

By: Staples

S.B. No. 1646

A BILL TO BE ENTITLED

AN ACT

relating to the ad valorem tax appraisal of qualified timberland.

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

SECTION 1. Subdivision (2), Section 23.71, 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 the 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 [~~average~~] stumpage value, expressed in price per ton, of large pine sawtimber, small pine sawtimber, pine pulpwood, hardwood sawtimber, hardwood pulpwood, and any other significant timber product, taking into consideration the three forest [~~general~~] types and [~~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 Resources Conservation Service of the United States Department of Agriculture [~~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 the timber that a prudent manager

1 of the land and timber, seeking to maximize return, would incur in
2 the management of the land and timber. Stumpage prices shall be
3 determined by using information collected for all types of timber
4 sales, including cutting contract and gatewood sales.

5 SECTION 2. Section 23.74, Tax Code, is amended to read as
6 follows:

7 Sec. 23.74. CAPITALIZATION RATE. (a) The capitalization
8 rate to be used in determining the appraised value of qualified
9 timber land as provided by this subchapter is the greater of:

10 (1) the interest rate specified by the Farm Credit
11 Bank of Texas or its successor on December 31 of the preceding year
12 plus 2 1/2 percentage points; or

13 (2) the capitalization rate used in determining the
14 appraised value of qualified timber land as provided by this
15 subchapter for the preceding tax year.

16 (b) Notwithstanding Subsection (a):

17 (1) in the first tax year in which the capitalization
18 rate determined under that subsection equals or exceeds 10 percent,
19 the capitalization rate for that tax year is the rate determined
20 under Subsection (a)(1); and

21 (2) for each tax year following the tax year described
22 by Subdivision (1), the capitalization rate is the average of the
23 rate determined under Subsection (a)(1) for the current tax year
24 and the capitalization rate used for each of the four tax years
25 preceding the current tax year other than a tax year preceding the
26 tax year described by Subdivision (1).

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

1 (b) The change in law made by this Act applies only to the
2 appraisal of qualified timberland for ad valorem tax purposes for a
3 tax year that begins on or after the effective date of this Act. The
4 appraisal of qualified timberland for ad valorem tax purposes for a
5 tax year that began before the effective date of this Act is
6 governed by the law in effect when the appraisal of the land was
7 made, and the former law is continued in effect for that purpose.