



Amendment 3 (HR 51/HB 85): Tax Assessment of Forest and Timber Land

Overview:

Amendment 3 (HR 51) --- approved by a majority of voters in the November 2018 statewide election – and its implementing legislation (HB 85) will change the rules (beginning in 2019) for the tax assessment of forestland conservation use property (more commonly known as “FLPA” property) and also establishes a new tax assessment process for other “qualified timberland property” that has the primary purpose of producing commercial timber.

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.

Under HR 51 and HB 85, the length of the required FLPA restrictive covenant is reduced to 10 years, and properties can 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 first change to 2016 values and then be updated every three years thereafter (although as a practical matter, it is likely that 2016 values will not be used because 2019 values will be available at the time 2019 FLPA grants are calculated). 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 will retain 3% of the FLPA grants for the purpose of administering the assessment program described below for qualified timberland property.

2. Qualified Timberland Property

HR 51/HB 85 also create “qualified timberland property” as a separate class of property, which in turn allows 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 will 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 will be assessed at fair market value, and that fair market value can never be less than 175% of that property's corresponding FLPA value. Unlike the FLPA program, no state grants will be available to make up any loss in tax revenues from the new valuation method for qualified timberland property.

Local boards of assessors will 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 will go to Fulton County Superior Court.