

Presentation at the 2020 Texas Timber Workshop

Timberland Property Tax in Texas

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Texas Comptroller of Public Accounts

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Outline

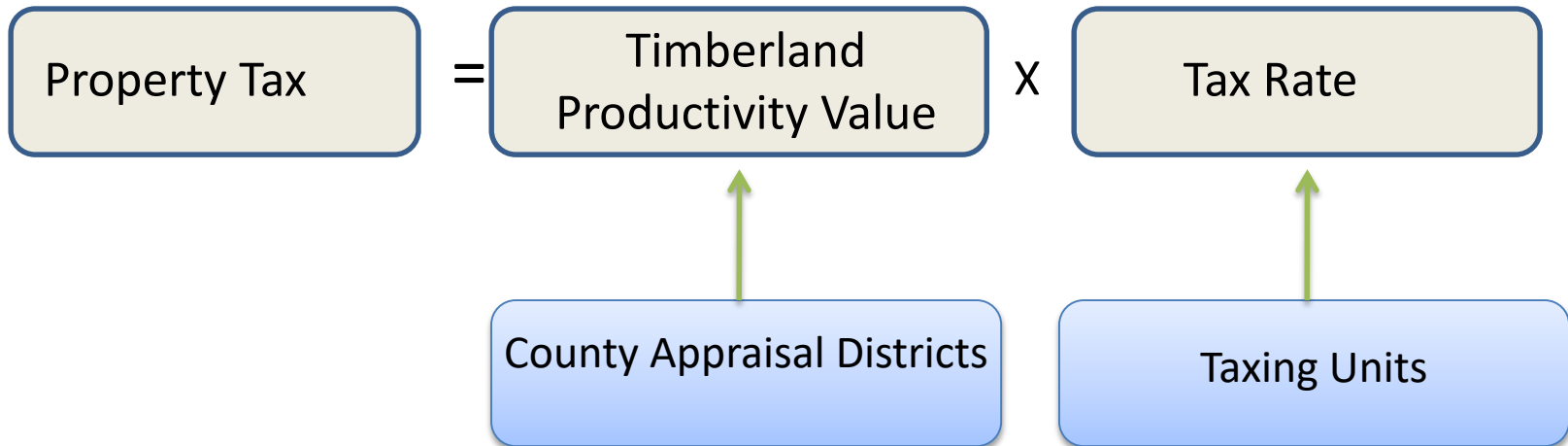
- What is timberland valuation?
- How does your land qualify?
- How is your land appraised once it qualifies?
- What happens after your land qualifies?
- Timber bills from 86th Legislative Session



What is timberland valuation?

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

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

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

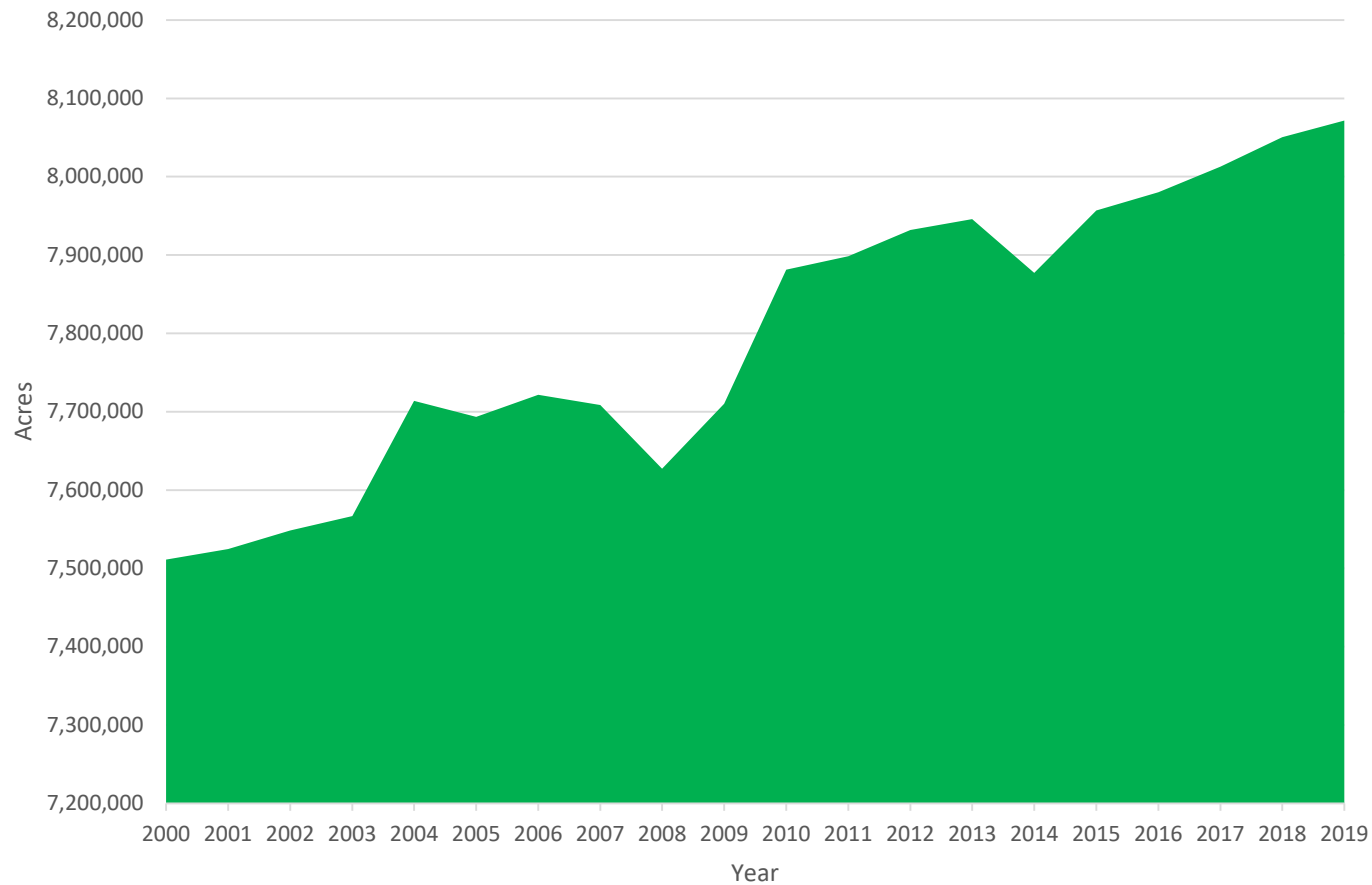
Timberland Productivity Value Years

- 2020 Productivity Value based on:
 - Years 2019 to 2015
- 2019 Productivity Value was based on:
 - Years 2018 to 2014

Timberland Property Tax

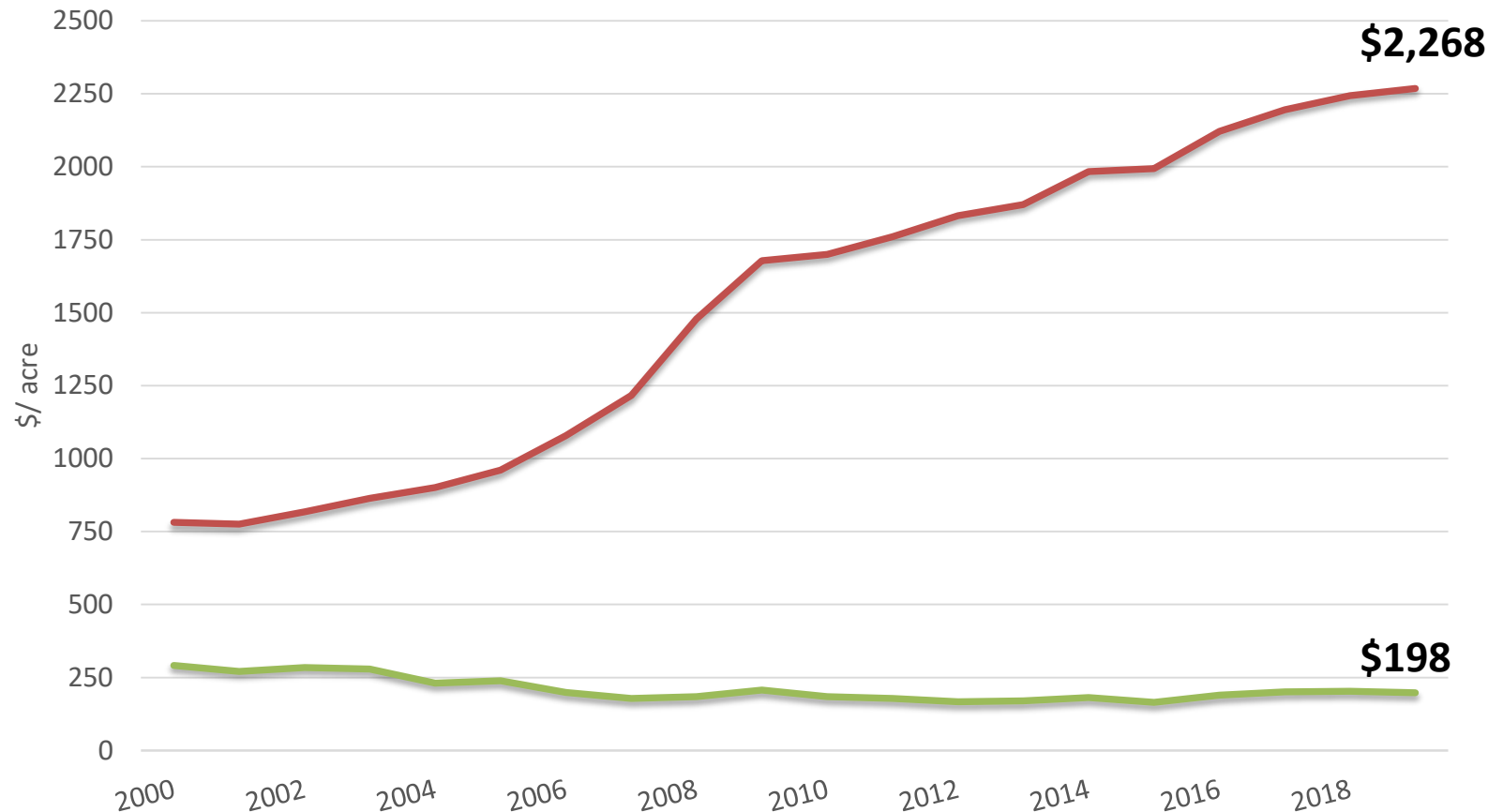
- Local tax, not state tax
- Tax on timberland, not the timber
- Barns, sheds, etc. taxed at market value
 - Land beneath them taxed at productive value IF used for production

Total Timber Acres in Texas



Source: State Comptroller of Public Accounts

Market Value vs. Productivity Value



How does land qualify?

Eligibility Requirements for Land

1. Currently & actively devoted to timber production
2. Be used principally for timber production
3. Devoted to the degree of intensity generally accepted for the area
4. Dedicated principally to ag or timber production for 5 of the 7 preceding years
5. Owner must have the intent to produce income
6. Owner must file a timely application

Land Located within City Limits

- City must not provide land with general services comparable to other parts of the city/town having similar features & population
- Land must have been devoted principally to ag or timber production continuously for the preceding 5 years

Applying for Timber Valuation

- Can use the Comptroller's form 50-167
- If land is in two counties, must apply to both appraisal districts
- File a single application for all tracts in a unit
- Application must be filed or postmarked no later than midnight on April 30th

Chief Appraiser's Actions

- Approve the application
- Disapprove it & ask for more information
 - Applicant has 30 days to provide additional info
- Deny the application
 - Must notify applicant within 5 days by certified mail

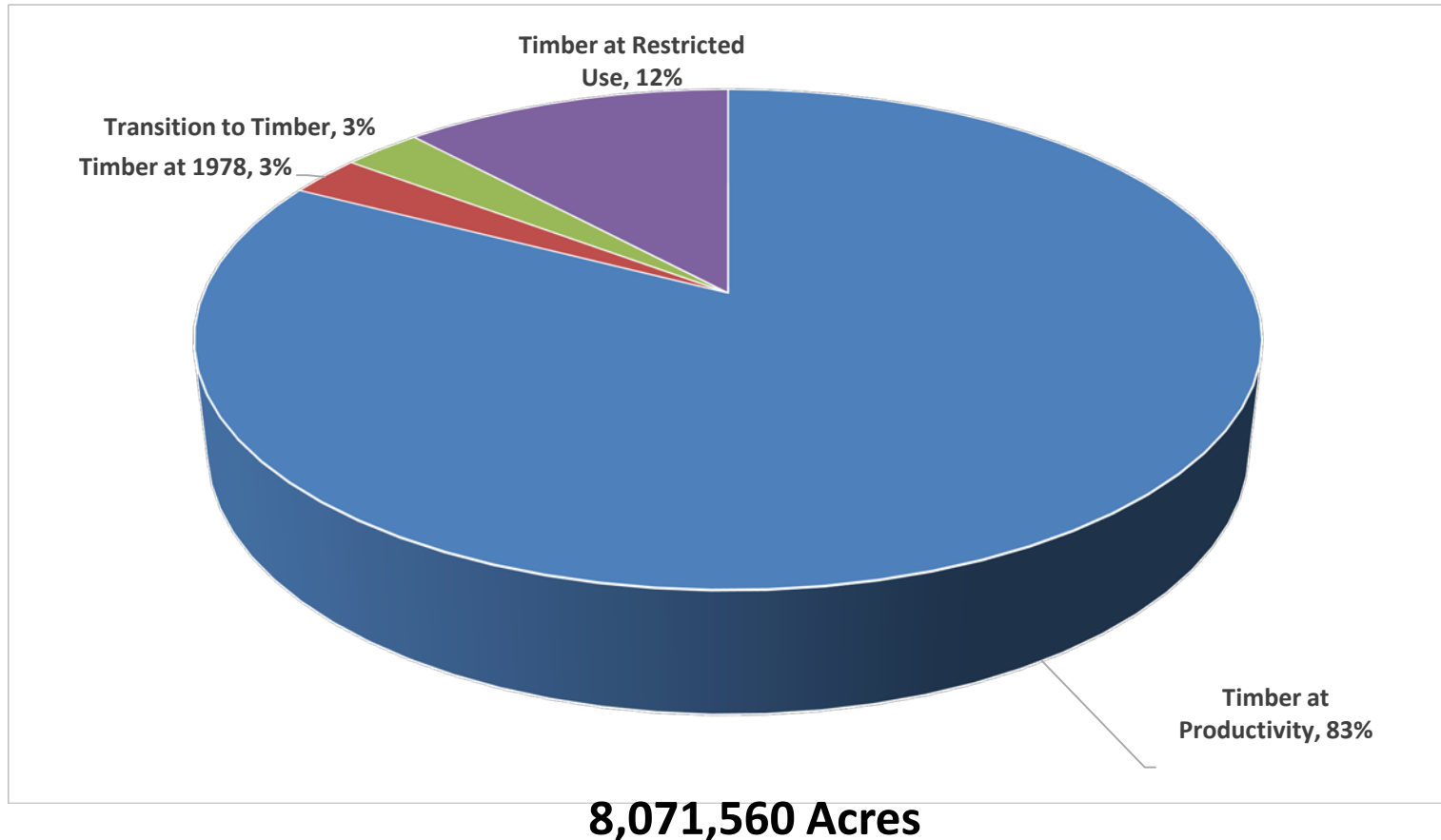


How is your land appraised?

Timberland Valuation

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

Timberland in Texas



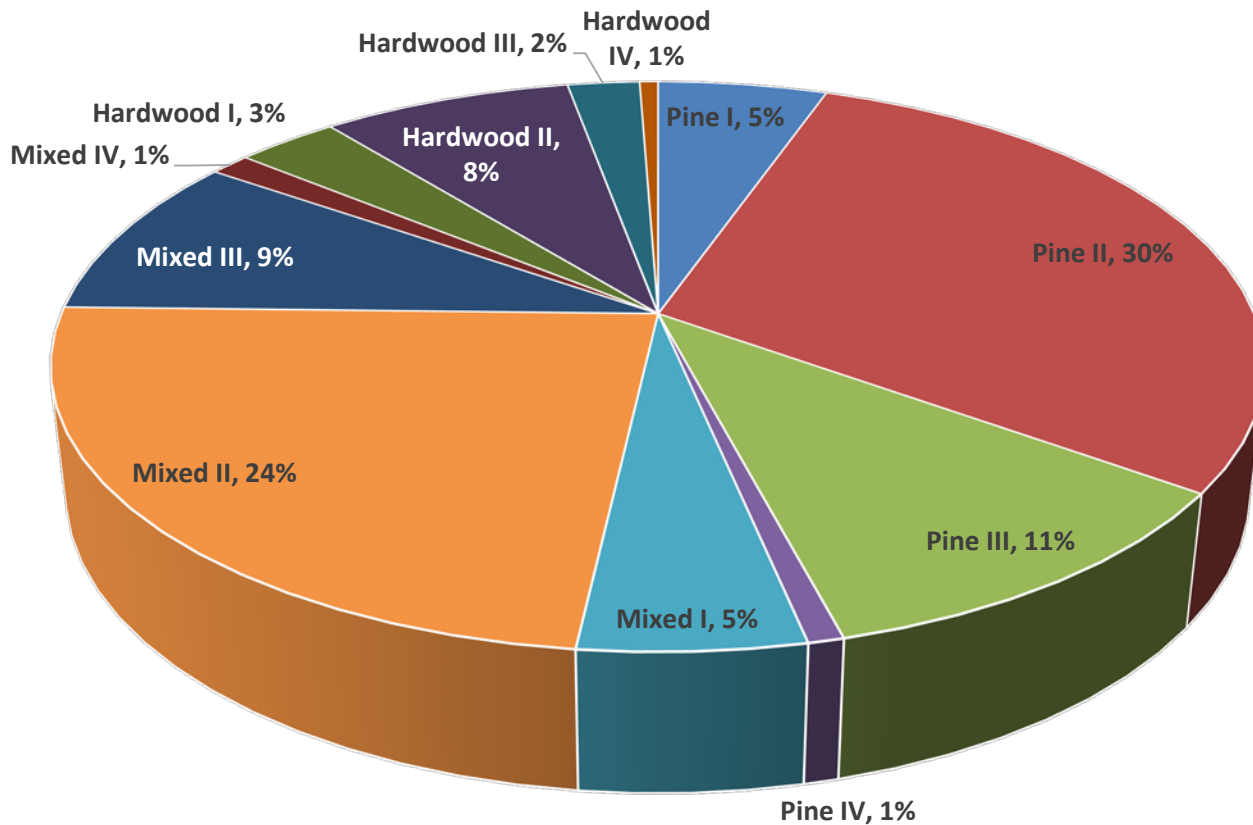
Timber in Transition

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

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

2019 Timber Class Acreage



PTAD 2019 Timber Values

	Pine	Mixed	Hardwood
I	\$468.01	255.56	146.45
II	301.34	156.36	66.93
III	227.31	88.76	40.43
IV	203.08	56.09	12.72

Timberland Productivity Value

Timber-use Value:

Average Annual Net
Income

(Timber Price X Timber Growth) – Management Costs

=

Cap Rate

Capitalization of net annual income

Based on productivity, potential income

Tax Year												
2019												
Five Year Period												
2014												
2015												
2016												
2017												
2018												
Cap Rate												
7.47%												
Stumpage Prices												
	Large Pine Sawtimber		Small Pine Sawtimber		Hardwood Sawtimber		Pine Pulpwood		Hardwood Pulpwood			
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted		
2014	\$32.30	\$27.35	\$13.75	\$12.84	\$34.54	\$34.38	\$8.36	\$9.05	\$10.07	\$9.74		
2015	\$35.29	\$29.95	\$14.70	\$14.53	\$39.82	\$40.02	\$9.06	\$9.39	\$14.40	\$16.27		
2016	\$29.35	\$26.99	\$13.37	\$12.70	\$37.54	\$39.78	\$8.94	\$9.14	\$9.69	\$10.62		
2017	\$26.43	\$25.54	\$10.92	\$9.75	\$27.80	\$30.95	\$7.91	\$7.91	\$8.71	\$9.38		
2018	\$23.91	\$28.74	\$12.41	\$13.80	\$29.96	\$29.86	\$6.95	\$7.16	\$10.21	\$9.81		
Management Costs East Texas												
	Pine				Mixed				Hardwood			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
2014	38.92	33.71	21.73	12.34	28.28	24.11	18.33	13.55	23.54	20.90	15.22	12.10
2015	41.15	35.00	22.56	13.01	31.26	26.48	19.48	14.48	25.19	23.22	16.22	12.56
2016	40.76	34.87	22.90	13.03	29.86	25.33	19.03	13.86	24.70	21.97	15.59	12.13
2017	41.72	35.71	23.52	13.38	29.46	25.22	18.95	13.75	24.02	21.30	15.09	11.84
2018	43.01	36.88	24.26	13.97	29.93	25.84	19.40	14.34	24.25	21.53	15.47	12.29





Restricted-Use Timberland Valuation

Two ways to Qualify for Restricted-Use

- Reforested land
- Special forest zones
- To apply: 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, 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
 - $BA \geq 50 \text{ ft}^2 / \text{acre}$
 - 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 ($BA \geq 50 \text{ ft}^2 / \text{acre}$)



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

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
- 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.

***What happens after you
qualify?***

Continue to Qualify

- Ownership changes
- Land's eligibility changes
- Chief appraiser asks for a new application

Wildlife Management

- To be eligible to convert:
 - Timber-use before conversion
 - Must be actively managed to generate a sustaining, breeding, migrating or wintering population of indigenous wild animals
 - Wildlife must be managed for human use
 - 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 a 1-d-1 Open-Space form (Form 50-129) & fill out the wildlife mgmt. section 5
- Attach a wildlife mgmt. plan on a form provided by TPWD
- Submit to local appraisal district

Rollback Tax Penalty on Land Use Changes

- 3-year rollback taxes plus annual interest @ 5%
- Changes of Use:
 - Land taken completely out of agricultural 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
 - Oil and gas operations (HB 1409)

Timber Bills from 86th Legislative Session

86th Legislative Session

- Total Bills Filed: 7,420
- Tax Code Bills Filed: 313
 - Ag/Timber Bills Filed: 123
- Tax Code Bills Signed into Law: 46
 - Ag/Timber Bills Signed into Law: 6

HB 1409

- Timberland: Amends §23.72 and 23.9802, adds §23.765 and 23.9808
- Issue: Land used for timber production:
 - Roads, right-of-ways, buffer areas, firebreaks or
 - Right-of-ways taken by eminent domain
 - Oil and gas operations on land
 - Will continue to receive special valuation if remainder of land continues to qualify
- Took effect on September 1, 2019

HB 1743

- 1-d-1 & Timberland:
 - 1-d-1: Amends §23.55(a)
 - Timberland: Amends §23.76(a)
- Issue: Rollback
 - Years: From 5 to 3
 - % Percent: From 7% to 5%
- Took effect on September 1, 2019

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/
- Railroad Commission of Texas:
<https://www.rrc.state.tx.us/>

Questions?

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