

1-1 By: Staples S.B. No. 1646  
1-2 (In the Senate - Filed March 14, 2003; March 20, 2003, read  
1-3 first time and referred to Committee on Finance; April 30, 2003,  
1-4 reported adversely, with favorable Committee Substitute by the  
1-5 following vote: Yeas 11, Nays 0; April 30, 2003, sent to printer.)

1-6 COMMITTEE SUBSTITUTE FOR S.B. No. 1646 By: Staples

1-7 A BILL TO BE ENTITLED  
1-8 AN ACT

1-9 relating to the ad valorem tax appraisal of qualified timberland.  
1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:  
1-11 SECTION 1. Subdivision (2), Section 23.71, Tax Code, is  
1-12 amended to read as follows:

1-13 (2) "Net to land" means the average net income that would  
1-14 have been earned by a category of land over the preceding five years  
1-15 by a person using ordinary prudence in the management of the land  
1-16 and the timber produced on the land. The net income for each year is  
1-17 determined by multiplying the land's potential average annual  
1-18 growth, expressed in tons [~~cords or board feet of wood~~], by the  
1-19 [~~average~~] stumpage value, expressed in price per ton, of large pine  
1-20 sawtimber, small pine sawtimber, pine pulpwood, hardwood  
1-21 sawtimber, hardwood pulpwood, and any other significant timber  
1-22 product, taking into consideration the three forest [~~general~~] types  
1-23 and [~~of timber as produced on~~] the four different soil types, as  
1-24 determined by using information for the East Texas timber-growing  
1-25 region as a whole from the U.S. Forest Service, the Natural  
1-26 Resources Conservation Service of the United States Department of  
1-27 Agriculture [~~U.S. Geological Survey, the Soil Conservation~~  
1-28 Service], the Texas Forest Service, and colleges and universities  
1-29 within this state, and by subtracting from the product reasonable  
1-30 management costs and other reasonable expenses directly  
1-31 attributable to the production of the timber that a prudent manager  
1-32 of the land and timber, seeking to maximize return, would incur in  
1-33 the management of the land and timber. Stumpage prices shall be  
1-34 determined by using information collected for all types of timber  
1-35 sales, including cutting contract and gatewood sales.

1-36 SECTION 2. Section 23.74, Tax Code, is amended to read as  
1-37 follows:

1-38 Sec. 23.74. CAPITALIZATION RATE. (a) The capitalization  
1-39 rate to be used in determining the appraised value of qualified  
1-40 timber land as provided by this subchapter is the greater of:

1-41 (1) the interest rate specified by the Farm Credit  
1-42 Bank of Texas or its successor on December 31 of the preceding year  
1-43 plus 2 1/2 percentage points; or

1-44 (2) the capitalization rate used in determining the  
1-45 appraised value of qualified timber land as provided by this  
1-46 subchapter for the preceding tax year.

1-47 (b) Notwithstanding Subsection (a):

1-48 (1) in the first tax year in which the capitalization  
1-49 rate determined under that subsection equals or exceeds 10 percent,  
1-50 the capitalization rate for that tax year is the rate determined  
1-51 under Subsection (a)(1); and

1-52 (2) for each tax year following the tax year described  
1-53 by Subdivision (1), the capitalization rate is the average of the  
1-54 rate determined under Subsection (a)(1) for the current tax year  
1-55 and the capitalization rate used for each of the four tax years  
1-56 preceding the current tax year other than a tax year preceding the  
1-57 tax year described by Subdivision (1).

1-58 SECTION 3. (a) This Act takes effect January 1, 2004.

1-59 (b) The change in law made by this Act applies only to the  
1-60 appraisal of qualified timberland for ad valorem tax purposes for a  
1-61 tax year that begins on or after the effective date of this Act. The  
1-62 appraisal of qualified timberland for ad valorem tax purposes for a  
1-63 tax year that began before the effective date of this Act is

2-1 governed by the law in effect when the appraisal of the land was  
2-2 made, and the former law is continued in effect for that purpose.

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