

Managed Forest Land: A Warning to Potential Purchasers

Purchasers of private managed forest land should be aware that the land may be assessed at a higher value to account for the economic benefit of timber that was previously harvested on that land. Exit fees may also be charged if the property is removed from Private Managed Forest Class.

The property class that deals with private managed forest land is Class 7 Private Managed Forest Land. Land in this class is valued on a two-part basis, as detailed in Section 24 of the *Assessment Act*.

- The bare land value, which incorporates such factors as soil quality, accessibility, topography, parcel size and location; and
- The added value of the timber on the land, which becomes assessable when it is harvested. For example, timber harvested in the calendar year 2009 will show up as added value on the assessment notice of a forest land property for the 2011 Assessment Roll. For property taxes payable in the summer of 2011, part of the value may come from the harvesting of trees two years previously.

The land and harvested timber are valued on the basis of legislated rates prescribed by BC Assessment through regulation each year.

Prospective purchasers of property classed as forest land are advised to enquire about previous harvesting on the property, and its possible property tax implications.

Exit fees may be incurred for those properties removed from Managed Forest Class. The exit fee is intended to encourage long-term participation in the Managed Forest Program and is applied to property that is removed from Managed Forest Class prior to a fifteen year timeframe. Exit fees are administered by the Private Managed Forest Land Council (PMFLC).

Information on exit fees is available on the website of the PMFLC at www.pmflc.ca or by phone at 250-386-5737.

For more information on Managed Forest Land assessments or details on your Managed Forest property assessment, contact:

Assessment and Valuation Services

BC Assessment, Head Office

400 – 3450 Uptown Blvd

Victoria, BC V8Z 0B9

Phone: 250 595-6211 ext. 256

Toll Free: 1-800-661-2116

Email: bca.avs.non-residential@bcassessment.ca

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Managed Forest Classification in British Columbia

BC Assessment's Managed Forest Land Class refers to privately-owned forest land property for which an acceptable forest management commitment has been made that is approved and complies with the *Private Managed Forest Land Act*.

Application for Managed Forest Land under the Private Managed Forest Land Act

The Private Managed Forest Land Council, established by the *Private Managed Forest Land Act* administers the forestry requirements and application process for Managed Forest Land Classification.

Before private land may be classified as managed forest land under the *Private Managed Forest Land Act*, or managed forest land under the Assessment Act, the owner must submit to the council a proposed management commitment that is in a prescribed form. This form must include the legal description of the lands to which the management commitment relates and any other information specified by the council, as well as acknowledgement of the requirements to otherwise comply with this Act. Copies of the commitment form are available through the council.

Approval for Managed Forest Land Classification under the Private Managed Forest Land Act

If the council determines that a proposed management commitment or amendment meets the applicable requirements of the *Private Managed Forest Land Act* and complies with the regulations of the council, the council must notify BC Assessment and recommend to the assessor that the land that is the subject of the management commitment or amendment be classified as managed forest land under the *Assessment Act*.

Owner Notification of Approval for Managed Forest Classification

After classifying land that is the subject of a management commitment as managed forest land under the *Assessment Act*, the assessor must notify the council and the owner.

More Information

For more information on how to obtain the managed forest class for a property, contact the Private Managed Forest Land Council at (250) 386-5737, or visit their website at www.pmfhc.ca

Why apply for Managed Forest Class?

The method of calculating managed forest land assessments produce values based on the land's tree growth rate capability. This is a forest use value not influenced by other market forces.

What are the benefits of the Class?

- Owners of land in the managed forest class are assured the right to harvest trees (right to log),
- Assessments are reasonably stable through years of no harvesting (as the trees grow),
- Increased assessments will apply only following a year in which logging occurs (tree harvesting).

What are the requirements for Managed Forest Class?

To be classified as managed forest, the land must be at least 25 hectares and be managed as a single unit.

If the land measures 50 hectares or less, at least 70% of the land must be productive during the year ending on October 31.

If the land measures more than 50 hectares, at least 50% of the land must be productive during the year ending on October 31.

Land owners must also commit to good forest practices and comply with the legislated requirements of the *Private Managed Forest Land Act*.

What are the legislated requirements and how do I apply?

New legislation was passed in November 2003 and came into force in the summer of 2004. This legislation regulates the approval of, and forest practices on private managed forest land.

The new *Private Managed Forest Land Act* replaces the *Forest Land Reserve Act*.

The Private Managed Forest Land Council, independent of BC Assessment, is established, under the *Private Managed Forest Land Act*, to administer the legislation and process applications for managed forest classification from forest land owners.

Once BC Assessment is notified by the Private Managed Forest Land Council that a property meets the requirements, BC Assessment will assign managed forest classification of that property for the next assessment year.

Is there a deadline every year for application?

Questions on application dates should be directed to the Private Managed Forest Land Council. The council must notify BC Assessment of changes to land that qualify for Managed Forest classification by September 30 each year for the following assessment year.

Where can I get more information on the requirements for Managed Forest Class?

For information on the requirements to obtain managed forest classification, contact the Private Managed Forest Land Council at www.pmflc.ca or by phone at (250) 387-5737.

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How Managed Forest Land is Assessed

BC Assessment assesses managed forest land using a two-step process:

Step One:

BC Assessment determines the value of the land without trees. Other factors are considered. For example, the land's soil quality, location, topography, and accessibility are evaluated.

BC Assessment applies a schedule of regulated values to the bare land. These regulated values are used to help BC Assessment fairly and uniformly determine the assessed value of all managed forest land in British Columbia.

In Step One, trees are not assigned a value.

Step Two:

Only after the trees on managed forest land have been harvested will BC Assessment add the assessed value of the trees cut to the bare land value of the land. The value of the trees harvested in any year is added two years later to the property's assessed value.

If the property owner sells the managed forest land before the assessment notice is issued, the owner of the land on December 31 in the year following the harvest will be liable for any outstanding taxes.

The result of using this two-step process is that managed forest land assessments tend to stay fairly stable. Only at the time of harvest, when the property owner receives the benefits of the harvest, will the value of cut timber be assessed and added to the bare land value of the property.

The Forest Land and Cut Timber Values regulation (BC Reg. 90/2000) contains the schedules of value for land and timber.

Declaring the Amount of Harvested Timber

Every year owners of managed forest land in British Columbia must declare any timber harvesting which occurred on their properties. This declaration can be made verbally in the case of no harvesting. Where harvesting occurred, a written and signed report must be submitted to BC Assessment.

BC Assessment will review the declaration and assess cut timber in accordance with the Assessment Act and the Regulated Schedules of Value.

Assessment and Taxes for Managed Forest

Managed forest land is taxed at a rate similar to, or lower than rural residential land, however the method of determining the assessments generally produce values lower than values influenced by market factors other than forest use.

More Information

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