Memo

To: Connecticut Assessing Officers and Certified Foresters Qualified to Evaluate Land Proposed for Classification as Forest Land (PA 490)

From: Christopher R. Martin, Director

Date: November 04, 2015

RE: Explanation of 2015 Increase of Public Act 490 Forest Land Recommended Use Value.

The new recommended PA 490 Forest Land value to be used for town-wide property tax revaluations occurring after October 1, 2015 is $240/acre. This is a significant increase from 2010 which was $130/acre and the 2005 value of $190/acre.

Approximately every five years recommended land-use values for real property classified as farm or forest under Public Act 490 are updated to reflect current-use values for property tax assessment purposes. The Forest Land value calculation is based upon three main components:

1) Most recent USDA Forest Service Forest Inventory and Analysis data for Connecticut
   a. Land area of forest
   b. number and volume of live trees
   c. average annual net growth (new growth-minus removals...aka harvest)

2) Most recent five years Southern New England Stumpage Price Reports.

3) Capitalization Rate which includes the Farm Credit East average borrower interest rate for the last five years with additional adjustments from loan to value ratios and risk assessment.

The significant recommended Forest Land Value assessment increase from $130/acre to $240/acre may be attributed to two of these three components; 1) USDA Forest Service Forest Inventory and Analysis – frequency of available published data and 2) the Capitalization Rate determined by Farm Credit East with additional adjustments for value and risk.

Recommended Forest Land use values for 2005 and 2010 were based upon forest inventory data from 1998, at that time the most current USDA Forest Service published data. Today data is available annually on-line at USDA Forest Service’s Forest Inventory and Analysis National Program. During this time period (1998 – present) tree growth far exceeded removals resulting in almost doubling the standing
volume of live trees in Connecticut. Most of this increase may be attributed to a categorical size class increase from medium to large sawtimber.

The second contributing factor is the reduced Capitalization Rate from 12.5% in 2010 to 7.0% for 2015 reflecting overall historically low borrowing interest rates. This rate acts as the denominator for the last calculation step hence having significant influence on the final Forest Land recommended value.

Looking forward to 2020, future interest rates are uncertain but barring a major natural catastrophe such as a hurricane, we can expect continued increases in net statewide tree growth.

A more detailed explanation of farm and forest current-use value calculations may be found in the Connecticut Farm Bureau 2015 PA 490 publication; A Practical Guide and Overview to PA 490

Please feel free to call 860-424-3630 or email deep.forestry@ct.gov with any questions.

Thank you.

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