

# **Tyler County Forest Landowner Association**

## **Regular Meeting Minutes**

Saturday, May 14, 2016

In Attendance: Thirty-three members and visitors -- including Sarah Reinemeyer (President), Charles Zimmerman (Treasurer), Directors Jay Fish and Betty Zimmerman and one new member. The meeting was held at the Tyler County Extension Office, 201 Willow Street, Woodville, Texas.

Sarah Reinemeyer called the meeting to order at 9:32 AM and welcomed the attendees. Jay Fish moved that the minutes of the previous meeting be approved as written. Dr. Thomas Wheeler seconded the motion and it carried. Charles Zimmerman presented the treasurer's report which shows the association has \$4,618.49 and 131 members. We spent \$378.19 on the Dogwood Festival and Social where we distributed 800 dogwood and 600 red oak seedlings and enjoyed a good time. The association awarded a \$250 Teachers Conservation Institute Scholarship to Sheryl Muller who teaches at Warren High School and a \$1500 college scholarship to Courtney Crain from Spurger High School.

Sarah Reinemeyer presented the following nominees for office.

President: Brianne Parker

Vice President & Program Chair: Ken Turner

Secretary: Jeff Parker

Treasurer: Charles Zimmerman

Directors (3): Jack Clark, Jay Fish, Betty Zimmerman

Past President Director: Sarah Reinemeyer

There were no nominations from the floor. Elections will take place during the Fall General Meeting.

Sarah Reinemeyer introduced Ellen Buchanan, President of the Big Thicket Natural Heritage Trust. The mission of the Big Thicket Natural Heritage Trust is to protect and preserve assets and characteristics of the Big Thicket National Preserve. The primary mechanism for achieving this mission is acquisition of additional land for the Big Thicket National Preserve through donations, purchases and conservation easements.

Ms. Buchanan explained that a conservation easement, which protects conservation values and limits some uses of the land, is a written agreement between a property owner and a land trust. Land trusts, such as the Texas Land Council, are nonprofit organization that monitor and enforce conservation easements. The land trust will conduct an annual onsite audit of the property and will enter into lawsuits on behalf of the conservation easement.

The Texas Land Council reports that to date 1.6 million acres in Texas are conserved by land trusts. A conservation easement is usually written to be in effect in perpetuity which means that it stays with the land even after it is inherited and/or sold. While similar to deed restrictions which state what cannot be done on a property, a conservation easement states not only what cannot be done but also specifies what is permissible on the property. For example, a house can be built on the property at some future date only if the agreement states that a house can be built at a pre-selected location described in the agreement. While a conservation easement does not

automatically override eminent domain, it provides an argument to be used in litigation should the property owner or the land trust choose to fight the eminent domain.

The Texas Forest Legacy Program focuses on supporting efforts to acquire working forest conservation easements. More information can be found on the website <http://texasforests.tamu.edu/ForestLegacy>.

Reasons to consider a conservation easement include protecting the family legacy, preserving important conservation values, unlocking the value in the land and reducing estate taxes. The monetary difference between the pre-easement appraised value of the property and the post-easement value may be claimed as a federal income tax charitable gift deduction – if the conservation easement is perpetual and meets one of the four qualified conservation purposes. The landowner's costs associated with obtaining a conservation easement may be as high as \$75,000. More information can be found at the website <http://www.texaslandtrustcouncil.org>.

Sarah introduced David Luther, Tyler County's new Chief Appraiser. David shared that he was chief appraiser in Jasper County for 30 years. After filling Tyler County's Chief Appraiser position temporarily one day a week, Mr. Luther was hired to the position in August 2015.

Mr. Luther began his Timber Property Tax Valuation presentation by reviewing the 1978 initiation of the Timberland Tax Valuation in Texas. Dr. Robert D. Baker wrote Texas' Timberland Appraisal formula and was largely responsible for H.B. 1060, 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. Classify 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. This is done by the local appraisal office based on aerial photos and onsite visits.
2. Classify the land into one of four soil types – with Type I (river bottom) as the best and Type IV (sandy) as the poorest. This is done by the local appraisal office. 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 will then need to convert the types listed there 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. Estimate the average annual timber growth rate. Growth estimates by forest type (pine, mixed, hardwood) and soil site class (I, II, III, IV) are provided by the state to the local appraisal offices.
4. Convert 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. These

are converted to tons. The estimated growth rates by ton are provided by the state to the local appraisal offices.

5. Estimate 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. The estimated prices are provided by the state to the local appraisal offices.
6. Estimate average annual potential gross income for the five-year period preceding the year of the appraisal by computing average annual gross income, calculating soil productivity factors and using soil productivity factors to adjust average annual growth to potential gross income. The gross income per acre is calculated by the state.
7. Estimate the average annual cost of producing timber for the five-year period preceding the year of appraisal (as acquired from the Texas Forest Service). This is calculated by the state.
8. Estimate 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. This is done at the state level.
9. Capitalize the net income for each forest type and soil class using the statutory capitalization rate. The capitalization rate is determined by the state and cannot be changed by the local appraisal district. 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.
10. Apply the per acre values to the respective acreage of each parcel of qualified timberland in each forest type and soil class. Maps showing the Natural Conservation Resources Service (NRCS) soil classifications and aerial imagery are used by local appraisal districts to determine the forest type and soil classification for individual properties. Then the appraiser applies the values provided by the state in step #9 to the landowner's property.

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 individual's timberland appraisal. Tyler County's Agricultural Advisory Committee members are Keelin Parker, Rusty Hughes and Billy Tolar. Mr. Luther appoints the committee members and offered to add a member if the association wanted to put forth a name.

One of the questions asked by the state when auditing a county appraisal district is whether they have inspected each property before it is granted an agricultural or timberland use evaluation. The accuracy of the county appraisal office's classification of timberland by forest and soil types is also audited. While county appraisers are expected to visit properties every three years, they cannot go onto posted property without contacting the property owner. Tyler County's appraisers are in the process of acquiring badges and their vehicles will have magnetic signs identifying their office.

Mr. Luther shared that Tyler County has lost over \$200 million in tax value from lower oil and gas values. Based on the calculations provided by the state, the taxes assessed for timberland will increase in 2016 because of the increased timberland values decreed by the state. While many may perceive that the later was done to offset the former, Mr. Luther assured everyone

that, if that is true, it was not done at the local level. Additionally, residential homestead values are being reappraised. Per state law, the taxes calculated from the increased property values cannot exceed 10% the first year.

Everyone expressed their appreciation to Mr. Luther and welcomed him to Tyler County. Sarah Reinemeyer presented gifts to each of the speakers.

Sarah Reinemeyer and Keelin Parker compiled the following feedback from the attendees. The major concerns pertaining to tree stands are feral hogs, invasive species and timber values, with erosion, landowner rights and underbrush as additional concerns. Most attendees own between 50 and 250 acres, with some owning less than 50 acres, one owning 250 - 500 acres, and one owning 500 – 1000 acres. Other concerns included control burning, foraging, longleaf pines, market diversity, soils, dogwood trees, eminent domain, estate taxes and natural disasters.

Nick Toparcean blessed the lunch to follow the meeting.

Keelin Parker moved that the meeting adjourn; Charles Zimmerman seconded the motion and it carried. Sarah Reinemeyer closed the meeting at 12:25 PM.

Betty Zimmerman recorded the minutes for the Secretary.