

## TIME TO CHANGE TIMBER OPTIONS – OR NOT?

As per Idaho's 1982 Forest Land Taxation Law, [Idaho Code 63-1703](#), timberland ownerships of five (5) acres or more, but less than 5,000 acres within the State of Idaho have the opportunity to change their timber tax designation, or category, for assessment purposes on a ten (10) year cycle, starting 1982. In accordance to state law, landowners who own timberlands in different counties throughout the state must designate all their timberlands under the same option; all timberlands owned by an individual, corporation, partnership, etc., must be placed in either the Land Productivity (LP) or the Bare Land & Yield (BLY) option within the state. ***It is a violation of the law to co-mingle the categories of like ownership.***

Private ownership, excluding improved sites (homes, shops, outbuildings, public road right-of-ways, etc.) of less than five (5) fully stocked, treed acres will not qualify for either timber option. Ownerships of timberlands within Idaho of 5,000 acres and more are designated in the LP option only.

If timberland owners desire to change from one option to another, they are required to contact the county in which the property lies, and re-apply for the new category or option. If no viable management plan is currently in place (based on individual counties), it is mandatory that the timberland owner submits a plan describing silvicultural activities for their timberland through the next commercial harvest.

A landowner may request a change in option beginning January 1<sup>st</sup> of the eligible year. Submissions of applications and plans are due on or before December 31<sup>st</sup> of the eligible year. For example, if the next year you are eligible to change your designation is 2022, you may request the change as early as January 1, 2022, your application and plan must be filed by December 31, 2022 and the new designation will take effect for the 2023 assessment year. In making the decision to change, landowners need to assess all the ramifications of their decision.

Things to consider if you are changing lands currently assessed in the LP option to the BLY option:

1. Lands can be changed without any recapture taxes or penalties
2. Assessed value of lands will reduce by 28-48%, depending on productivity level
3. Once in the Bare Land & Yield designation, any timber harvested will be susceptible to a 3% yield tax
4. A deferred tax will be collected upon any name change without re-designation into Bare Land & Yield, any change in use, any acreage change or if the parcel becomes too small to qualify due to road right-of-ways, home construction, etc.

### TWO (2) WAYS TO CALCULATE DEFERRED TAX BILL:

- (1) LP to BLY: Property is **sold** in entirety/in part and **name change** occurs without a re-designation into the BLY category, or the ownership stays the

same but the property is removed from the program or there has been a change in use.

Formula: LP per acre rate ( -- ) BLY per acre rate ( X ) current levy rate ( X ) number of years assessed in BLY [maximum of ten (10) years] ( X ) number of acres ( -- ) any yield tax paid ( = ) Deferred tax due.

Example: \$544/Acre – \$156/Acre X 0.01300 X 3 years X 9 Acres – \$125 Yield Tax Paid = \$11.19 deferred tax due.

(2) Market to BLY: **Change in use** in all or portion of the ownership and the **ownership remains the same**. For example, you build a home on BLY acreage, land is platted to residential lots, land is split where a portion is sold and a portion is retained by original owner and is now too small to qualify.

Formula: Market Value per acre rate ( -- ) BLY per acre rate ( X ) current levy rate ( X ) number of years assessed in BLY [maximum of ten (10) years] ( X ) number of acres ( -- ) any yield tax paid ( = ) Deferred tax due.

Example: \$5,000/Acre – \$156/Acre X 0.01300 X 3 years X 9 Acres – \$125 Yield Tax Paid = \$1,575.24 deferred tax due.

*(SUBSTANTIALLY MORE IN THIS CASE!) We strongly advise that if, at any time, you plan to develop your timberlands into residential properties, do not place them in this category! This option was set up to keep timberlands as timberlands.*

Things to consider if you are changing lands currently assessed in the BLY option to the LP option:

1. A deferred tax will be billed, based on the difference between the LP rate per acre and the BLY rate for the number of years lands were assessed as BLY [max. ten (10) years].
2. Land rates will go up 28-48% depending on productivity level
3. If you harvest the first year your new designation takes effect, there will be no yield tax billed and no deferred tax due to change in use of sale of property

If timberland owners do not wish to change their current timber classification, they simply need NOT re-file. Their land will continue to be assessed as-is.