Timber Property Tax Valuations

David Luther, Tyler County's Chief Appraiser, spoke to attendees of the TCFLOA meeting on May 14, 2016.

Mr. Luther began his Timber Property Tax Valuation presentation by reviewing the 1978 initiation of the Timberland Tax Valuation in Texas, which provided much-needed tax relief for forest landowners, taxing timberland on use-value of trees rather than current property values. In 1999, significant legislation was passed to provide 50% discounts for Streamside Management Zones (SMZ), Aesthetic Management Zones (AMZ), Critical Wildlife Habitat Zones (CWHZ) and Reforestation. Timber appraisals are based on a complex formula to calculate the annual growth of the trees on the property. The sources of data for this purpose are restricted to the Texas Forest Service, the US Forest Service, the Natural Resources Conservation Service and Texas universities. The steps are as follows:

1. The local appraisal office classifies your timberland into one of three forest types – pine, mixed or hardwood. If the acreage is 2/3 or more of pine, then it is classified as pine. If the acreage is 2/3 or more of hardwood, then it is classified as hardwood. Otherwise, it is mixed. The information is derived from aerial photos and onsite visits.
2. The local appraisal office classifies your land into four soil types – with Type I (river bottom) as the best and Type IV (sandy) as the poorest. Most of the timberland soil in Tyler County is Type II, with some being Type III and very little being Types I or IV. Texas A&M University had developed soil type maps from the USDA Natural Resources Conservation Service (NRCS) soil surveys. To check the soil types for your land, interact with the "Map My Property" portal at http://tfsfrd.tamu.edu/MapMyProperty. You may find that your timberland is parceled into multiple soil types. You will then need to convert each type listed on the map to one of the four classifications used for tax appraisal purposes. If you think the soil classification for your timberland is incorrect, you may bring soil analysis results to the Tyler County Appraisal office.
3. The state estimates the average annual timber growth rate by forest type (pine, mixed, hardwood) and soil site class (I, II, III, IV)
4. The state converts growth rates into units for estimating gross income according to timber productivity. The USDA Forest Services measures sawtimber growth estimates using an International log rule scale and measures pulpwood growth estimates in cubic feet. The state converts the cubic feet to tons.
5. The state estimates the average timber prices for the five-year period preceding the year of appraisal using Texas Forest Service data. The average is the average of timber prices and the weighted average of the timber prices. Timber prices are weighted by volume of timber sold at a specific price.
6. The state estimates the average annual potential gross income per acre. The estimate is based on the five-year period preceding the year of the appraisal by computing average annual gross income, calculating soil productivity factors and using the soil productivity factors to adjust average annual growth to potential gross income.
7. The state estimates the average annual cost of producing timber for the five-year period preceding the year of appraisal (as acquired from the Texas Forest Service).

8. The state estimates the average annual net income for the five-year period preceding the year of the appraisal for each time and soil class by subtracting the average annual management cost per acre from the average annual potential gross income per acre.
9. The state capitalizes the net income per acre for each forest type and soil class using the statutory capitalization rate. The higher the rate, the lower the taxes paid by landowners. The 2016 capitalization rate of 7.53% is applied to timberland; however, the state has previously established a floor of 10% for agricultural lands which keeps their taxes lower. The capitalization rate cannot be changed by the local appraisal district. The
10. The local appraiser applies the per acre values provided by the state in step #9 to the respective acreage of each parcel of qualified timberland in each forest type and soil class.

Damage from natural disasters is not factored into the formula described above other than to the extent that the timber type changes (for example, from pine to mixed). The county appraiser controls the forest type and the soil classification used to calculate an individuals' timberland appraisal. Mr. Luther appoints the committee members and offered to add a member if the association wanted to put forth a name.

The state audits whether the local appraisal district has inspected each property before it is granted an agricultural or timberland use valuation. They also audit the accuracy of the local appraisal office's classification of timberland by forest and soil types.