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Current Use Timberland Values Change

Montgomery, Oct. 8, 1999—Changes in timber prices and interest rates have prompted the state to make adjustments in the current use timberland values, effective Oct. 1, 1999, with taxes on the new values being collected Oct. 1, 2000.

“The 1999 adjustment in values comes four years following the first adjustment made in 1995, since the current use timberland values were set in 1982. A near doubling in timber prices prompted the 1995 adjustment and subsequent market price increases and interest rate changes prompted this year’s adjustment,” explained State Revenue Commissioner James P. Hayes, Jr.

“Owners qualifying for current use status can choose to value their property at its market value or its current use value. Market value is based on sales prices of similar property and includes the development potential of the property. Current use values are assigned by determining the value of the land based on its present or ‘current’ use. Current use application assumes that the property such as timberland or farmland will produce income that can be capitalized to determine an actual land value of the property,” explained Bill Bass, director of the department’s Property Tax Division.

In calculating current use on timberland property, a fixed formula set by law is used, but two fluctuating values are contained within the formula—timber price and interest rate. The price used in the formula, calculated by the Alabama Forestry Commission, is based on the weighted average pulpwood stumpage price in Alabama for the previous calendar year. The interest rate is based on a 10-year interest rate average of new loans issued by the Farm Credit Bank of Texas. As required by law, the interest rate value is then decreased by 4.5 percent before it is used in the current use timberland formula. Other factors used in the formula include

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timber productivity rates and expense ratio, also specified by law. Each timberland property is assigned a productivity rate, ranging from 1.38 cords per acre per year for “good” timberland to a low of 0.60 cords per acre per year for “nonproductive” land. The expense ratio is fixed at 15 percent of the annual income produced from timber sales.

Using all of these factors, the department calculated current use values for the 1999 tax year for the four classes of timberland property: Good, Average, Poor, and Nonproductive. **Taxes on the 1999 values will be collected beginning Oct. 1, 2000.** 1998 values are also shown for comparison purposes. Taxes on the 1998 values will be collected beginning Oct. 1, 1999, through Dec. 31, 1999.

Categories of Timberland	1998 Current Use Values <i>(Apply to taxes collected Oct. 1, 1999)</i>	1999 Current Use Values <i>(Apply to taxes collected Oct. 1, 2000)</i>
Good Timberland	\$494 per acre	\$509 per acre
Average Timberland	\$375 per acre	\$387 per acre
Poor Timberland	\$268 per acre	\$277 per acre
Nonproductive Timberland	\$214 per acre	\$221 per acre

Using a combined average millage rate of 41.5 mills (state, county, and if applicable, city) and 1999 values, the amount of tax calculated per acre for “good” timberland would total \$2.11. For comparison purposes, using the same total average millage rate of 41.5 mills, taxes collected this October 1999 on the 1998 value assigned to “good” timberland would total \$2.05, thus accounting for a six-cent per acre increase in 2000.

During August 1999, the Alabama Department of Revenue notified county tax-assessing officials of changes in the current use values on timberland effective Oct. 1, 1999. Current use values on crop and pastureland properties will not be affected by changes made in the current use timberland values because a separate formula is used to calculate current use timberland values.

For more information concerning current use application, property owners are encouraged to contact the Property Tax Division of the Alabama Department of Revenue at (334) 242-1525 or their local county tax assessing official.