



Larry Pack
Acting Secretary of Revenue

STATE TAX DEPARTMENT

Matthew Irby
State Tax Commissioner

December 28, 2023

The Honorable Craig P. Blair
Senate Chairperson
Joint Committee on Government and Finance
Building 1, Room 229M

The Honorable Roger Hanshaw
House Chairperson
Joint Committee on Government and Finance
Building 1, Room 228M

Gentlemen:

In conformity with requirements of West Virginia Code §11-1C-11, attached is a report on managed timberland to the Joint Committee on Government and Finance. The report and its attachments contain a history of the managed timberland program and analysis of data reflecting the impact of the program on the State's property tax base.

If after review of the attached information you should have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Matthew Irby", written over a circular stamp or watermark.

Matthew Irby
State Tax Commissioner

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Attachment

cc: Larry Pack, Acting Cabinet Secretary, Department of Revenue

MANAGED TIMBERLAND PROGRAM

REPORT TO THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE

DECEMBER 28, 2023

Submitted by:

West Virginia State Tax Department
Matthew Irby
State Tax Commissioner

MANAGED TIMBERLAND PROGRAM

This report on the property tax aspects of the State's managed timberland program is submitted to the Joint Committee on Government and Finance pursuant to the provision of W. Va. Code § 11-1C-11(c), which reads:

(c) To aid the Legislature in assessing the impact of the managed timberland program on the State of West Virginia, the Division of Forestry and the Tax Commissioner, on or before December 31, 2001, and on December 31, each year thereafter, shall report in writing to the Joint Committee on Government and Finance of the Legislature or its designated subcommittee. The Tax Commissioner shall include in his or her report a complete and accurate assessment of the impact of the managed timberland program on the tax collections of the state, including projected increases or decreases in tax collection. The Division of Forestry shall include in its report detailed information on the number of acres designated as managed timberland and any identified Impacts of the program on the state's timber industry.

This report includes data, by county, indicating the effect the managed timberland program has on the State's property tax base for tax year 2023. Please see the Division of Forestry's annual report for information on the history of the managed timberland program, the number of acres designated as managed timberland, and the impacts the program has on this State's timber industry.

The attached spreadsheets for tax year 2023 begin by showing for each county the appraised value of timberland In the managed timberland program and the appraised value of timberland not In the managed timberland program. The last column shows the tax savings to owners participating In the managed timberland program.¹

The appraised value of timberland not in the managed timberland program must always be more than the appraised value of equivalent grades of properties being classified as managed timberland In the county.² This means that the appraised value of:

A & B grade woodland must be at least the amount of grade 1 managed timberland;

C & D grade woodland must be at least the amount of grade 2 managed timberland; and

E grade woodland must be at least the amount of grade 3 managed timberland.

Grades of Managed Timberland Productivity

Grade 1. Managed timberland productivity is excellent to very good.

Grade 2. Managed timberland productivity is good to fair.

Grade 3. Managed timberland productivity is poor.³

¹ To determine tax savings, appraised values are multiplied by 60 percent to determine the assessed values of the properties. The assessed values are then multiplied by the applicable class III levy rate. In a few cases, the particular managed timberland may also qualify for farm use valuation, meaning that the lower Class II levy rate rather than the higher Class III levy rate is applied.

² See CSR §110-1H-2.2.

³ To determine tax savings, appraised values are multiplied by 60 percent to determine the assessed values of the properties. The assessed values are then multiplied by the applicable class III levy rate. In a few cases, the particular managed timberland may also qualify for farm use valuation, meaning that the lower class II levy rate applies rather than the higher class III levy rate. See CSR §110-1 H-2.2. See CSR §110-1H-3.12 and Appendix 4 of the managed timberland rule.

Timberland Classification Schedule

Class "A" - This land is adaptable for use as forest property. It may be adaptable to other profitable uses. On it is a stand of trees of commercial species, the size being from fourteen (14) to twenty (20) inches d.b.h.⁴ and above.

Class "B" - This land is also adaptable for use as forest property. It may be adaptable for other profitable uses. There is a stand of trees of commercial species, the size being from ten (10) to fourteen (14) inches d.b.h.

Class "C" - This land is adaptable for use as forest property. On it is a stand of trees of commercial species, the size being from six (6) to ten (10) inches d.b.h.

Class "D" - This land is adaptable for use as forest property. On it is a stand of trees of commercial species, the size being from four (4) to six (6) inches d.b.h.

Class "E" - This land is adaptable for use as forest property. On it is a stand of trees of commercial species less than four (4) Inches d.b.h. This class of timberland also includes clear cut property and property subjected to total harvest where the remaining commercial species are less than four (4) inches d.b.h.⁵

The attached spreadsheet for tax year 2023, shows that the counties of McDowell, and Wyoming each under appraised the value of timberland not in the managed timberland program. These counties need to take corrective action for the 2024 property tax year in order to comply with CSR §110-1 H-2.2.

⁴ "dbh" means the diameter of trees at breast height, which is 4.5' above ground level. CRS §110-1 H-3.4.

⁵ See CSR §110-1H, Appendix 1.