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Georgia's Timber Tax – How It Works

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Georgia woodland owners have property tax reporting and payment obligations, especially as a result of a timber sale from their land. Discussed here is an overview of the ad valorem tax structure for woodland owners in Georgia. For an exhaustive treatment of this subject please go to the University of Georgia Center for Forest Business at http://www.ugacfb.com/property-tax-incentives-for-the-georgia-landowner/.

Conservation Use Valuation Assessment

Having your forestland under a current use valuation assessment (CUVA) program generally is considered essential to managing property tax expenses for woodland owners. Summarizing the work by Izlar and others (2012), we learn the following. In 1992 Georgia introduced the CUVA taxation program. It was initiated in response to concerns regarding urban sprawl, land use transition, and the resulting environmental impacts from these changes. Also, its purpose was to provide tax relief for a broad class of Georgia property owners. Specifically, the aim was to protect against pressure to convert from forestry or agricultural use to residential or commercial use. Fair market value assessments for land near urban areas had made property taxes too high to sustain land use for woodlands. The Agricultural Preferential Assessment program, enacted in 1983, had provided some tax relief to Georgia woodland owners but more relief was needed.

The way CUVA works is for the landowner to apply for and, if approved, sign a ten-year covenant through the relevant county's tax assessor's office. It is agreed in the covenant that the property will remain devoted during this period to its CUVA qualifying use. Use as timberland is a qualifying use. The covenant can be renewed after ten years. The maximum allowable acreage is 2000 acres and owners must be natural or naturalized citizens of the United States. There are severe penalties for changing use of the property during the convenient period.

The annual property tax on the land is then based on 40 percent of current use value (CUV) not fair market value (FMV). The land's CUV is determined by using Georgia Department of Revenue's tables for nine different soil productivity classes identified in nine different state soil regions. The nine regions comprise a set grouping of counties. The soil productivity classes for timberland are designated from W1 to W9 with "W!" being the most valuable.
To illustrate the process, we can assume a county’s W1 timber land value per acre is $700. This CUV is then multiplied by 40 percent to get the assessed value – $700 X 0.40 = $280. This new value of $280 then is multiplied by the millage rate to determine the per acre tax. Assuming the millage rate is $30 per $1000, the tax would be $84 – that is, $280 X 0.30. To illustrate, the tax advantage, let us assume the FMV of this land is $7000 per acre. In that case the tax would be $840.

Timber Sales

Since the property taxes on timber are deferred until the timber is sold, then how are the taxes determined? The money earned from the sale is considered ordinary income and the total dollar value is taxable. There are no allowable deductions for expenses. The assessed value is 40 percent of the actual value and the millage rate is the same as the situation above.

Regardless of the type of timber sale, Form PT-283T must be submitted to the appropriate county’s Board of Tax Assessors or Tax commissioner. A copy can be found at http://www.pageforestry.com/images/projects/full/GA%20Report%20of%20Timber%20Sale%20or%20Harvest.pdf. Form PT-283T must be completed by a lump sum timber purchaser. The seller must remit to the purchaser, at the time of sale, payment for the taxes due. The purchaser must remit the taxes and this form to the Tax Commissioner with five business days of purchase. Also, the purchaser must also give a copy of this form to the Board of Tax Assessors at the time of remittance. The purchaser is liable for the tax not paid by the seller. Both the seller and purchaser must sign the form.

Purchasers for pay-as-you-cut sales must complete, sign and submit two copies of the form to the seller and one copy of the form to the Board of Tax Assessors within 45 days after end of a quarter. The seller must sign and submit one of the copies to the Board of Tax Assessors within 60 days after the end of quarter. The seller will receive a bill from the tax commissioner.

Owners who harvest their own timber must complete and submit one copy of the form to the Board of Tax Assessors within 45 days after end of quarter. Ad valorem taxes will be paid by the landowner and will be calculated by multiplying the fair market value of timber times the applicable millage rate.

Forest Land Protection Act (FLPA)

In 2009 this act became law in Georgia. It was enacted to provide a more fair tax treatment to owners who have over 2000 acres of woodlands. Specifically, it provides special assessment and taxation of forestland conservation use property to private and corporate owners with large land holdings.
There are some differences from CUVA. The covenant period is 15 years instead of ten and the owner must file in each county where the property is located. Also there are no early out provisions. The property must be owned by an individual or individuals or by any entity registered to do business in Georgia. The primary land use must be forest products production on at least half of the property. Landowners can use the enrolled land for management of wildlife habitat, carbon sequestration, mitigation and conservation banking, and production of ecosystem products and services.

Summary

These property tax incentive laws have been beneficial for woodland owners in Georgia. They are credited with allowing thousands of landowners to retain their property in conservation use where it might otherwise have been lost to other land uses.

Citation: