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 done to comply with the "Forestry Amendment." Legislative rules for the act were passed during the 1991 Regular Session. **The legislative rules specified how property in managed timberland was to be evaluated.** Stumpage price was the major factor in computing the appraised value of the property enrolled in this program. As stumpage prices began to rise in the early 1990s, the appraised value of managed timberland properties also rose. The number of acres in managed timberland increased each year until 1995, at which time Managed Timberland properties became the highest valued forested properties in many counties. This resulted in many individuals withdrawing their properties from the program. In 1998, the Legislature amended the law incorporating a new method of appraisal, which relies heavily on land productivity. Since 1998, the number of acres enrolled in the Managed Timberland Program has stabilized; though within the last few years it has begun to gradually climb. An attempted amendment was made in 2016 to amend some potential issues with the valuation method outlined in the 1998 amendment and it as passed by the Legislature in the 2016 session but was then vetoed by the Governor.

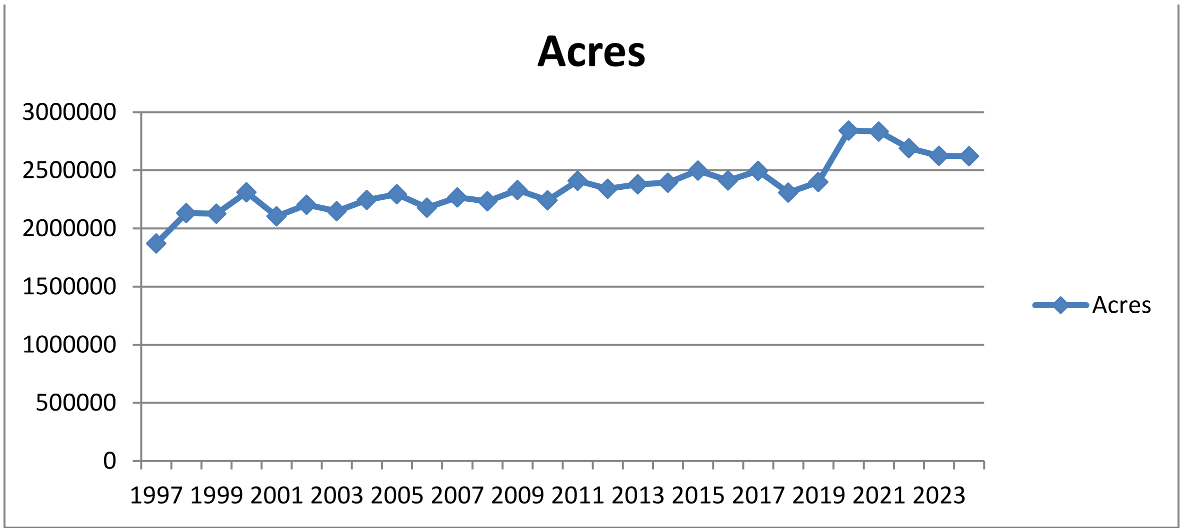
Corporate entities maintain the highest percentage of ownership when it comes to acres enrolled in the program. Nearly 70% of all land enrolled in the program belongs to corporate landowners who hold over 1000 acres. Though, we are still seeing a steady number of non-industrial landowners that are enrolling in the program. As counties raise the assessments on woodland in the state, more private landowners are turning to the Managed Timberland Incentive program for tax relief on their valuations. This trend will likely hold steady over the next few years unless some change is made that would discourage enrollment as higher market values on land drive assessments up in rural areas.

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
2020	2,843,523.00

2021	2,834,634.00
2022	2,690,205.68
2023	2,626,309.39
2024	2,623,430.38



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. The alternative without the Managed Timberland Program would 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 the landowner. 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 is some talk among the landowners that the current valuation methodology is inaccurate and could be simplified.

- Managed Timberland has been a topic of discussion amongst legislators, the counties and participating landowners the last 4 years. Questions about the calculation formula as well as how the program interacts with Carbon Offset programs have been voiced frequently over the last year and a half. It seems likely that the Managed Timberland tax incentive could see legislative action in the next session.

- A Legislative audit was performed in 2022, this identified several recommendations, many of which need legislative action. The General Sessions of the Legislature in 2023 and 2024 failed to complete any of the recommended policy changes.