Qualified Timberland Property: 
A new property class for Georgia forest landowners to consider

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BACKGROUND
Property taxes have been among the top concerns for forest landowners in Georgia for many years. For many of them, property taxes represent the most significant annual costs associated with forestland ownership. In the past several decades, three preferential tax programs have been established to help qualifying landowners reduce their property taxes by conforming to a set of management and conservation rules. These programs are commonly known as the Preferential Agricultural Assessment program (Agricultural Preferential), the Conservation Use Value Assessment program (CUVA), and the Forest Land Protection Act program (FLPA). In 2018, more than 15 million acres of private forestland in Georgia were enrolled in one of these preferential tax programs (Li and Izlar 2019). They provide incentives for forest landowners to conserve and manage their forestland and enhance public benefits from the forests.

However, these programs may not work for every forest landowner. For example, land enrolled in the CUVA or the Agricultural Preferential programs must be owned by citizens or a family farm entity – corporate ownerships or non-family partnerships do not qualify. Corporate and non-family owners can apply for the FLPA program, but they may not qualify due to the minimum acreage requirement. Some landowners are concerned about the commitment of signing a 10-year CUVA or FLPA covenant (15-year before 2019) and the penalty for breaches. As a result, a significant amount of forest lands (about 3.7 million acres) in Georgia are taxed as rural woodland not under any of the property tax incentive programs. In 2017, these landowners paid annual timberland property taxes up to $15.42 per acre on average (as opposed to $5.43/acre for forestland under the CUVA/FLPA programs) (Li and Izlar 2019). These forest lands are under extreme financial pressure to be divided into smaller parcels or converted to other uses.

Meanwhile, many local county tax assessors are facing the challenge of conducting fair and proper assessment of rural woodland for property tax purposes. O.C.G.A. § 48-5-7.5 mandates that standing timber should be assessed for ad valorem taxation only once upon its sale or harvest. Therefore, the value of standing timber should be excluded from the assessed value of timberland for property tax purposes. However, timberland properties vary greatly by forest type, stand age, accessibility, terrain, and soil productivity. It remains a challenge for county tax assessors to separate timber values from timberland values, especially when the comparable sales approach is used for timberland valuation. This technical and market knowledge skill gap resulted in great variations of assessed values of rural woodland among counties and raises concerns about uniformity issues in timberland taxation among taxpayers.
In 2018, the Georgia General Assembly passed House Resolution 51, a constitutional amendment (Forest Land Conservation and Timberland Properties Amendment), and its enabling legislation, House Bill 85. Following voters’ approval in November, the amendment became law in 2019. Qualifying forestland owners can start an application beginning in tax year 2020. One of the major components of the legislation is to create a separate class of real property for \textit{ad valorem} tax purposes – Qualified Timberland Property (QTP). This legislation change improves uniformity of timberland valuation for \textit{ad valorem} tax purposes in Georgia, reduces the number of tax appeals and litigation costs, and gives qualifying forest landowners another option to consider when it is time to conduct their property tax planning. An unusual feature of this law is that it vests the appraisal of QTP properties with the state and not the county.

\textbf{WHY SOME FOREST LANDOWNERS SHOULD CONSIDER QTP}

For most private timberland owners in Georgia, keeping their properties in the current preferential taxation programs would in general give them the greatest tax benefits. Some timberland owners, however, may find this new program beneficial.

Different from forest properties under the aforementioned preferential tax programs, QTPs are not subject to long-term covenants or tax penalties. This provides flexibility to forest landowners who manage their timberland for timber production but have concerns about a long-term commitment with the county. Some forest landowners may also benefit from enrolling their timberland in the program due to disqualification for other preferential tax programs (e.g., acreage limit). Some owners find the program beneficial if the fair market value of timberland for \textit{ad valorem} taxation is inflated due to the erroneous inclusion of standing timber value or speculative uses.

A general rule of thumb is to compare your current property tax bill to 175\% of the property’s FLPA value. See Li et al. (2020) for the table of FLPA values. If the former is higher, it is very likely that enrolling in the program could help save property taxes on your timberland.

\textbf{HOW QTPs ARE VALUED}

Once certified as QTPs by the Georgia Department of Revenue (GDOR), the properties will be appraised at their QTP values according to the Qualified Timberland Property Appraisal Manual (“the QTP Manual” hereafter). Each year, a table of per acre QTP appraised values by ecoregion (Figure 1) and soil productivity will be compiled by the specially trained staff appraisers of the GDOR using a hybrid of income approach and comparable sales approach. The proposed QTP values for 2020 are presented in the table below. The department gives special considerations to make sure that the value of standing timber is excluded from the commercial timberland sales prices. See the QTP Manual for details on how these values are derived.

Pursuant to the law, the final appraised values of the QTPs shall be no less than 175\% of such property’s FLPA value. The 175\% rule is applied at the parcel level (see the example below).

\begin{table}
\centering
\begin{tabular}{|c|cccccccc|}
\hline
& \multicolumn{8}{c|}{Soil productivity rating} \\
\hline
\textbf{Ecoregion} & 1 & 2 & 3 & 4 & 5 & 6 & 7 & 8 & 9 \\
\hline
1 & 1,057 & 913 & 791 & 717 & 653 & 601 & 506 & 465 & 425 \\
2 & 890 & 762 & 651 & 580 & 519 & 475 & 400 & 353 & 339 \\
3 & 870 & 765 & 672 & 606 & 545 & 521 & 468 & 436 & 400 \\
4 & 975 & 872 & 788 & 731 & 666 & 618 & 557 & 528 & 486 \\
\hline
\end{tabular}
\caption{2020 values for QTPs (\$/acre)}
\end{table}

EXAMPLE

Joe owns a 300-acre timberland property in Ware County, Georgia (QTP Ecoregion 1 in Figure 1). After reviewing the qualifications for the program, he applied and submitted required documentation with his application. The GDOR certified that Joe was a qualified owner registered to do business in the state and is engaged in the bona fide production of trees for the primary purpose of producing timber for commercial uses. Additionally, the property was certified by GDOR as a QTP for ad valorem taxation purposes in 2020. It consists of 100 acres of timberland in Soil Productivity Class 2 and 200 acres in Class 6. The 2020 FLPA value table below suggests that the timberland would be valued at $790/acre for Soil Productivity Class 2 and $477/acre for Class 6 in the region (FLPA/CUVA Valuation Area #9) if they were under the FLPA program. The QTP values table above suggests that the timberland is valued at $913/acre for Soil Productivity Class 2 and $601/acre for Class 6.

Step 1: Calculate the FLPA use value of the property:

\[
\begin{align*}
200 \text{ acres} \times $477/\text{acre} &= $95,400 \\
100 \text{ acres} \times $790/\text{acre} &= $79,000 \\
\hline
&= $174,400
\end{align*}
\]

Step 2: 175% of the FLPA use value:

\[
175\% \times $174,400 = $305,200
\]

continued next page:
175% x $174,400 = $305,200

Step 3: Calculate the Commercial Timberland Value of the property based on the 2020 QTP values table in the QTP manual:

\[
\begin{align*}
200 \text{ acres} \times \$601/\text{acre} &= \$120,200 \\
+ 100 \text{ acres} \times \$193/\text{acre} &= \$91,300 \\
\hline
&= \$211,500
\end{align*}
\]

Step 4: Determine the final appraisal value of the QTP property:

The appraised value of the whole QTP property for ad valorem taxation purposes is the greater of the 175% of its FLPA value and the Commercial Timberland Value, or $305,200.

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2020 FLPA/CUVA land values

<table>
<thead>
<tr>
<th>Soil Productivity Class</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUVA Area #1</td>
<td>$903</td>
<td>$810</td>
<td>$736</td>
<td>$675</td>
<td>$619</td>
<td>$573</td>
<td>$537</td>
<td>$493</td>
<td>$450</td>
</tr>
<tr>
<td>CUVA Area #2</td>
<td>$1,223</td>
<td>$1,107</td>
<td>$999</td>
<td>$904</td>
<td>$833</td>
<td>$782</td>
<td>$737</td>
<td>$677</td>
<td>$614</td>
</tr>
<tr>
<td>CUVA Area #3</td>
<td>$1,199</td>
<td>$1,043</td>
<td>$941</td>
<td>$904</td>
<td>$833</td>
<td>$762</td>
<td>$641</td>
<td>$521</td>
<td>$436</td>
</tr>
<tr>
<td>CUVA Area #4</td>
<td>$882</td>
<td>$790</td>
<td>$716</td>
<td>$657</td>
<td>$571</td>
<td>$533</td>
<td>$463</td>
<td>$400</td>
<td>$325</td>
</tr>
<tr>
<td>CUVA Area #5</td>
<td>$751</td>
<td>$696</td>
<td>$639</td>
<td>$585</td>
<td>$528</td>
<td>$475</td>
<td>$416</td>
<td>$360</td>
<td>$325</td>
</tr>
<tr>
<td>CUVA Area #6</td>
<td>$743</td>
<td>$682</td>
<td>$623</td>
<td>$567</td>
<td>$506</td>
<td>$449</td>
<td>$389</td>
<td>$328</td>
<td>$267</td>
</tr>
<tr>
<td>CUVA Area #7</td>
<td>$796</td>
<td>$724</td>
<td>$660</td>
<td>$592</td>
<td>$522</td>
<td>$456</td>
<td>$389</td>
<td>$319</td>
<td>$252</td>
</tr>
<tr>
<td>CUVA Area #8</td>
<td>$866</td>
<td>$784</td>
<td>$702</td>
<td>$623</td>
<td>$541</td>
<td>$463</td>
<td>$381</td>
<td>$301</td>
<td>$245</td>
</tr>
<tr>
<td>CUVA Area #9</td>
<td>$876</td>
<td>$790</td>
<td>$716</td>
<td>$637</td>
<td>$553</td>
<td>$477</td>
<td>$396</td>
<td>$316</td>
<td>$245</td>
</tr>
</tbody>
</table>

Source: Ga. Comp. R. & Regs. r. 560-11-6-.09
WHAT PROPERTIES ARE ELIGIBLE FOR THE QTP ASSESSMENT

According to the Georgia Code (O.C.G.A. § 48-5-604), timberland properties qualifying for the QTP assessment should meet the following requirements:

1. The timberland property must be at least 50 contiguous acres;
2. The production of trees must be for the purpose of making a profit;
3. The production of trees must be the primary activity taking place on the property;
4. A consistent effort must be clearly demonstrated in land management in accordance with accepted commercial forestry practices, which may include reforestation, periodic thinning, undergrowth control of unwanted vegetation, fertilization, prescribed burning, sales of timber, and maintenance of firebreaks;
5. The property is owned by a qualified owner. Qualified owner means an individual or entity registered to do business in Georgia. The qualified owner needs to annually apply to GDOR requesting assessment under the QTP program and certify that the timberland is used for bona fide commercial production of timber.

HOW TO RECEIVE THE QTP ASSESSMENT

In order to receive the benefits, qualified timberland owners interested in the QTP program should conduct an online registration with GDOR via the Georgia Tax Center (GTC) (https://gtc.dor.ga.gov). Once registered in GTC, timberland owners will be able to file annual applications and returns requesting the QTP assessment for their properties.

Applications should be filed each year between January 1st–March 1st to receive the QTP assessment for that year. Landowners need to upload a written forest management plan for the property and provide descriptive information about the property (e.g., proof of ownership, location, stocking, and silvicultural activities). The property will be decertified from the program if the landowner fails to file a timely application.

GDOR will send notices to the applicants and the county board of assessors about the status of the QTPs (certified or decertified) in their jurisdiction by April 15 each year. By July 1st, GDOR will deliver the QTP appraisals to the applicants and the county tax officials for ad valorem taxation for that year.

APPEALS

Timberland owners or a county board of tax assessors may appeal the commissioner’s decision related to the following issues:

1. The landowner’s status as a qualified owner;
2. The certification or non-certification of the landowner’s timberland as a QTP property; or
3. The appraised value of the landowner’s QTP.

The taxpayer or county board of tax assessors can file a tax appeal with the Georgia Tax Tribunal within 30 days of official notification. The Georgia Tax Tribunal will issue a final decision on the appeal by September 1 of that year.

The QTP Manual should be proposed and published on or before June 1st each year by GDOR. It will present the table of values for QTP appraisals for the following year along with any changes to the parameters that establish the QTP values. Timberland owners, county boards of tax assessors, and associations representing taxpayers may file appeals related to the parameters used in the QTP Manual. They should file the appeals within 60 days of the official notification.
KEY DATE TIMELINE FOR QTPS

<table>
<thead>
<tr>
<th>Deadline: March 1</th>
<th>Deadline: April 1</th>
<th>Deadline: April 15</th>
<th>Deadline: July 1</th>
<th>Deadline: September 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Landowners file applications for QTP assessment via the GTC website.</td>
<td>• Landowners file annual returns for QTP assessment via the GTC website.</td>
<td>• GDOR sends notification to the applicants and county board of assessors (BOA) about certification or non-certification of QTPs.</td>
<td>• GDOR delivers notice of assessment for certified QTPs to the applicants and the BOA.</td>
<td>• Georgia Tax Tribunal issues final decision on appeals related to QTPs.</td>
</tr>
</tbody>
</table>

The applicants or the BOA have 30 days from the notification date to file an appeal regarding the decision of certification or non-certification.

ADDITIONAL INFORMATION ON QTPS


• Georgia Department of Revenue. Qualified Timberland Property appraisal manual (proposed).


REFERENCES

Li, Y., and R.L. Izlar. 2019. The Forest Land Protection Act (FLPA) program and conserving forestland in Georgia. Warnell School of Forestry and Natural Resources, University of Georgia, Athens, GA.


ACRONYMS

CUVA: Conservation Use Value Assessment
FLPA: Forest Land Protection Act
GDOR: Georgia Department of Revenue
GTC: Georgia Tax Center
QTP: Qualified Timberland Property

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