

## **Amendment 3: Tax Assessment of Forest and Timber Land**

### **Overview:**

This proposed constitutional amendment, if approved by a majority of voters in the November, 2018 statewide election, would change the rules for the tax assessment of forestland conservation use property (more commonly known as “FLPA” property) and would also establish a new tax assessment process for other “qualified timberland property” that has the primary purpose of producing commercial timber. This constitutional provision would be implemented by House Bill 85 from the 2018 session of the General Assembly.

### **Ballot Language:**

*“Shall the Constitution of Georgia be amended so as to revise provisions related to the subclassification for tax purposes of and the prescribed methodology for establishing the value of forest land conservation use property and related assistance grants, to provide that assistance grants related to forest land conservation use property may be increased by general law for a five-year period and that up to 5 percent of assistance grants may be deducted and retained by the state revenue commissioner to provide for certain state administrative costs, and to provide for the subclassification of qualified timberland property for ad valorem taxation purposes?”*

### **Details:**

#### **1. FLPA Property**

Property that qualifies under the FLPA program is assessed for tax purposes at its current-use value, rather than fair-market value (which is generally higher); as a result, FLPA property owners pay lower taxes (and of course, local governments receive less taxes). Under present law, such tracts of land must be at least 200 acres, and the owner must place the property under a 15-year covenant restricting it to forest use. In order to lessen the revenue impact to local governments, local governments may receive FLPA grants from the state to make up the majority of the property tax revenue loss between 1) what revenue would have been generated using 2008 fair market values and 2) what FLPA properties actually generate in the current year.

Amendment 3 would reduce the length of the required FLPA restrictive covenant to 10 years, and properties could be aggregated to reach the 200-acre minimum (provided that any individual property is not less than 100 acres). Also, rather than tying the calculation of FLPA grants to 2008 values, the comparison would first change to 2016 values and then be updated every three years thereafter. For those local governments that would lose FLPA grant money under this new formula, additional grant money from the state will be available to offset that loss over the first four years of the new system.

Additionally, the Georgia Department of Revenue would retain 3% of the FLPA grants for the purpose of administering the assessment program described below for qualified timberland property.

## **2. Qualified Timberland Property**

Amendment 3 also would create “qualified timberland property” as a separate class of property, which in turn would allow for a different tax assessment procedure for such property. In order to qualify for this classification (which does not require placement of a restrictive covenant on the property), each tract must 1) be at least 50 acres in size; 2) have as its primary use the bona fide production of timber for commercial purposes; and 3) be owned by an owner that is certified by the Department of Revenue (DOR) as being engaged in the business of bona fide production of trees to be used for commercial purposes. Such qualified timberland property would be assessed for taxation purposes by the DOR rather than local boards of assessors, pursuant to an annual appraisal manual. Unlike FLPA property, qualified timberland property would be assessed at fair market value, and that fair market value could never be less than 175% of that property’s corresponding FLPA value. Unlike the FLPA program, no state grants would be available to make up any loss in tax revenues from the new valuation method for qualified timberland property.

Local boards of assessors would have the right to appeal to the Georgia Tax Tribunal on the issues of 1) the assessment parameters contained within DOR’s annual assessment manual; 2) whether the taxpayer is a qualified owner (i.e., being engaged in the bona fide production of trees for commercial purposes); 3) the certification by DOR of property as qualified timberland property; and 4) DOR’s valuation of individual qualified timberland properties. Any appeals of the Tax Tribunal’s decisions would be to Fulton County Superior Court.