



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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September 29, 2005

TO INTERESTED PARTIES:

TIMBER HARVEST VALUES MANUAL

In a letter to interested parties dated September 7, 2005, we disseminated a second draft of the *Timber Harvest Values Manual*. Interested parties were invited to provide comments on the proposed manual. Enclosed is a matrix summarizing the comments received.

A second interested parties meeting will be held on October 5, 2005 to discuss the comments submitted on the proposed manual. The meeting will begin at 9:30 a.m. at the Board's headquarters in Sacramento, 450 N Street, Room 122. Subsequently, the manual is scheduled for discussion before the Board's Property Tax Committee at the November 15, 2005 meeting.

All documents regarding this project will be posted to the Board's website at www.boe.ca.gov/proptaxes/timharvals05.htm. If you plan to attend the interested parties meeting on October 5, please advise Ms. Sherrie Kinkle at sherrie.kinkle@boe.ca.gov or 916-322-2921. If you are unable to attend the meeting in Sacramento but would like to participate by telephone, you may contact Ms. Kinkle to receive the conference call information.

Sincerely,

/signed/

Mickie Stuckey, Chief
County Property Tax Division

MS:sk
Enclosure

ALTERNATIVE LANGUAGE
TIMBER HARVEST VALUES MANUAL

No.	PAGE/LINE REFERENCE	SOURCE	PROPOSED LANGUAGE/COMMENTS	SBE STAFF POSITION																														
1	24 9	Peter F. Ribar, Campbell Timberland Management	<p>I believe it would be beneficial to have a clear delineation of the cost elements that are considered to be "directly attributed to the harvesting of the timber" (i.e., logging/harvesting cost components) so that all parties calculate and report costs in a consistent fashion and that the subsequent valuation process reflects these costs accordingly.</p> <p>SBE REWRITE: Deductible costs involved in a log conversion are felling, bucking, yarding, loading, hauling, temporary road construction, road maintenance, logging (felling, bucking, yarding, loading, and required slash disposal), hauling, <u>temporary road construction and decommissioning, road maintenance not included in the logging cost, and right-of-way fees if they are paid by the seller.</u> Section 38204 and Property Tax Rule 1023 exclude the deduction of all costs incurred by the seller before the harvest. These would include permanent <u>permanent</u> road construction, <u>timber</u> harvest or management plan preparation, timber cruising, and marketing or administrative costs associated with the harvest or timber management plan approval process. Generally speaking, costs are not deductible for log conversion analysis if they are for activities that occur prior to the time the faller's saw touches the tree...</p> <p>Example 1 – Timber Owner Logging Costs</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Right-of way</td> <td style="text-align: right;">\$ 5</td> </tr> <tr> <td>Logging (stump to truck)</td> <td style="text-align: right;">150</td> </tr> <tr> <td>Haul and road maintenance</td> <td style="text-align: right;">50</td> </tr> <tr> <td><u>Temporary road construction</u></td> <td style="text-align: right;"><u>5</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$210</u> / MBF Net Scale</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 20%; text-align: center;">Delivered</th> <th style="width: 20%; text-align: center;">Logging</th> <th style="width: 45%; text-align: center;">Indicated</th> </tr> <tr> <th style="text-align: left;"><u>Species</u></th> <th style="text-align: center;"><u>Log Price</u></th> <th style="text-align: center;"><u>Cost</u></th> <th style="text-align: center;"><u>Immediate</u> <u>Harvest Value</u></th> </tr> </thead> <tbody> <tr> <td>RG3</td> <td style="text-align: center;">\$ 850</td> <td style="text-align: center;"><u>\$ 210</u></td> <td style="text-align: center;"><u>\$ 650</u></td> </tr> <tr> <td>DFG3</td> <td style="text-align: center;">500</td> <td style="text-align: center;"><u>210</u></td> <td style="text-align: center;"><u>300</u></td> </tr> <tr> <td>CM</td> <td style="text-align: center;">300</td> <td style="text-align: center;"><u>210</u></td> <td style="text-align: center;"><u>100</u></td> </tr> </tbody> </table>	Right-of way	\$ 5	Logging (stump to truck)	150	Haul and road maintenance	50	<u>Temporary road construction</u>	<u>5</u>		<u>\$210</u> / MBF Net Scale		Delivered	Logging	Indicated	<u>Species</u>	<u>Log Price</u>	<u>Cost</u>	<u>Immediate</u> <u>Harvest Value</u>	RG3	\$ 850	<u>\$ 210</u>	<u>\$ 650</u>	DFG3	500	<u>210</u>	<u>300</u>	CM	300	<u>210</u>	<u>100</u>	See SBE Rewrite
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2	42 11	Gerald Cochran, Del Norte County Assessor Mike Mallory, Siskiyou County Assessor	<p>Could you add an example of the 10-year rezone process?</p> <p><u>SBE REWRITE:</u> <u>Section 426 contains specific directives concerning the valuation procedure applicable to land subject to a terminating restriction. Such land shall be valued annually by:</u></p> <ol style="list-style-type: none"> <u>1. Determining the full cash value of the land according to section 110.1 (factored base year value), or, if the land will not be subject to article XIII A upon the expiration of the contract, according to section 110 or other special restricted assessment provided for in the law;</u> <u>2. Determining the restricted value of the land by the method specified for Timberland Production Zone land as provided by section 435;</u> <u>3. Subtracting the restricted value from the value determined in 1 above;</u> <u>4. Determining the difference between the restricted value and the value determined in 1 for the number of years remaining until the termination of the enforceable restriction at the interest rate announced by the State Board of Equalization by September 1 pursuant to subdivision (b)(1) of section 423; and</u> <u>5. Adding this discounted value to the Timberland Production Zone value determined in 2 above.</u> <p><u>Note that the discount rate is only the interest rate announced by the State Board of Equalization and does not contain the risk and tax components that are included in the open-space capitalization rate. The discounting period is the number of years remaining until the termination of the enforceable restriction. Therefore, the first computation after a notice of nonrenewal will be for a term of nine years (unless a governmental notice is protested by the property owner), and this term will decrease for each succeeding computation.</u></p> <p><u>As an example of this procedure, assume that the factored base year value of a parcel of land that will be subject to article XIII A following termination for nonrenewal is \$5,000 per acre. The restricted value of this land is \$266 per acre, the remaining term of the restriction is nine years, and the open-space rate last announced by the State Board of Equalization is 4.75 percent. The computation of the restricted land value for the first year of nonrenewal would be:</u></p>	Accepted – See SBE Rewrite

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2 Cont			<p> <u>Per Acre Factored Base Year Value</u> <u>\$5,000</u> <u>Per Acre Restricted Value</u> <u>\$266</u> <u>PW 1 Deferred 9 Years @ 4.75%</u> <u>0.658588</u> <u>0.658588 (\$5,000 - \$266) + \$266</u> <u>\$3,384</u> Per Acre If the factored based year value and the restricted value of the land are the same, no discounting is necessary. </p>	