

By: Christian

H.B. No. 3395

A BILL TO BE ENTITLED

AN ACT

relating to the appraisal of timber land.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 23.71(2), Tax Code, is amended to read as follows:

(2) "Net to land" means the average net income that would have been earned by a category of land over the preceding five years by a person using ordinary prudence in the management of land and the timber produced on the land. The net income for each year is determined by multiplying the land's ~~[potential]~~ average annual growth, expressed in tons ~~[cords or board feet of wood]~~, by the mean Texas [average] stumpage value, expressed in price per ton, of large pine saw timber, small pine saw timber, pine pulpwood, hardwood saw timber, hardwood pulpwood, and any other significant timber product, taking into consideration the three forest types and [general types of timber as produced on the] four different soil types, as determined by using information for the East Texas timber-growing region as a whole from the U.S. Forest Service, the Natural Resource Conservation Service, U.S. Geological Survey [the Soil Conservation Service], the Texas Forest Service, and colleges and universities within this state, and by subtracting from the product reasonable management costs and other reasonable expenses directly attributable to the production of timber that a prudent manager of the land and timber, seeking to maximize return, would

1 incur in the management of the land and timber. The Texas Forest
2 Service shall develop a cost model to determine annually the
3 reasonable management costs and other expenses a prudent operator
4 would incur without regard to actual expenditures by any one or more
5 timber growers. Stumpage prices shall be determined based on data
6 collected for all types of timber sales, including timber deed,
7 cutting contract, and gatewood sales.

8 SECTION 2. Section 23.74, Tax Code, is amended to read as
9 follows:

10 Sec. 23.74. CAPITALIZATION RATE. (a) The capitalization
11 rate to be used in determining the appraised value of qualified
12 timber land as provided by this subchapter is the greater of 10
13 percent or the interest rate specified by the Farm Credit Bank of
14 Texas or its successor on December 31 of the preceding year plus 2
15 1/2 percentage points.

16 (b) Subsection (a) of this section takes effect on December
17 31 of the year in which the capitalization rate is determined under
18 Subsection (a) to be equal to or greater than 10 percent. In any
19 year prior to that year in which the capitalization rate is
20 determined to be lower than 10 percent, the capitalization rate to
21 be used in determining the appraised value of qualified timber land
22 may not be lower than the capitalization rate used in the preceding
23 year. This subsection expires on January 1 of the year in which the
24 capitalization rate used to determine the appraised value of
25 qualified timber land as provided by this subchapter is equal to or
26 exceeds 10 percent.

27 SECTION 3. This Act takes effect January 1, 2004.