

Presentation at the 2018 Texas Timber Workshop

Timberland Property Tax in Texas

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Property Tax Assistance Division

Texas Comptroller of Public Accounts

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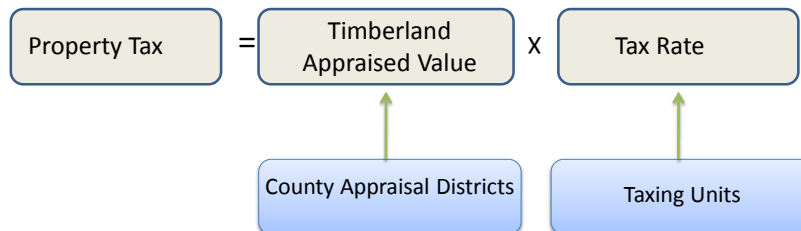
Outline

- Timberland property tax
- Timberland valuation in Texas
- Landowner's roles, rights, and remedies
- Timberland Data

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Timberland Property Tax in Texas

- Ad valorem tax



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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

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

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Timberland Property Tax

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

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Timberland Valuation

- Market value
- Timber in transition value
- Timberland productivity value
 - Restricted-use value
- 1978 market value

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Timber in Transition

- Agricultural land → timber use
- Tax benefit: 15 years as agricultural land
- In the 16th year, timber use applies

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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

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Timberland Productivity Value

Timber-use Value:

(Timber Price X Timber Growth)– Management Costs

=

Cap Rate

Average Annual Net
Income



Capitalization of net annual income

Based on productivity, potential income

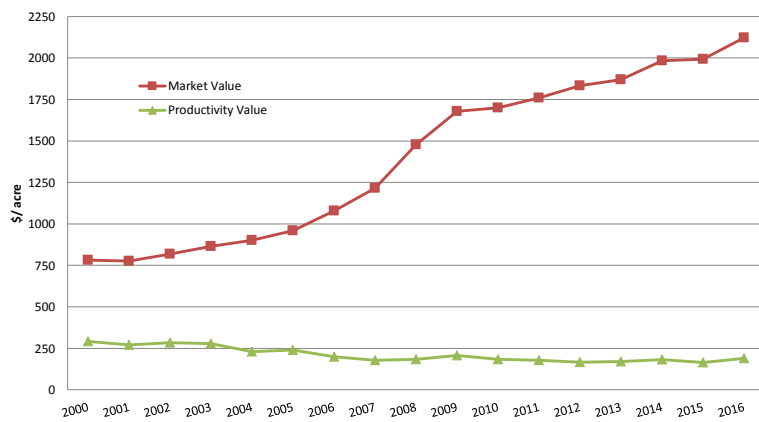
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Glenn Hegar

Texas Comptroller of Public Accounts

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

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PTAD Timber Values

	Pine	Mixed	Hardwood
I	\$428.55	275.51	123.55
II	270.91	173.61	51.29
III	212.58	102.17	29.77
IV	192.29	65.49	6.22

Comptroller Office, 2017

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Restricted-Use Timberland Valuation

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Two ways to Qualify for Restricted-Use

- Reforested land
- Special forest zones

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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

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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

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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

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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...)

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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

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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

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TFS Recommended Criteria for AMZ Public Rights of Way

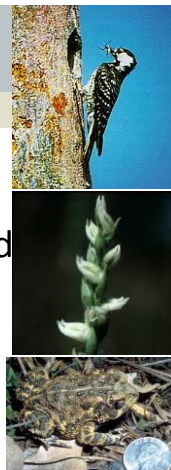
- Zone width: 100-200 ft
- Management plan
- 10 years old or 35 ft tall
- Harvest restriction ($BA \geq 50 \text{ ft}^2 / \text{acre}$)

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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



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TFS Recommended Criteria for CWHZ

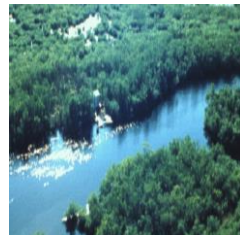
- Conservation agreement
- Endangered or threatened species
- Management plan
- Harvest restriction ($BA \geq 50 \text{ ft}^2 / \text{acre}$)

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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

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*When CA Questions a Restricted-use Application,
TFS Makes Final Determination on:*



AMZ-Public Rights
of Way



Critical Wildlife Habitat Zone



Streamside
Management Zone

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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

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Timber at 1978 Value

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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.

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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

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Landowner's Role, Rights, & Remedies

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Landowner's Role

- File timely application
 - Before April 30th
- Notify appraisal districts about ownership changes, eligibility changes
- Pay tax

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Landowner's Rights & Remedies

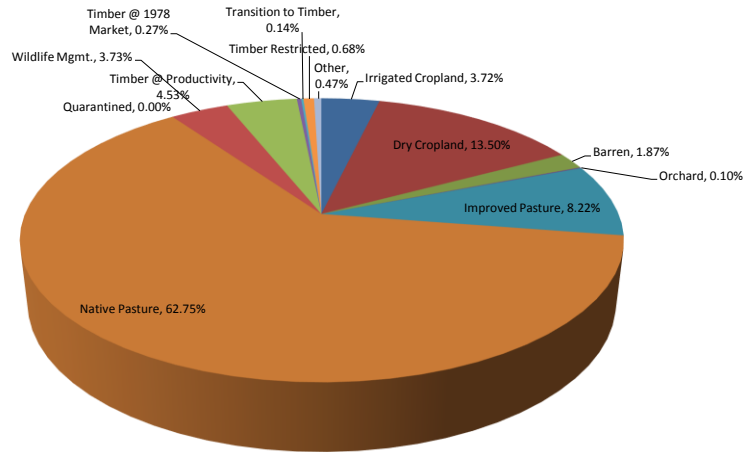
- Your land should be taxed at timber value if it qualifies
- Protest to ARB (Appraisal Review Board)
- Binding arbitration
- File suit in district court

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Timberland Data

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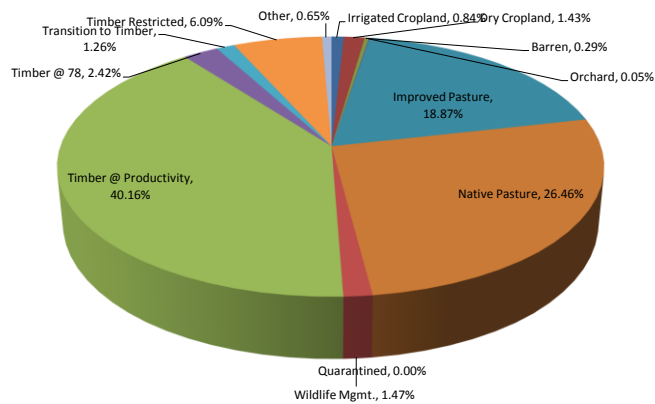
Land Class %'s in the State of Texas



Source: Texas Comptroller of Public Accounts

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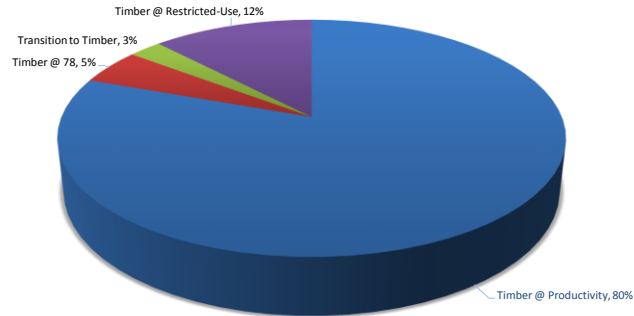
Land Class %'s in East Texas Timber Counties



Source: Texas Comptroller of Public Accounts

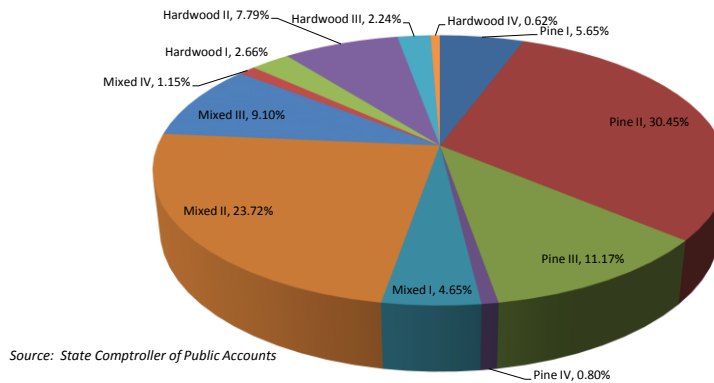
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Timberland in Texas



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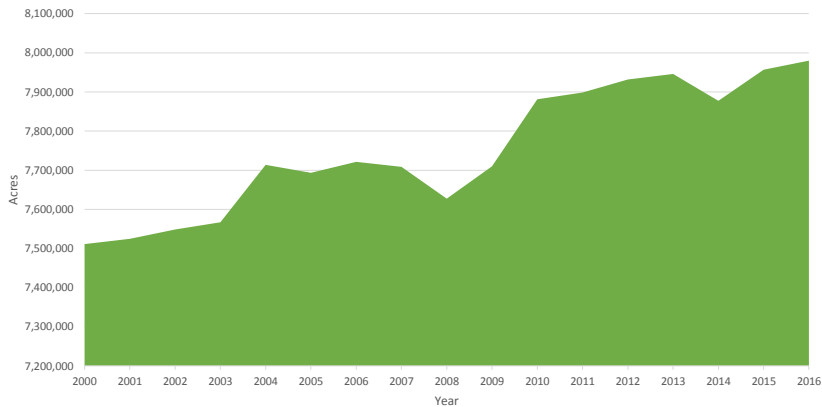
Timber Categories Percentages in East Texas



Source: State Comptroller of Public Accounts

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Acres in Timber



Source: State Comptroller of Public Accounts

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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/

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Questions?

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