



FORESTRY LAND USE

VIRGINIA ASSOCIATION OF ASSESSING OFFICERS (VAAO)

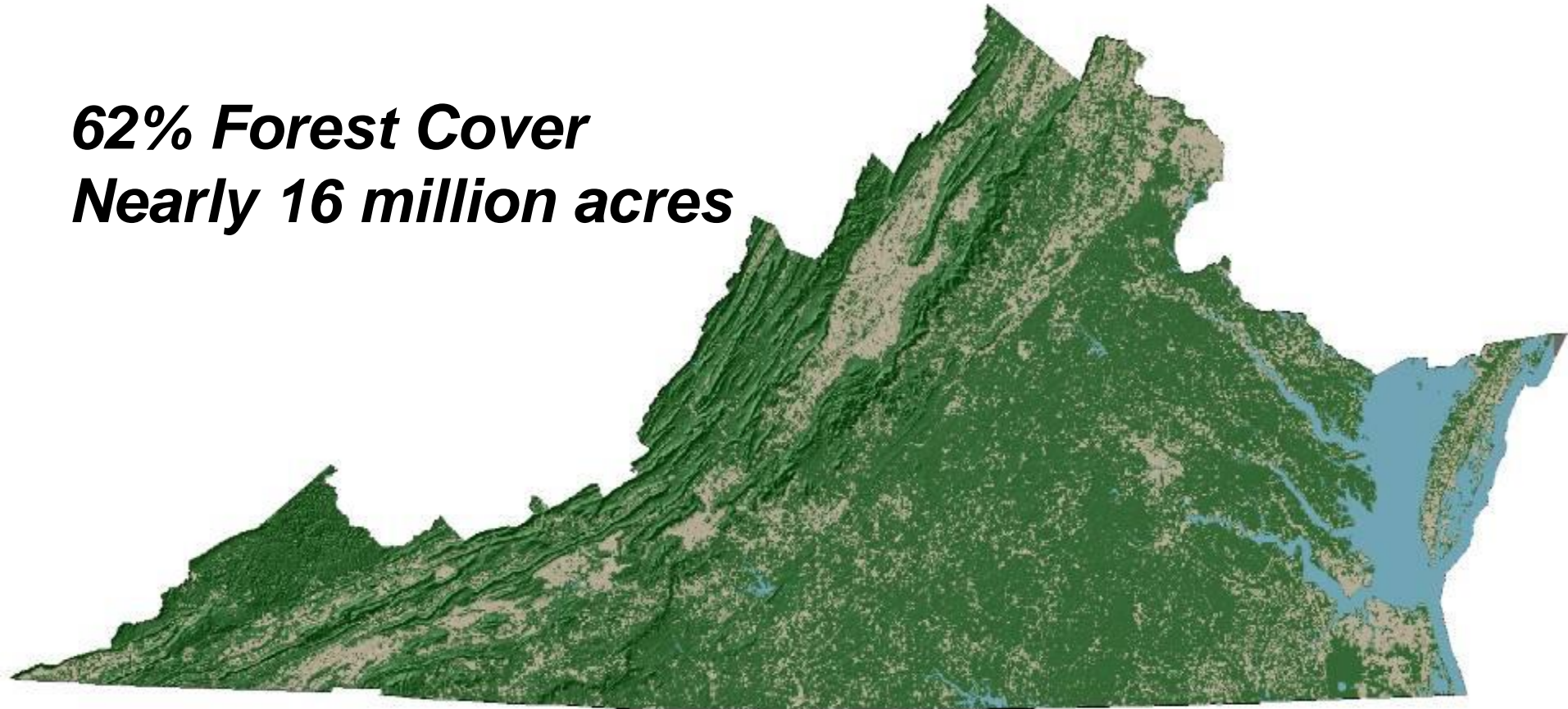
July 24, 2024

Dean Cumbia
Forest Resource Management Branch
Virginia Department of Forestry



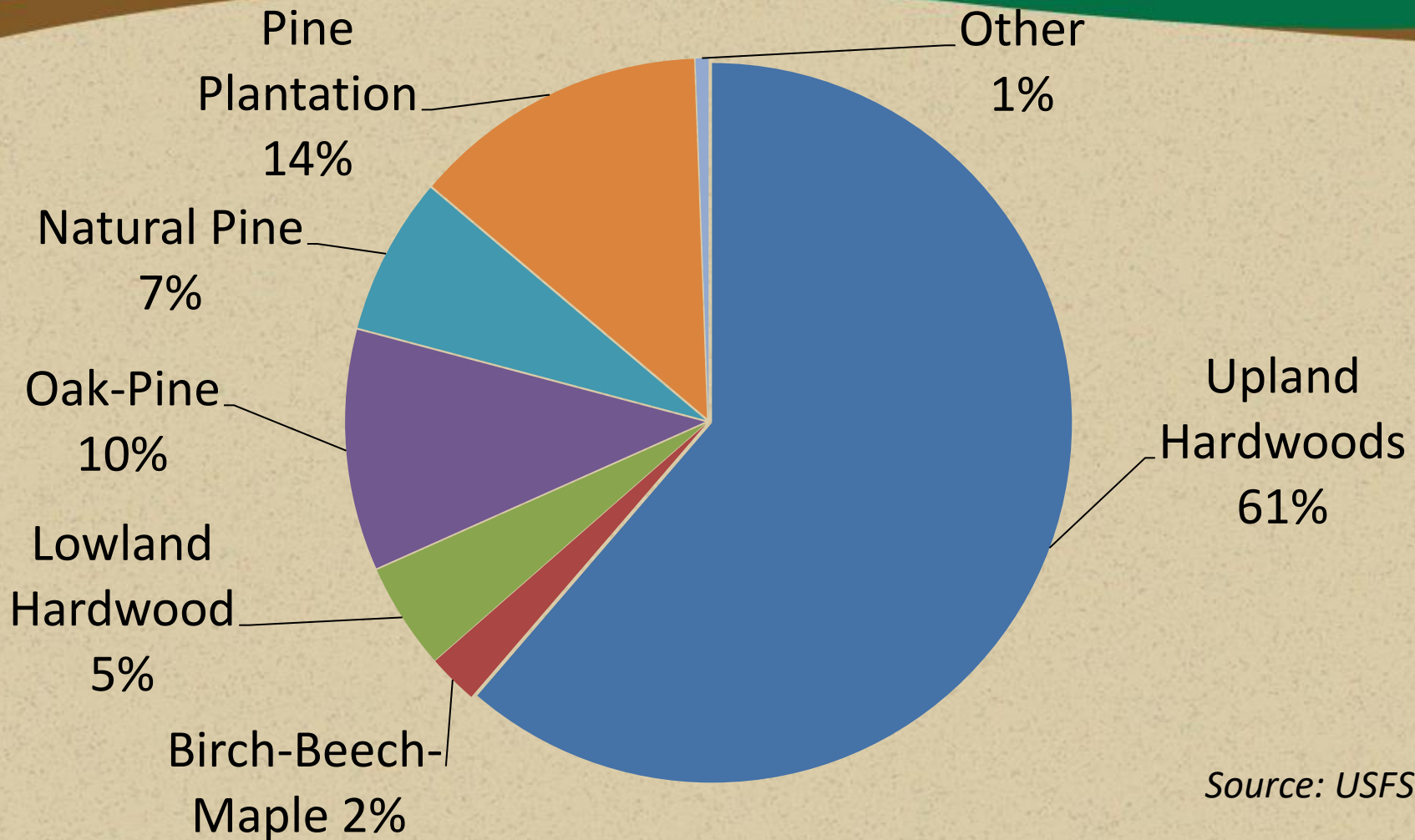
Virginia Forest Cover

62% Forest Cover
Nearly 16 million acres





Forest Type Groups, Virginia

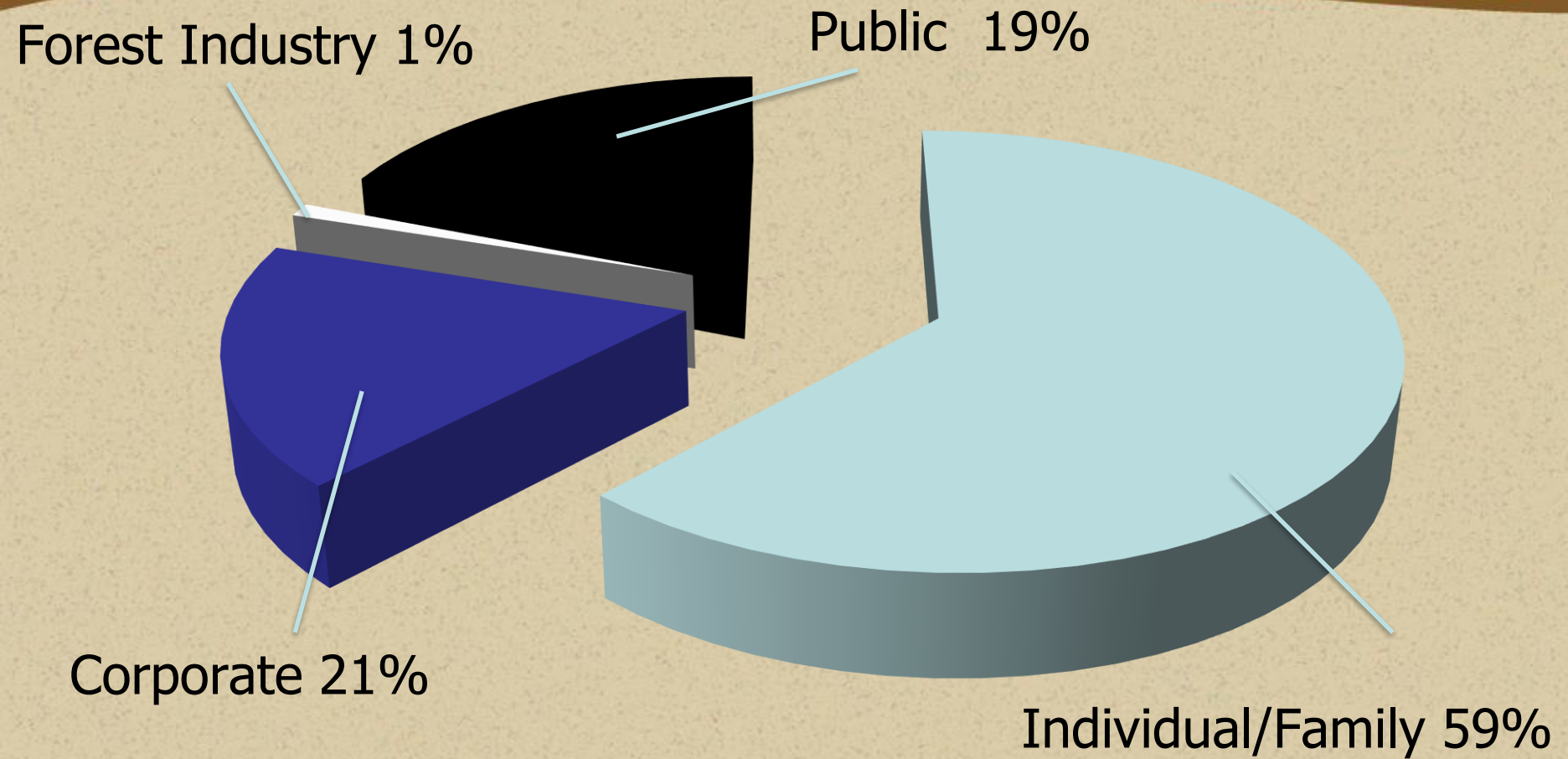


Source: USFS-FIA



Forest Owners - 373,000+

Private Ownership - 80%





Virginia Forestland Provides

- Economic Benefit:
\$21 Billion/year
- Jobs – 108,000
- Lumber
- Paper
- Wood for Energy
- Recreation
- Wildlife habitat
- Clean water
- Clean air
- Improved quality of life
- Carbon storage



The Importance of Private Forestland

- Forests provide an extraordinary array of benefits to Virginia.
- 80% of Virginia's forests are privately owned.
- Keeping forests as forests is the key to sustainability/continuity of these benefits.
- Forest land use taxation is an effective and powerful tool to help accomplish this.



Timber and Finances

- Trees take time to grow to merchantable size.
 - ◆ Pines: 15 to 30 years
 - ◆ Hardwoods: 60 to 80 years
- Revenue is **periodic**
- Costs (like property taxes) occur **annually**



Forest Land Use Values

- Estimating the **potential** of the site to produce a valuable forest crop, not the present or current crop
- Value is determined by the present value of future timber crops, using a financial analysis model
- DOF calculates these values annually.



Factors That Affect the “Potential to produce a valuable forest crop”

- Soils and Site Conditions
- Forest type
- Type of Forest Management
- Market Conditions
- Time
- Discount or Interest Rate



Private forestland provides Public Benefit

- Strong economy, jobs, equipment and sales taxes
- Healthy environment- clean water and lower water treatment costs, clean air, captures carbon, habitat
- Quality of life – beauty, recreation

The cost of these public benefits, however, are borne by the private landowner through taxes and other land management costs.



Forest Use Taxation

- Use Value taxation applies a tax that's relative to that use and value- **timber**
- Thereby helping to lower landowner costs to produce those and other important public goods
- But, in doing so, it can lower tax revenue

The Challenge: How to balance the public good of forest land while maintaining local tax revenue??



Forest Sustainability Fund

- Created in 2022 and funded in 2022 and 2024
- Funding to localities to partially offset reduced real estate tax revenue from forest land use taxation (forgone revenues)
- Funds can be used for public recreation, outdoor recreation, forest conservation.
- Administered by DOF.



What is “Forgone Revenue”

■ Forgone (or deferred) revenue is difference between what landowners would have paid if their property was taxed at fair market value vs. what they did pay due to being in forest land use tax.

■ **Forgone (Deferred) Revenue** due to Forest Land Use
= (Total *Fair Market Value* Forested Land in Land Use –
Total Land Use Value Forested Land in Land Use) *
Locality Tax Rate



2022 Results Summary

- \$1 million awarded to 68 localities (90% of those eligible)
- Localities Reported ~ \$72.5 million in Forgone Revenue
- Average Locality Award ~ \$15,000
- Funds used for public education, outdoor recreation, forest conservation



Forest Sustainability

- General Assembly Allocation of \$2.5 million for FY24-25
- New parameters on maximum and minimum awards in § 58.1-3242.1 B (portion)
 - ◆ Locality cannot receive more than forgone revenue in prior FY.
 - ◆ Locality can receive **no more** than 4% **or less** than one half percent of available funds (no more than \$100,000 or less than \$12,500 for this cycle)



Forest Sustainability Fund

- Stay tuned...
- The Department of Forestry will send invitation information to localities
- Be prepared to provide your locality's forestry forgone revenue in prior fiscal year
- Applications will again be through DOF *Forestry Grants* portal
- Applications will be due by November 15, 2024



Forest Sustainability Fund Info

■ Department of Forestry Website

◆ <https://dof.virginia.gov/>

■ Search Box: Forest Sustainability Fund



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Forest Sustainability Fund Info

Forest Sustainability Fund for Local Government



Forestland provides many benefits to landowners, but also to communities. Landowners directly realize timber, wildlife and recreational values, while the benefits of watershed protection, clean air and scenic beauty are enjoyed by society at large. Realizing this, the Virginia Code enables localities to provide use value taxation that can assist owner in keeping their land as forests. Under use-value taxation, properties are taxed based on the productive value of the land rather than the current market value, which results in lower property taxes.

For county and city governments, maintaining forest land is beneficial, as land devoted to forest land use generally requires less cost in providing services than more intensive uses. However, property in forest land use does result in less revenue to local governments. As a result, the General Assembly established the Forest Sustainability Fund in 2022 for localities to apply for an allocation from the Fund to help offset lower, or forgone tax revenue. Forgone revenue is the fair market value of forest land minus the forest use value of forest land times the locality tax rate.

QUESTIONS



Keeping our Forests
Working...and Growing



Determining Forest Land Use Values

- The financial model provides a net present value of **costs** and **revenues** of the forestry scenario.
- Net present value is annualized
- The annualized value is then capitalized to yield the estimated land use value.