

TIMBERLAND DESIGNATION OPTIONS
Land Productivity or Bare Land and 3% Yield Tax

Individual ownership of timberland in Idaho totaling 5000+ ac. must be designated under the Land Productivity option ("LP," Category 06). All timberland under one ownership must be in the same option. Statistically, the two options equal each other concerning taxes due. In the LP option, taxes for land and trees are due and taxed annually; therefore, no yield tax at time of harvest and no deferred tax at the time of property sale. In the Bare Land and 3% Yield Tax option ("BLY," Category 07) yield tax on the trees is due when timber is harvested and deferred (rollback) taxes are due at the time property is sold; OR, **a buyer may assume the deferred tax liability of seller with application under the same option. If not paid or assumed, this tax follows the property as a lien.** These are in addition to the taxes on the land itself, billed annually. The timber classification may be removed at the discretion of the Assessor's office at any time for non-compliance with requirements.

In both options, the property is assessed on its ability to grow timber, known as its "productivity rating." The productivity ratings are: "Good," "Medium," and "Poor." **The actual assessed rates per ac. vary each year, depending upon the timber market.** The following are the 2021 rates for both options:

LAND PRODUCTIVITY		BARE LAND & YIELD	
<u>Productivity</u>	<u>Rate Per Ac.</u>	<u>Productivity</u>	<u>Rate Per Ac.</u>
Good	\$542.00	Good	\$156.00
Medium	\$297.00	Medium	\$108.00
Poor	\$134.00	Poor	\$ 64.00

The following example is a calculation of annual taxes on a 10-ac. parcel, valued in each timber option based on "Good" productivity rating, with a levy rate of .015205 (rates vary throughout Kootenai County).

LAND PRODUCTIVITY	BARE LAND & YIELD
<u>Example</u>	<u>Example</u>
10 ac. @ \$542 = \$5420 total assessed value	10 ac. @ \$156 = \$1560 total assessed value
\$5420 total value X levy rate = taxes owed, or	\$1560 total value X levy rate = taxes owed, or
\$5420 X .015205 = \$82.41	\$1560 X .015205 = \$23.72

When electing the BLY option, remember the following: In addition to this annual tax on bare land, there is a yield tax on the stumpage value of trees harvested, and a recapture tax at the time of sale or change in use. Land classified as grazing, crops and mining are also subject to the 3% yield tax on stumpage. Also, remember that levy rates vary and are subject to change from year to year. Most forested ac. in Kootenai County have "Good" or "Medium" productivity ratings and very little "Poor" forestland. Assessed ac. rates, based on the average market price per ac. over the last five years, will also vary from year to year.

CALCULATION OF YIELD TAX

Multiply stumpage scaled at the lumber mill by fixed rates for each species to determine total value by species. The total value for all species is multiplied by .03 (3% yield tax) to obtain yield taxes owed.

The mills report stumpage to the Idaho State Department of Lands, which forwards the stumpage volumes to the county. The State Tax Commission determines the fixed rates used, allowing for normal logging costs. The rates (one per species) are averaged over a five-year period and are also subject to change from year to year as the market fluctuates.

"First-half"/"Second-half" yield taxes are billed bi-annually. First-half billings cover the mill delivery period January 1 through June 30, processed in October, due December 20; second-half covers the mill delivery period July 1 through December 31, processed in March of the next calendar year, due June 20. **Paid yield tax is credited against deferred taxes.**

Deferred Taxes (Recapture)

Deferred taxes are the second part of the equalization between the two options. These taxes are collected on properties classified in the BLY option only, for all or portion of the parcel, triggered by sale or a change in use.

To calculate, we first obtain the difference in assessed rates per ac. between the LP option and the BLY option. This is the value of the timber portion, per ac., multiplied by the current levy rate (year in which the sale occurred) for deferred tax due for one year on one ac. The third step, we multiply the deferred tax by the number of years the land has been assessed under the BLY option (up to a maximum of 10 years). Multiply this figure for the total deferred tax due on one ac. by the number of ac. under this classification to get the total amount deferred tax on the parcel. Finally, we deduct any yield tax credits accrued due to harvests by the landowner during that same period to determine the deferred tax amount to be billed.

When property is platted into a subdivision, the change in use results in removal of the land from the timber program. The deferred tax is calculated on the difference between full market value and the bare land and yield value, using rates per ac.

The following are two examples of how the deferred tax is calculated: The first is a calculation of the amount deferred between the LP option and the BLY options. The second is a calculation of the amount deferred between the current full market value and the BLY option. The samples are based on a 10-ac. parcel and a "Good" production rate, assessed under the BLY option for 10 years. The full market value on the property is \$5000/ac.; a levy rate of .016777194, with no Yield Tax credit.

$$\begin{aligned} & \text{LP rate/ac. (-) BLY rate/ac. (X) levy rate (X) years (X) ac. (-) yield tax credit = deferred tax} \\ & \quad \$542 - \$156 (\$386.00) \times .016777194 \times 10 \text{ years} \times 10.000 \text{ ac.} - \$0 = \$647.60 \\ & \text{Market rate/ac. (-) BLY rate/ac. (X) levy rate (X) years (X) ac. (-) yield tax credit = deferred tax} \\ & \quad \$5000 - \$156 (\$4844.00) \times .016777194 \times 10 \text{ years} \times 10.000 \text{ ac.} - \$0 = \$8126.87 \end{aligned}$$

Deferred taxes are billed in April of the year after sale or change in use and are due in full by June 20 of the same year.

The Bare Land and 3% Yield Option entails more paperwork, calculations, and additional tax billings. The LP option requires a single annual tax billing.

We hope this information will help you in your decision. Remember: You are required to responsibly manage the trees and land for production and marketability, regardless of which option you designate for.