

Ohio Woodland Property Tax Programs

By: Terence E. Hanley



For the last quarter century, forest land in Ohio has held steady at about one-third of the total land area of the state. Although there has been a slow conversion to forest land from old fields, those gains have been offset by losses to farming and development. Farming, too, has suffered losses, especially near the big cities, where houses and strip malls have grown up in what used to be crop fields. Farmers and forest landowners are under intense economic pressure to convert their land to other uses. As a society, however, we value agriculture, forests, and the rural way of life, and we have offered tax relief and other incentives to those landowners to hold onto their land, keeping it green, whole, and undeveloped.

There are two tax relief programs available to forest landowners in Ohio. The Current Agricultural Use Value (CAUV) program (Ohio Revised Code Sections 5713.30

through 5713.38) provides for reduced property taxes at varying rates based on the productivity of the soil. The Ohio Forest Tax Law (OFTL) program (Ohio Revised Code Sections 5713.22 through 5713.26 and the Ohio Administrative Code Sections 1501: 3-10-01 through 3-10-07), provides for a straight fifty percent reduction in the local tax rate on forest land. CAUV can cover agricultural land and forest land, while OFTL covers only forest land. Both programs are designed to promote the commercial production of timber. Both have costs and benefits, advantages and disadvantages. Before deciding to enroll in one program or the other, you should know something about these two tax programs.

The “A” in CAUV stands for “agricultural,” but you don’t have to devote your land to conventional farming to qualify for the program. Commercial timber production is considered an agricultural activity under CAUV, so your forest land may qualify:

If you own at least 10 acres of woods and you devote your woods exclusively to commercial timber production, or
If you own less than 10 acres of woods, but your average yearly gross income for the three years prior to the year of application has been at least \$2,500, or your anticipated gross income for the year of application is at least \$2,500, or
If your woods are part of and adjacent to a farm devoted exclusively to agricultural use, in other words, your woods are incidental to your farm. In this case, your farm must meet one of the two requirements listed above except that instead of commercial timber production, you devote your land exclusively to commercial agricultural production.
Some counties make it easier to get into CAUV than others. County A may require nothing more than a completed application form and the one-time \$25 application fee. County B may require a forest management plan in addition to the form and the fee. If you apply in County C, the auditor may tell you that you must have an active management plan for at least three years before you can get in the program. And County D may require enrollment in OFTL for the same three-year period. You won’t know what your county requires until you have talked to the auditor.

There is less variation in OFTL. Like CAUV, OFTL is a state law, but the program is administered by a state agency, the Ohio Division of Forestry, through its service forestry program. There is not much wiggle room in the rules governing OFTL. The program is likely to be the same no matter what county you are in. Like CAUV, OFTL has its own requirements for eligibility, for the woods and for the landowner. First for the woods:

The woods must be at least 10 contiguous acres and at least 120 feet wide, and they must contain at least 300 trees of commercial species (oak, hickory, maple, beech, cherry, walnut, ash, poplar, pine, etc.) per acre. “Trees” can mean any size tree, even a seedling planted in a field. The woods must also be accessible for management.
Plantings can qualify as long as they meet the 300-tree-per-acre minimum one calendar year after having been planted.

Open areas (fields, oil and gas well sites, building sites, etc.) and other non-forested areas are not eligible. Orchards and Christmas tree plantations are considered non-forest.

Ponds are eligible as long as they do not exceed one acre.

If the woods are separated by a utility line, road, river, or other break, they can still qualify as long as the break is no more than 120 feet wide. If the break exceeds 120 feet in width, each tract of woods must be at least 10 contiguous acres.

Your woods cannot have been high-graded under your ownership during the three years prior to application.*

You the landowner must also meet some requirements for eligibility by:

- ✓ Excluding livestock from your woods.
- ✓ Marking your property boundary lines and/or the boundary lines of your forest land.**
- ✓ Completing a management activity aimed at improving your woods.
- ✓ Having a management plan drawn up for your woods. Your local service forester will either prepare or approve a plan for you. Talk to your service forester about his or her availability.
- ✓ Submitting an application, including the completed application form, a number of maps and aerial photographs (available at the county courthouse or the Farm Service Agency), and your latest property tax bills.

After being certified under OFTL (and after paying the one-time application fee of \$50), you must continue to meet certain requirements, and you will sign an agreement to that effect. By signing, you agree to:

- ✓ Protect your woods from livestock.
- ✓ To the best of your ability, protect your woods from fire.
- ✓ Maintain your property boundary line markings.
- ✓ Follow your forest management plan.
- ✓ When timber is cut, use a master logger and file a timber harvest plan (formerly known as a silvicultural operation and management plan) with the local soil and water conservation district (SWCD).
- ✓ Attend eight hours of training or education in forestry. Classes, seminars, field days, and demonstrations may count. Talk to your service forester or see the Division of Forestry website for more information.
- ✓ Otherwise comply with the laws, rules, and regulations pertaining to OFTL.

CAUV offers a sizable savings on your property taxes, probably more than what you save with OFTL. Unfortunately, CAUV is a program generally without support from state or local agencies when it comes to forest land. If you want help from a forester for CAUV—including the preparation of a forest management plan—you will probably have to pay for it by hiring a private, consulting forester. Another option is to become involved in a program administered by a state or local agency, then use that connection to help with your CAUV application. In any case, one advantage of OFTL is that it is one of the service forester's highest priorities. Another is that you have to pay for his or her services through your tax dollars, so everything your service forester does for you comes at no direct cost.

The purpose of CAUV and OFTL is to promote commercial timber production.*** CAUV may not require a management plan or even any management. OFTL requires both. Every five years following certification, a service forester will re-inspect your woods to make sure you are managing your woods, following your plan, and complying with the program. Under CAUV, your land is subject to inspection by the auditor's office. Whether your land is inspected or not, you must be able to show that you have been managing your woods for commercial timber production. If there is no evidence of management, your enrollment in the program could be in jeopardy. If you are removed from the program, you will pay a substantial penalty.

So what does "commercial timber production" mean? Production in a farm field usually means an annual harvest. Production in the woods is different. Timber grows so slowly that an annual harvest in any one stand is impossible without a rapid depletion of your supply. Commercial timber production, then, is not *cutting* timber *from* your woods. It is *growing* timber *in* your woods. In order to maximize the production of the highest quality timber, you must manage your woods. Management includes a number of activities, but if you want to show evidence that you are managing your woods, you will:

1. Have a professional forester prepare a management plan for you.
2. Exclude livestock from your woods.
3. Prevent forest fire to the best of your ability.
4. Locate and mark your property boundary lines with fence, fence posts, and/or paint.
5. Maintain your roads and trails and implement forestry best management practices (BMPs) for erosion control and water quality.
6. Eradicate the worst non-native, invasive species, and control others.
7. Cut grapevines growing on the best and most valuable trees in your woods.
8. Undertake timber stand improvement (TSI) to improve the quality, value, and productivity of your woods. (Be sure to talk to a professional forester before undertaking TSI).
9. At harvest time, work with a professional forester, and by all means avoid high-grading your woods. High-grading is the practice of cutting the best and most valuable timber in the woods and leaving the poorest and least valuable behind. Remember that any cutting in your woods should be to improve the woods. That includes harvesting timber. A professional forester is the most highly qualified person to assist you in that.

When you were in school, you probably did your homework because someone made you do it. Maybe you liked getting good grades, but being a child, you probably did not have much foresight. It was hard to see the connection between toiling over story problems and getting an A+ on your math test at the end of the semester. Maybe now you see forest management the same way. Keep in mind, that you don't manage your woods because the auditor or the service forester makes you or because you have to do it in order to be eligible for a program. You should instead look at your eligibility for CAUV and OFTL as two of the many benefits that come from managing your woods. Tax breaks are an incentive and not the goal. Managing your woods is not the goal either. Management is the means by which you reach your goal, namely, to have better woods for you and your family.

Current Agricultural Use Value (CAUV)

CAUV is good for:

- ✓ Traditional farmers with at least 10 acres of agricultural land.
- ✓ Landowners who expect to keep their land in agricultural production for the foreseeable future.
- ✓ Landowners who are in areas under intense development pressure or with rapidly increasing property tax rates

Advantages:

- Costs can be low, as low as \$25 for the application fee. You may escape the costs of managing your woods, but remember, the costs of not managing your woods can be high, those costs being in terms of lost future revenue.
- Savings on property taxes can be high, usually higher than with OFTL.
- Can include agricultural land.
- Maintaining your status in the program is easy with the completion of a yearly renewal form. However, you **must** complete the form and return it on time or risk being removed from the program.
- Adding to your forested acreage under the program is extremely easy.



You may think they are advantages, but they are really disadvantages:

- May not require a management plan or even any management, but no management means lost future revenue.
- May not require marking of property boundary lines, but no marking means boundary lines may be lost and the woods are open to trespassing, poaching, timber theft, etc.
- No regular inspection means no regular attention from a forester, no update to your management plan, etc., unless perhaps you are willing to pay for those services.

Disadvantages:

- The program varies widely from county to county.
- Brief application period (only two months between January and March).
- Annual renewal (but no fee).
- May be a waiting period of up to three years before application is approved.
- The program is probably not supported by state or local agencies; may require the hiring of a consulting forester.
- No regular attention from a forester.
- A deed change in most cases means you are removed from the program. However, you can reapply during the next application period.
- Withdrawal or expulsion results in the levying of a tax recoupment penalty on the owner.

Ohio Forest Tax Law (OFTL)

OFTL is good for:

- ✓ Landowners who want to manage their woods actively with the advice and assistance of a service forester.
- ✓ Landowners who want to keep up to date on the management of their woods and on forestry topics.
- ✓ Landowners who want to be prepared for new developments in forest land ownership, such as conservation easements or forest certification.
- ✓ Landowners who want something more than commercial timber production.
- ✓ Landowners who cannot get into CAUV.



Advantages:

- The program varies little from place to place across the state.
- Savings on property taxes are high, though usually not as high as with CAUV.
- Application period is year around. However, applications received after July 1 in any given year are unlikely to be processed by Oct. 1, the deadline for entry on the tax rolls for that year.
- No waiting period for certification unless the woods have been high-graded under your ownership.
- Professional forestry advice and assistance, including a management plan, come at no cost from the service forester.
- Regular attention from a forester means up-to-date management and management plan, as well as current information on forestry programs and forestry topics.
- Adding to your forested acreage under the program is relatively easy and does not require another application fee. However, it does involve costs, especially marking property boundary lines and perhaps the completion of a management practice.
- Easy conversion to CAUV; may help prepare you for conversion to CAUV.
- No penalty for withdrawal or decertification except that your land goes back to the regular tax rate.

You may think they are disadvantages, but they are really advantages:

- The cost of marking your boundary lines is more than offset by the benefit of having well marked boundary lines.
- The cost of managing your woods is more than offset by the benefit of improved value, quality, and productivity.
- The cost of attending forestry training may be offset by the knowledge you gain and the contacts you make.
- The five-year recertification gives you a chance to talk to a professional forester face-to-face and in your woods.

Disadvantages:

- Application fee is \$50 vs. \$25 for CAUV.
- Costs can be high, but costs are more than offset by the benefits of having well managed woods.
- Only for forest land.
- Decertification for **any** change in the deed except for the death of a spouse.
- Automatic decertification of the entire certified acreage for the conversion of any certified acreage to any other land use. For example, if you build a house on one acre of land certified under OFTL, your certification for the entire acreage is canceled. However, you can reapply immediately for the reduced acreage.

Property Tax Programs

❖ Current Agricultural Use Value (CAUV)

See the information above for details on the program.

Application Form: Initial Application for the Valuation of Land at Its Current Agricultural Use (DTE Form 109)

Current Agricultural Use Valuation Renewal Application (DTE Form 109 (A))

May also require a forest management plan--talk to your auditor for more information.

Application Period: After the first Monday in January and before the first Monday in March

Application Fee: \$25 (a one-time fee)

❖ Ohio Forest Tax Law (OFTL)

See the information above for details on the program.

Application Form: Application of Classification of Forestland (DNR Form 4471)

Also requires an approved forest management plan and a complete application package including the completed application form, your most recent property tax bills, and several maps and aerial photographs (available at the county courthouse or the Farm Service Agency).

Application Period: Before July 1 for certification by Oct. 1 of the same year. Certification by Oct. 1 means that you receive the tax break for that year's taxes. Certification after Oct. 1 means that you will not receive the tax break until the following year's taxes.

Application Fee: \$50 (a one-time fee)

❖ **Real Estate Property Tax Rollback**

Taxpayers on residential and agricultural property receive an automatic 10 percent rollback in property taxes. Taxpayers on commercial or industrial property are not entitled to the rollback.

❖ **Two and One-Half Percent Tax Reduction on Owner-Occupied Home**

A property tax reduction of 2-1/2 percent is available for qualifying homeowners. You may qualify if you: Own and occupy the home as your principal place of residence on Jan. 1 of the year for which you apply for the reduction. Complete an application with the county auditor's office.

The reduction applies to the home itself and the home site, though not on any acreage over one acre. The reduction does not apply to rental homes or apartments; homes owned by someone other than the owner; homes owned by corporations, partnerships, associations, or groups; units within a building used primarily for non-residential purposes; or manufactured homes taxed under the depreciation method (for manufactured homes acquired prior to Jan. 1, 2000).

Application Form: Application for Two and One-Half Percent Tax Reduction on Owner-Occupied Home (DTE Form 105C)

Application Period: After the first Monday in January and before the first Monday in June

Application Fee: None

❖ **The New Homestead Exemption**

The New Homestead Exemption allows qualifying homeowners to reduce their property tax burden by shielding some of the market value of their homes from taxation. You may qualify if you:

Are 65 or older or turn 65 in the year of application, OR

Are totally and permanently disabled and can show proof of your disability, OR

Are the surviving spouse of a person who was receiving the homestead exemption for the year in which the death occurred and were at least 59 on the date of his or her death.

Own and occupy your home as your permanent place of residence on Jan. 1 of the year of application.

Complete an application with the county auditor's office.

The reduction applies to the home itself and up to one acre of land. The amount of the reduction varies. (The reduction is equal to the taxes that would otherwise be charged on up to \$25,000 of the market value of your homestead. For an explanation and details, contact your county auditor's office.) Property owned by a corporation, partnership, limited liability company, or other legal entity does not qualify for the exemption.

Application Form:

- Homestead Exemption Application for Senior Citizens, Disabled Persons, and Surviving Spouses (DTE Form 105A)
- Continuing Homestead Application Form for Senior Citizens, Disabled Persons, and Surviving Spouses (DTE Form 105B)
- Disabled applicants must also complete the Certificate of Disability for the Homestead Exemption (DTE Form 105E)

Application Period: After the first Monday in January and before the first Monday in June

Application Fee: None

❖ **The Farmland Preservation Act and Agricultural Districts**

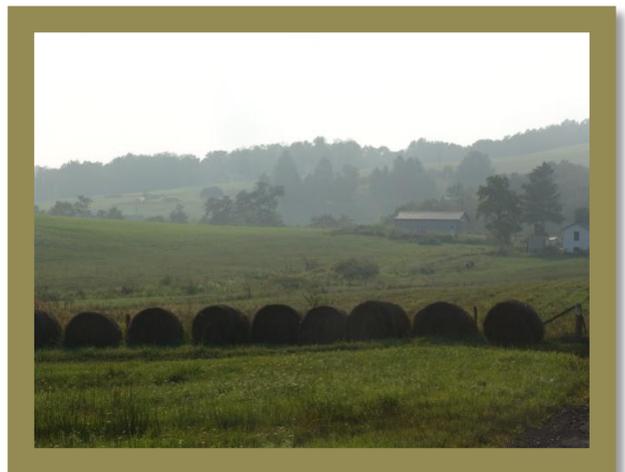
The Farmland Preservation Act helps to remove outside pressures that can force the conversion of farmland to other uses. It allows for the formation of agricultural districts as small as a single farm. These districts are on record with the county auditor's office and receive benefits, including protection from certain zoning regulations, nuisance lawsuits, and claims of eminent domain. You may qualify if you:

Meet the same qualifications as a farm as you would under CAUV.

Complete an application with the county auditor's office.

You may also be required to have a management plan for your forest land. Check with your county auditor.

The formation of an agricultural district is a five-year commitment. At the end of that five years, you can reapply, or



you can withdraw without paying a penalty. If you withdraw your land from the program during the five-year period, you will pay a penalty as you would under CAUV.

Application Form: Application for Placement of Farmland in an Agricultural District (ODA-Ag. Admin. Form 11)

Application Period: Any time during the year, although the period for renewing applications is the same as with CAUV, after the first Monday in January and before the first Monday in March.

Application Fee: None

Contact the county auditor's office:

- ✓ For questions and details on any of these programs.
- ✓ If you have a graveyard or archaeological site on your property that may be eligible for a tax exemption.
- ✓ If a building has been constructed or destroyed on your property during the past year.
- ✓ You would like to contest the value of your property. The period for contesting property values is Jan. 1 to Mar. 31.

Contact the Ohio Division of Forestry:

For information on OFTL.

For information on how to manage your woods, especially on how to sell timber.

Ohio Division of Forestry

2045 Morse Road

Building H1

Columbus, OH 43224

Toll free: (877) 247-8733

For the text of the Ohio Revised Code and Ohio Administrative Code, see the website *Lawriter* at: <http://codes.ohio.gov/orc>

*The administrative code actually refers to either: a) "a forest management program . . . designed to provide for continuing production of merchantable forest products," or b) "an acceptable silvicultural practice" (OAC 1501: 3-10-02, paragraph F). The term *high-grading* is not used. However, the intent of the provision seems clear, that is, to render high-grading an unacceptable practice under OFTL. So what is high-grading? High-grading is an all-too-common practice in which the best and most valuable timber is cut and removed from the woods, leaving poor, low value timber behind. High-grading does not "provide for continuing production of merchantable forest products," nor is it "an acceptable silvicultural practice." It is bad for the landowner and bad for the woods. The best way to avoid high-grading the woods is to work with a professional forester at harvest time.

**In marking your boundary lines, you must use fence, fence posts, or paint marks all along the perimeter. Ribbons, flagging, or pins on the corners are not enough. If you use fence posts or paint marks, they can be no farther than 66 feet apart. Talk to your service forester about the proper way of marking your boundary lines for OFTL.

***OFTL also allows for allied fields such as maple syrup production, wildlife conservation, recreation, and aesthetics or natural beauty

Further Reading

- *Current Agricultural Use Value Assessment in Ohio* by Greg Jeffers and Larry Libby, Ohio State University Extension, CDFS-1267-99, Feb. 1999.
- *The Farmland Preservation Act: It Will Help You Keep Farming*, Ohio Farm Bureau, Fed 1812, Dec. 2004.

About the Author: Terence E. Hanley is a consulting forester living in Athens Ohio. He is the Owner of Professional Forestry LLC. Mr. Hanley has a degree in Forestry from Purdue University and worked for many years as a service forester in Indiana, Missouri and Ohio prior to his current work. He can be contacted at professionalforestry@yahoo.com about forestry consultations.

All photos by: Susi Rankis

