5,000
- 5,001 - 40,000
- 40,001 - 75,000
- 75,001 - 120,000
Mixed Forest Counties

Legend

Total Mixed Acreage

- 0
- 1 - 5,000
- 5,001 - 50,000
- 50,001 - 100,000
- 100,001 - 250,000
Ways for land to qualify
Timberland Valuation

• Timber in transition value (D - §23.59)
• Timberland productivity value (Subchapter E)
• Restricted-use value (Subchapter H)
• 1978 market value (E - §23.78)
Timber in Transition

- Agricultural land $\rightarrow$ timber use
- Tax benefit: 15 years as agricultural land
- In the 16th year, timber use applies
Restricted-Use Timberland Valuation
Two ways to Qualify for Restricted-Use

• Reforested land

• Special forest zones

• To apply: Can use Comptroller form 50-281
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, historical significance
  - Public rights-of-way
    - Highway or other public road, public use area (park, cemetery, school...)

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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≥50 ft²/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
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
Change in Use & Rollback
Continue to Qualify

• Ownership changes
• Land’s eligibility changes
• Chief appraiser asks for a new application

• Convert to Wildlife Management
  – Restricted-Use Timberland CANNOT
Change of Use/Rollback

• Determined by chief appraiser
• Notification:
  – Written notice must be delivered to landowner
• Change of Use can be Protested to the ARB
  – Protest must be filed within 30 days of delivery
• Due Date:
  – Due when the rollback tax bill is mailed
  – Becomes delinquent if not paid before the next Feb. 1 that is at least 20 days after the tax bill is mailed.
Rollback Tax Penalty on Land Use Changes

- Rollback Tax: Difference between the taxes paid at productivity appraisal versus what they would have been at market value for the 3 previous years

**Example of Rollback Tax Calculation**

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Tax Paid</th>
<th>Tax on Market Value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$150</td>
<td>$1000</td>
<td>$850</td>
</tr>
<tr>
<td>2020</td>
<td>125</td>
<td>900</td>
<td>775</td>
</tr>
<tr>
<td>2019</td>
<td>100</td>
<td>600</td>
<td>500</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$2,125</td>
</tr>
</tbody>
</table>
Changes of Use

• Changes of Use:
  – Land taken completely out of timber use by owner’s free choice
  – Physical change

• Not considered a change of use:
  – Sale for right of way
  – Condemnation
  – Transferred for public use by government
  – Agricultural use
  – Reducing intensity below typical levels
  – Reduced intensity due to acts of nature
Cessation of Timberland Production

• Portions of Property:
  – Roads, right-of-way, buffer areas or firebreaks
  – Subject to a right-of-way taken through the use of eminent domain

• Oil & Gas Operations:
  – A lessee conducting oil & gas (O&G) operations over which the Texas Railroad Commission has jurisdiction
  – Pad sites, oil field roads, electric lines to O&G operations, pipelines and tank batteries
The 88th Legislative Session
88th Legislative Session

• Total Bills Filed: 2,544
  – House: 1,866
  – Senate: 678

• Ag/Timber Bills & JR Filed: 10
  – House: 7
  – Senate: 3
Officially Adopted the Manual for the Appraisal of Timberland on October 31, 2022.
Helpful Websites

- Property Tax Assistance Division’s Ag & Timber Taxation: https://comptroller.texas.gov/taxes/property-tax/ag-timber/index.php
- Comptroller Forms: https://comptroller.texas.gov/taxes/property-tax/forms/
- Texas A&M Forest Service: http://tfsweb.tamu.edu/
- TPWD’s Endangered Species List: https://tpwd.texas.gov/huntwild/wild/wildlife_diversity/nongame/listed-species/
- TPWD Wildlife Management: https://tpwd.texas.gov/landwater/land/private/agricultural_land/
Questions?

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