

REPORT ON MANAGED TIMBERLAND PROGRAM

Prepared by the West Virginia Division of Forestry

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Brief Overview

In 1946, the residents of West Virginia passed a constitutional amendment that provided a property tax incentive to forest landowners that practiced sound forest management. The Managed Timberland Program Act, passed by the West Virginia Legislature during the 1990 Regular Session, was enacted to comply with the constitutional forestry amendment approved by voters. During the 1991 Regular Session, legislative rules designed to assist in successfully clarifying and implement the Act were adopted. Specifically, the legislative rules provided framework on the proper way to evaluate managed timberland. According to the rule, stumpage price was a driving factor in calculating the appraised value of property enrolled in the Managed Timberland Program.

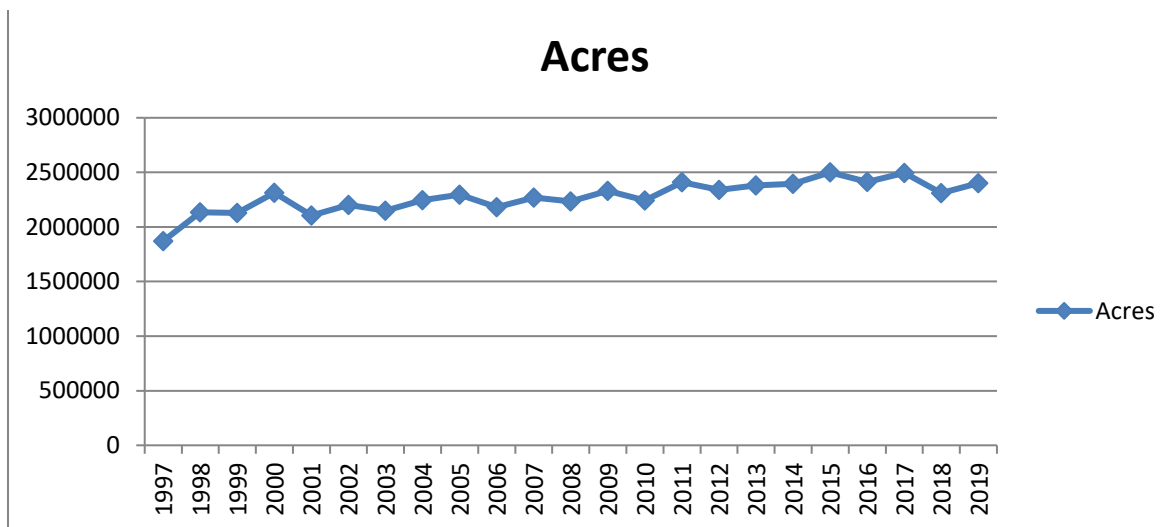
As stumpage prices began to rise in the early 1990s, the appraised value of managed timberland properties also increased. Until 1995, the Division saw an increase every year in the number of acres classified as managed timberland. At that time, properties classified as managed timberland became the highest valued forested land in many West Virginia counties. This resulted in several participants withdrawing their properties from the program to avoid the higher rate of taxation. In 1998, the Legislature amended the law incorporating a new method of appraisal driven by land productivity instead of property value. Since 1998, the number of acres enrolled in the Managed Timberland Program has stabilized; however, in the last few years, the number of participants as begun to climb. In 2016, the Legislature passed Senate Bill No. 157 which changed the valuation method in the existing rule; however, it was vetoed by Governor Earl Ray Tomblin on April 2, 2016. In his message, the Governor explained that the change to this program was proposed too late during the session for stakeholders to address lawmakers with concerns and that the proposal had significant negative impact on the southern counties.

Today, real estate investment trusts and timber investment management organizations maintain the highest percentage of ownership when it comes to acres enrolled in the Managed Timberland Program. Nearly 70% of all land enrolled in the program belongs to corporate landowners who hold more than a thousand acres. However, the Division is still seeing a steady climb of non-industrial landowners enrolling in the program. As counties raise the assessments on forestland in the State, more private landowners are turning to the Managed Timberland Program for tax relief on their valuations. The Division expects this trend to be fairly steady over the next few years as higher market values drive assessments up in rural areas, provided there are not any program requirement changes that would discourage enrollment in the program.

History of Managed Timberland Acreage

(Acres as certified by the Division of Forestry By September 1 of each year).

Year	Acres
1997	1,870,960.81
1998	2,133,142.64
1999	2,127,773.09
2000	2,312,340.00
2001	2,104,323.87
2002	2,203,015.20
2003	2,148,463.35
2004	2,245,736.64
2005	2,296,135.00
2006	2,180,337.00
2007	2,268,690.22
2008	2,233,109.00
2009	2,330,501.93
2010	2,242,276.00
2011	2,410,564.00
2012	2,340,737.00
2013	2,380,774.00
2014	2,394,255.20
2015	2,499,661.00
2016	2,413,554.00
2017	2,495,590.00
2018	2,309,946.00
2019	2,400,386.10



Since the amendment of 1998, there were a large number of private non-industrial forest landowners who have entered into a contract to enroll their timberland with the Division of Forestry and have their property certified as managed timberland. Many of these landowners have used the Forest Stewardship Program to acquire forest management plans for their property at a reduced cost. The U.S. Forest Service Stewardship Program is of great assistance in this effort. One of the goals of the Managed Timberland Program is to encourage forest landowners to begin to use sustainable silvicultural practices on their property. This is best accomplished by following a forest stewardship plan.

Impacts of the Program on Forest Industry

- The Managed Timberland Program allows landowners to classify their property as timberland rather than as potential development areas in high growth areas of the State. The lower tax rate associated with Managed Timberland, as opposed to potential development property, allows the landowner to continue his or her long-term investment at an acceptable rate of return. Without the Managed Timberland Program, the alternative would be to encourage the landowner to liquidate his or her investment to avoid a loss.
- The Managed Timberland Program encourages new forest industries to locate manufacturing facilities in West Virginia. Long-term raw material supply is more favorable in the State because of the Managed Timberland Program. Urban sprawl in many states has increased land values to the point where timber management is no longer a viable economic option for landowners; therefore, forest product manufacturing facilities no longer have a raw material supply and are forced to shut down.
- The Managed Timberland Program encourages timberland owners, both private and industrial, to intensively manage their property on a sustained basis. The management of timberland is a long-term investment; therefore, yields are critically sensitive to cost and interest rates. Interest rates are determined by the world's economy; therefore, the forest landowner must control all other costs, including property taxes, in order to obtain an acceptable rate of return. The Managed Timberland Program allows for this by linking property taxes to soil productivity and stumpage prices, which ultimately determine the rate of return on the investment.

- There have been instances of County Commissions mandating that parcels withhold a certain number of acres for potential home sites even though a home does not exist on the property at the time of the valuation. This is in direct opposition to a Tax Commissioner ruling, known as #13-26 stating that MTL considers only current use classification and cannot be prejudiced by potential future uses.
- The Managed Timberland Program is recently been the center of a controversy involving a large landowner and the counties where land was situated. The controversy resulted in a decision by the West Virginia Supreme Court of Appeals (Docket No. 18-0019). The Court, in its decision found that an application filed after the established date shall be considered a denial by the West Virginia Division of Forestry and thus landowners filing late were due the appeals process outlined in 110 CSR 01H.