

Presentation at the 2021 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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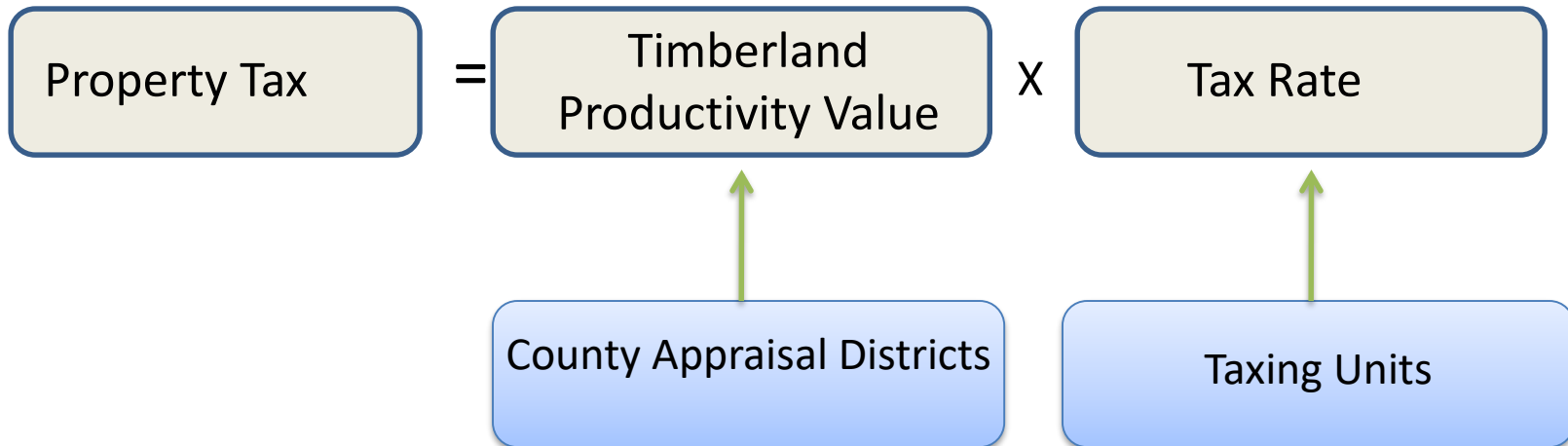
# *Outline*

- What is timberland valuation?
- How does your land qualify?
- How is your land appraised once it qualifies?
- What happens after your land qualifies?
- *Manual for the Appraisal of Timberland*  
Updated

# ***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*

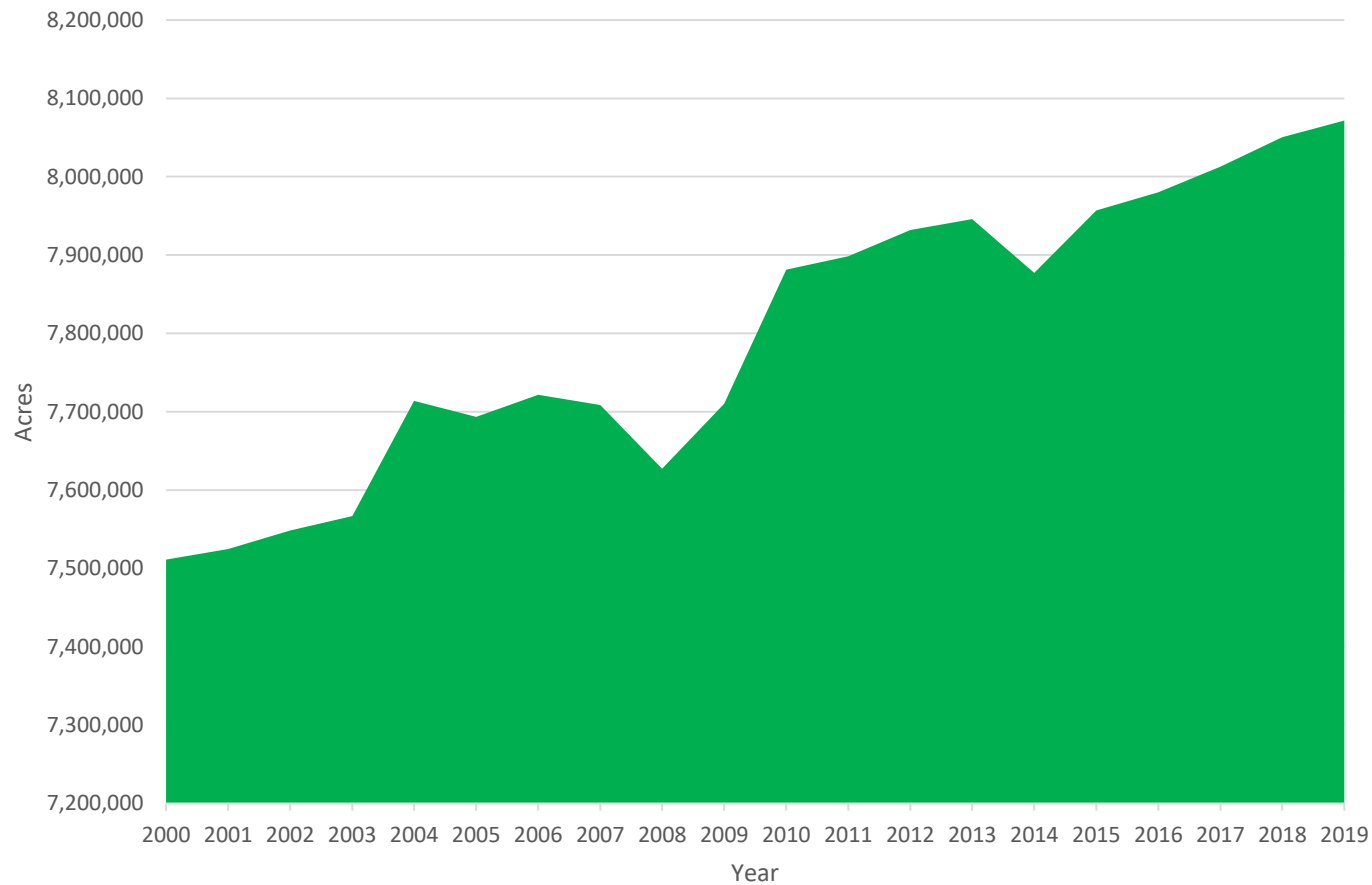
- 2021 Productivity Value based on:
  - Years 2020 to 2016
- 2020 Productivity Value was based on:
  - Years 2019 to 2015



## *Timberland Property Tax*

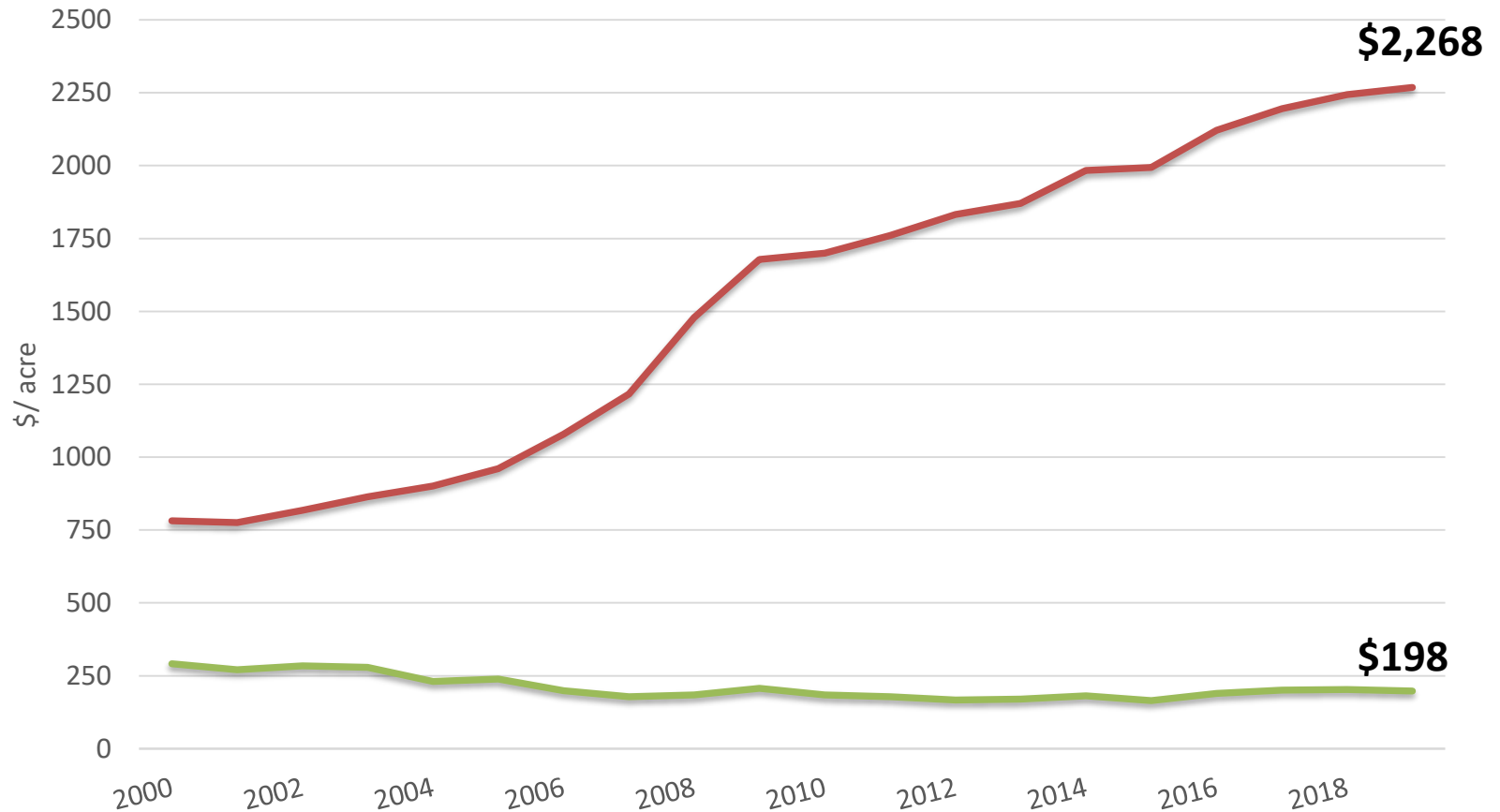
- Local tax, not state tax
- Tax on timberland, not the timber
- Barns, sheds, etc. taxed at market value
  - Land beneath them taxed at productive value IF used for production

# *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 30<sup>th</sup>
- Burden of proof is on landowner
- One-time application

## *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

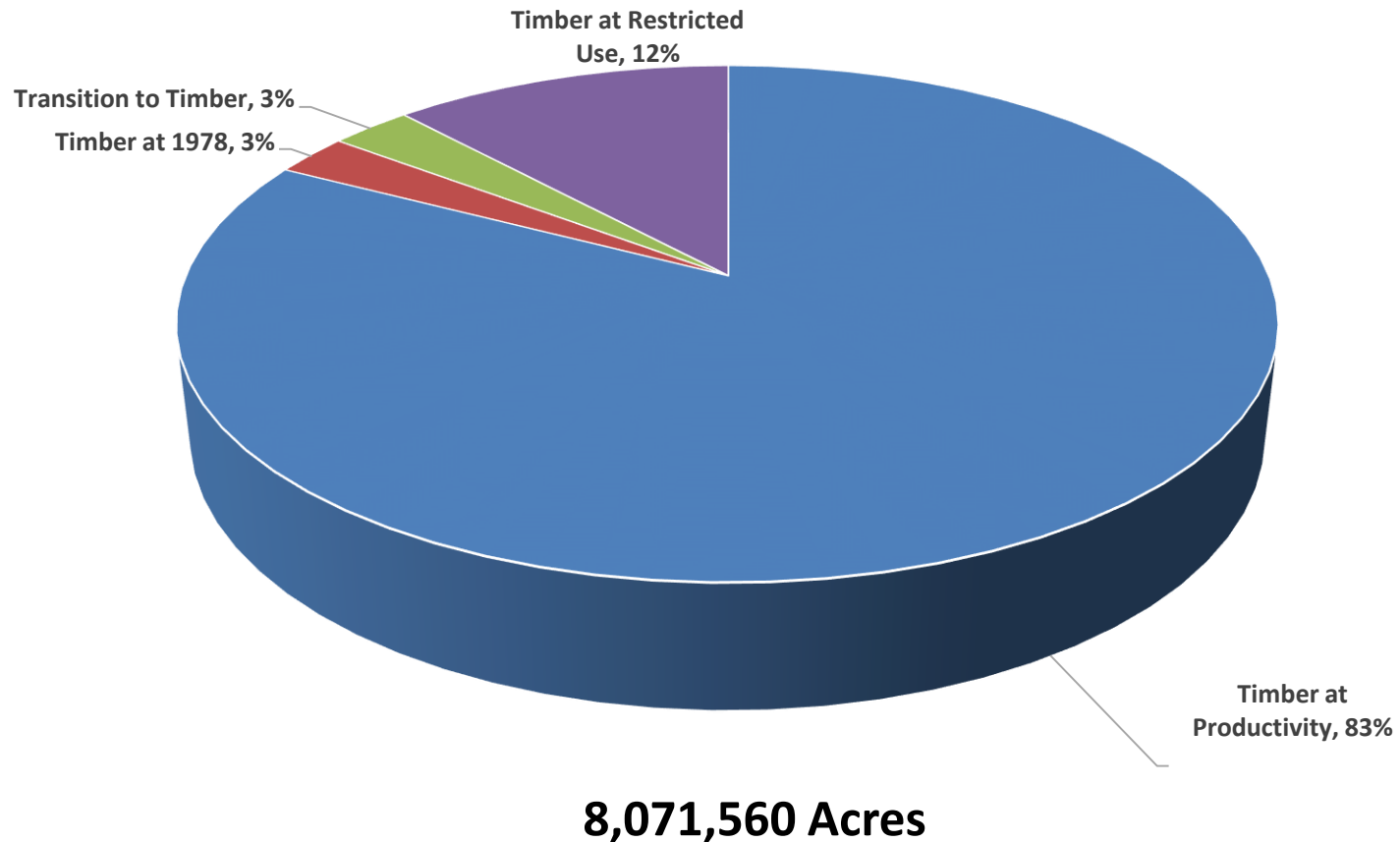


***How is your land appraised?***

# *Timberland Valuation*

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

# *Timberland in Texas*



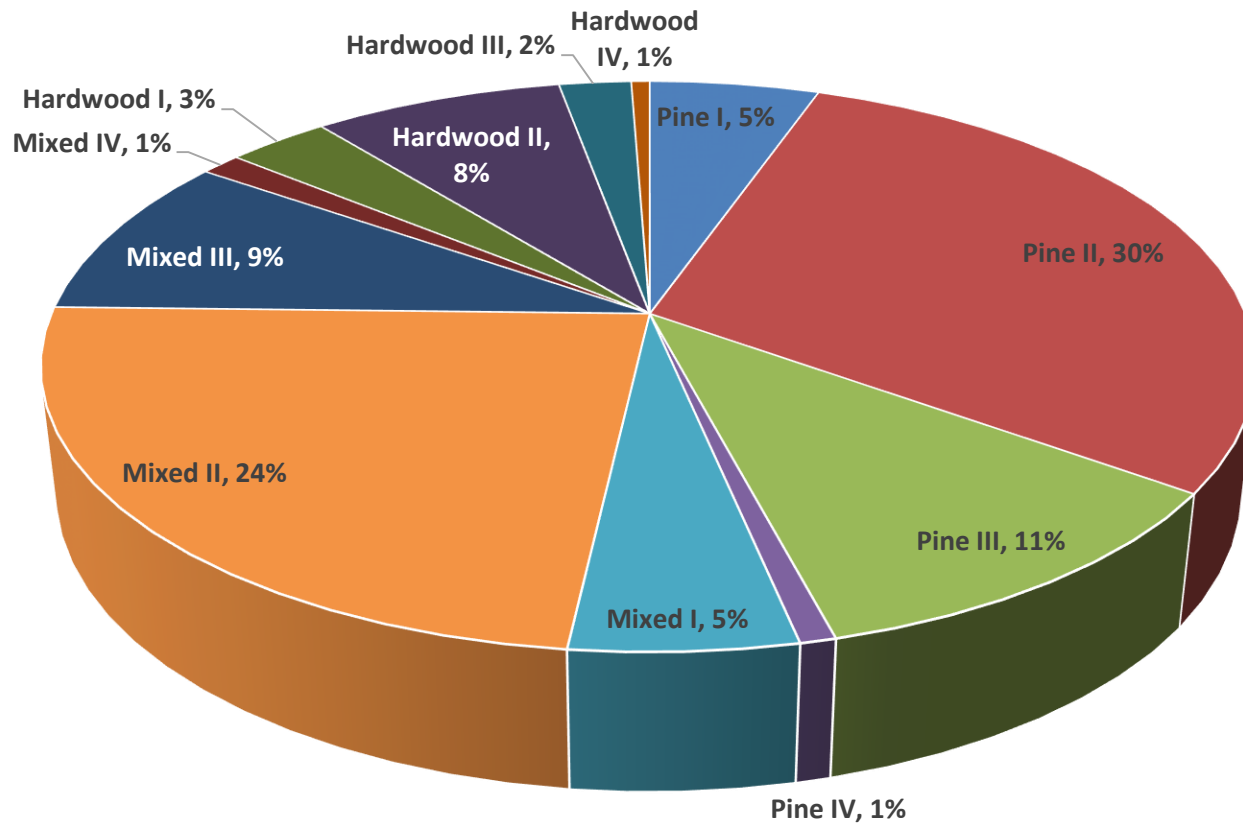
## *Timber in Transition*

- Agricultural land → timber use
- Tax benefit: 15 years as agricultural land
- In the 16<sup>th</sup> 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 2020 Timber Values*

	Pine	Mixed	Hardwood
I	\$496.43	279.95	157.55
II	313.05	167.58	68.54
III	233.52	94.09	39.97
IV	208.10	57.14	9.89

# 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



<b>Tax Year</b>												
2020												
<b>Five Year Period</b>												
2015												
2016												
2017												
2018												
2019												
<b>Cap Rate</b>												
7.28%												
<b>Stumpage Prices</b>												
	<b>Large Pine Sawtimber</b>		<b>Small Pine Sawtimber</b>		<b>Hardwood Sawtimber</b>		<b>Pine Pulpwood</b>		<b>Hardwood Pulpwood</b>			
	<b>Unweighted</b>	<b>Weighted</b>	<b>Unweighted</b>	<b>Weighted</b>	<b>Unweighted</b>	<b>Weighted</b>	<b>Unweighted</b>	<b>Weighted</b>	<b>Unweighted</b>	<b>Weighted</b>		
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		
2019	\$26.57	\$30.42	\$13.16	\$14.74	\$35.41	\$35.36	\$8.37	\$9.95	\$13.77	\$13.21		
<b>Management Costs East Texas</b>												
	<b>Pine</b>				<b>Mixed</b>				<b>Hardwood</b>			
	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>
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
2019	44.07	37.82	24.59	13.70	31.06	26.71	20.26	15.32	26.41	23.80	17.37	13.97





# *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...)



## *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

## *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 ft<sup>2</sup> / 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
- Convert to Wildlife Management

# *Rollback Tax Penalty on Land Use Changes*

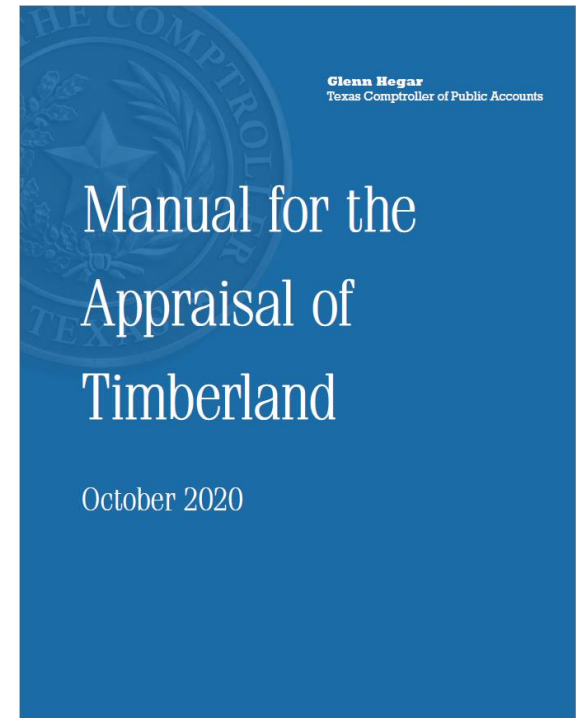
- 3-year rollback taxes plus annual interest @ 5%
- Changes of Use:
  - Land taken completely out of timber use by owner's free choice
  - Physical change
- Not considered a change of use:
  - Sale for right of way
  - Condemnation
  - Transferred for public use by government
  - Agricultural use
  - Reducing intensity below typical levels

## *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

# ***Manual for the Appraisal of Timberland***

## ***Updated!!***





# *Updates*

- Statutory changes
- Relevant case law
- Current prices, expenses and values
- Updated organizational names as needed
- Added footnotes

# *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/](https://tpwd.texas.gov/huntwild/wild/wildlife_diversity/nongame/listed-species/)
- TPWD Wildlife Management:  
[https://tpwd.texas.gov/landwater/land/private/agricultural\\_land/](https://tpwd.texas.gov/landwater/land/private/agricultural_land/)
- Railroad Commission of Texas:  
<https://www.rrc.state.tx.us/>

# *Questions?*

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