

Timberland Property Tax in Texas

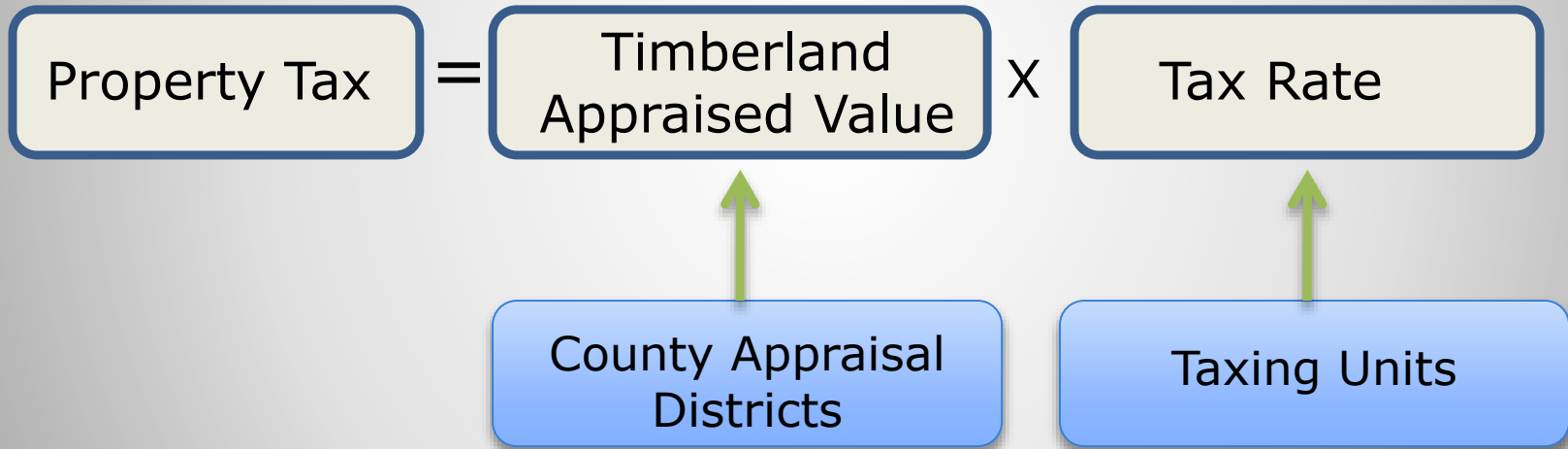
Texas A&M Forest Service

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



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

$$\text{Property tax} = \$200 \times 10 \times 3 / 100 = \$60$$

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 statutory capitalization rate”

— the Manual

Timberland Productivity Value

Timber-use Value:

Average Annual
Net Income

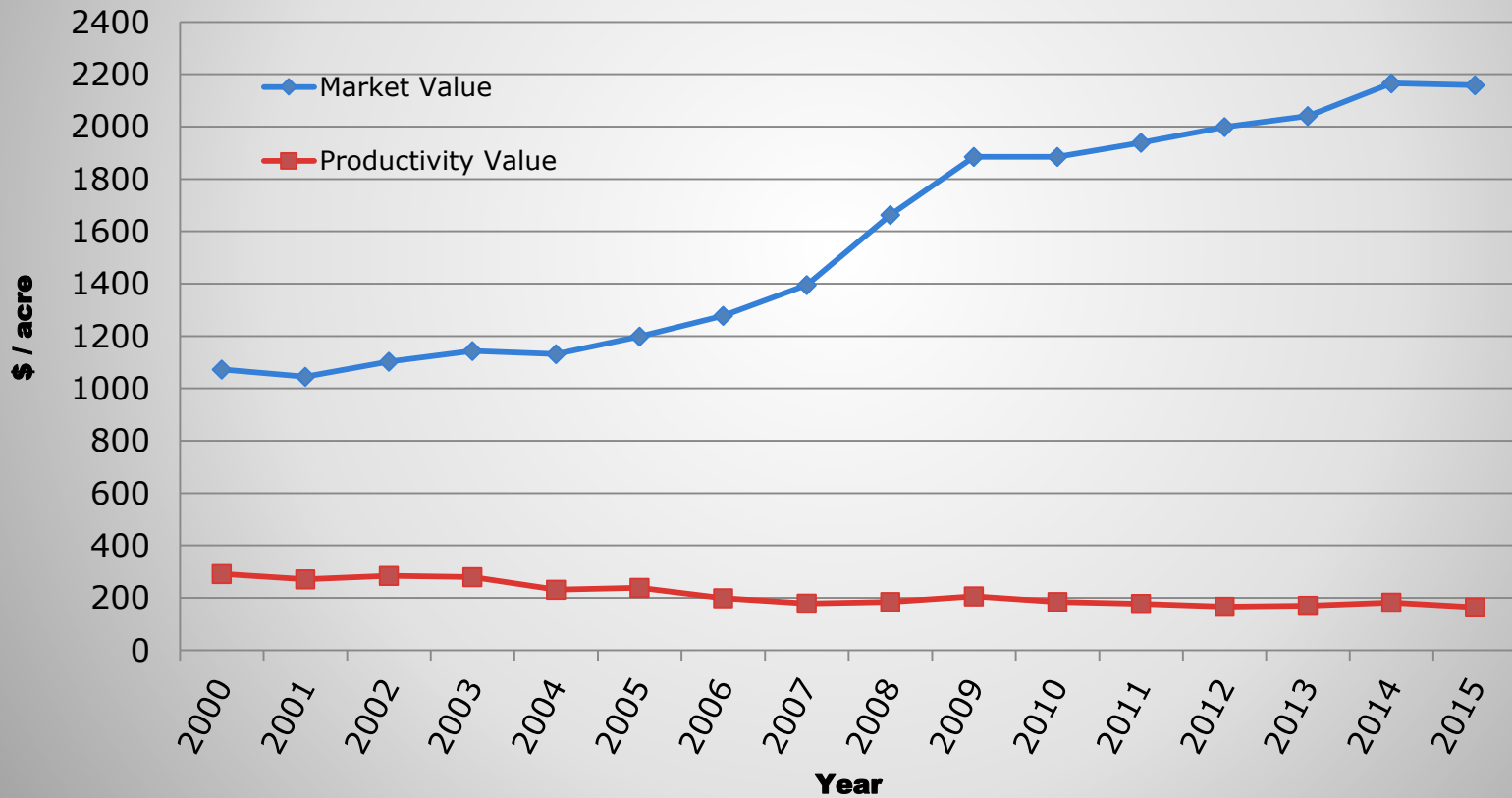
$$= \frac{\text{TimberPrice} \times \text{TimberGrowth} - \text{ManagementCosts}}{\text{CapRate}}$$


Capitalization of net annual income

Based on productivity, potential income



Timberland Productivity Value



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

	Pine	Mixed	Hardwood
I	\$345.98	\$295.08	\$166.45
II	\$211.01	\$192.88	\$91.84
III	\$154.53	\$113.34	\$60.62
IV	\$169.56	\$82.64	\$31.61

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 ($BA > 50 \text{ ft}^2 / \text{acre}$)

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 ($BA > 50 \text{ ft}^2 / \text{acre}$)

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

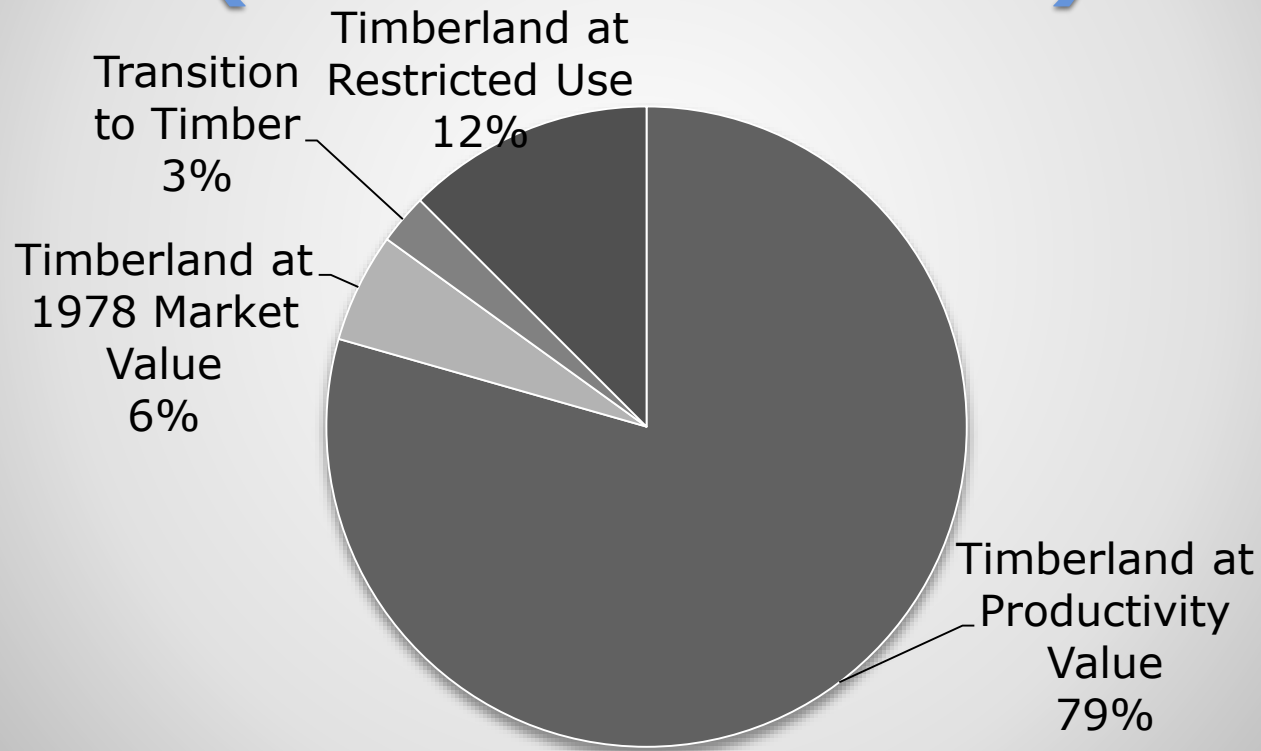


Old-growth forest



Historical site

Timberland Special Appraisal (7.9 million acres)



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?