TF: Notes on Testimony

Tree Farm ~~Legn~~ Land Tax Legn.

Objectives, Defects and Proposed Remedies

I. Objectives.

A. Protect ~~f~~ public revenues; avoid unjust enrichment, & specifically, prevent use of the tree farm tax class as a tax haven for owners whose likely goal is to convert land to a non-forest use, or to abuse other land - - -.

B. To admit and facilitate land-use conversion when that is economically and socially desirable.

C. To capture the public's share of the betterment from land use conversion.

D. To treat this problem in a manner ~~consistent~~ that is consistent with the way parallel and analogous problems are or may be treated.

Tues. PM 3 witnesses

Aug. 22

JOM wants "land tax collected at time of harvest" — i.e. a yield tax.

Const. prohibits "indirect" taxes. ≠

Distr. TISTOC eqns.

1% tax is applied on Temp. Tenures outside of TFLs. But PSYU is allow. by timber sales, not temp. tenures. No 1% tax.

Sect. 2 of Taxn Act, "Farm Land", ½%.

+ 3½% for school. July 2, 1974, stopped assmt. as farm land only. In 1953 assmt = a act, pref assmt. of farm land.

"Rezoning" tax is desirable — provided farm land is also hit.

Anything in a TF or TFL used for timber is taxable under public schools act but exempt under Gen. Taxn. Act, Sec p. 4049

≠ Sales tax is "direct" bec. paid by buyer.

Issue

It is tempting to act as God's avenging angel and single out vulnerable overprivileged groups for selective retribution. CTF owners have exposed themselves to that, by accepting special favors.

So we could turn around and capture all their betterment. It wd. put others — mainly farmers — on notice to stop asking for too much. And/or serve as precedent to take this betterment.

But avoid confiscating at assd. value, like Cantro. Try to legislate for everyone. Trouble when you do that is, they all unite against you. So piecemeal may have to be the way.

Knight Nov. 26

The tree farm land tax legislation has three defects:

1) It can be used as a tax shelter, since there is nothing to prevent the land owner from taking the land, or a part of it, out of the tree farm classification at any time that it suits his purpose. Few instances, not very important.

2) By specifying a beneficial assessment procedure which protects the owner from tax increases in the event that any of the lands classified as tree farm land ripens to some further use, it might can ~~facilitate~~ delay ~~in~~efficient land use. Like farm land, but unlike other land.

3) It requires an unusual initiative on the part of the land owner, that is it does not necessarily apply to all of those lands that would be classified as finding their best use under forest crop. Discrim. If less than 2,000 acres, JOM wdn't consider them TFs.

The terms of reference require that we suggest correctives for the first two of these defects.

The first defect could be corrected by requiring that land classified as tree farm land be dedicated to the continuing production of timber to the extent that it could not be removed from that classification without the consent of the Minister. The act could require that upon certification there would be an appropriate filing or registration in the proper land registry office, in accordance with the land registry act.

✓ The act could specify that the payment of a decertification fee would be necessary in the event that the land owner wished to take from the tree farm lands which had ripened to some higher use. JOM agrees. How much?

The second defect could be overcome by proper administration of the requirement that the classification can apply only to those lands that will have their best use under forest crop. ✓ i.e., Crown decertifies on its initiative whenever value rises above TF. Multiple use is best of all.

✓ The assessor should each year be required to review the lands so classified and to recommend the removal of any lands that, in the public interest, should

have some other use.

The third defect is such as to call into question whether there really is any justification for such a special taxation tenure. If the purpose is to encourage the dedication of suitable private land to permanent forestry, then there is a conflict with section 152 of the Forest Act, which provides that the Minister may classify as forest land those lands that will have their best use under forest crop; and may require that such lands must be kept productive.

If the purpose of the tree farm land classification is to provide a low tax rate because of the nature of the crop then surely that concession should apply to all of the lands that could be classified as forest lands under section 152 of the Forest Act. It is not logical that some forest lands are assessed and taxed differently than other forest lands, as a result of some initiative on the part of an owner.

The forest land taxation problem derives from the fact that the crop growing on the land is considered as a part of the land value. The effect is that in advance of the receipt of income the property tax includes in the tax base the expected increase in value.

If we accept forestry as crop production, then trees are the crop that is taken from forest land. Forest land value should be measured by its ability to produce a crop, adjusted for the factors of accessibility, topography and fire risk. This would be valuation on the basis of site quality.

In ordinary farming, the assessment procedure does not value the crop on the land. Land value is influenced by the type of crop, and the quantity that can be produced. A similar assessment procedure applied to forest land value with an equitable tax rate seems logical and it would eliminate the need for a special tax treatment.

J.O.M.

TREE-FARM LAND TAXATION COMMITTEE

Preparation for Discussions to be held
Thursday, November 21st

SUBJECT

Removal of land from a Taxation Act tree-farm.

Lands classified as tree-farm land may be removed from the tree-farm at any time by the owner or by the Minister of Lands, Forests & Water Resources if he is of the opinion that such lands are no longer being managed in accordance with the approved working plan.

There are many reasons why lands are removed from tree-farms. (a) The owner may wish to sell all, or a portion, of his tree-farm for development in an alternative use providing a higher economic return than growing trees. If renewal of a portion of the tree-farm from the tax class is desired the area to be removed must be surveyed and registered in the Land Registry Office. (b) The owner may be compelled to give up a portion of his holdings to meet some public requirement such as watershed, hydro right-of-way, highways, gravel pits, parks, exchanges of Indian reserve lands. (c) The owner may wish to complete an exchange of forest lands with another company in order to produce a mutual improvement in management of their holdings. Both parcels of land involved in the trade would remain in forest production.

Removal of lands from the tree-farm or a change in the use of the lands resulting in decertification does not result in the owner being required to repay any property tax benefit which he may have enjoyed during the period the tree-farm tax class was in effect.

Many deletions of land from the tree-farm are made to meet public requirements. No misuse of the tree-farm land tax class appears to have occurred, notwithstanding that the owner receives payment for his lands based on current market values.

Other deletions are made by the owner by way of sales to land developers or to realize a return based on a higher economic use.

The principle defect in the present tree-farm legislation in the Taxation Act is the tree farmer may remove his property from the class and use it for any other purpose or sell it without any restriction. In most instances of removal a realization of value occurs on land which has been taxed during the period the tree-farm tax class existed, at about half of what it would otherwise have been.

JOM

Objectives of tree-farm tax administration should recognize that it is impossible to foresee the changes in land use which may be needed in the future in order to meet the demands of the day. Nor is it possible to predict with certainty that the highest economic use of the land as tree-farm will continue after certification has taken place.

The objectives should:

1. Prevent misuse of the tree-farm tax class as a tax haven for land speculators.
2. Not prevent changes in land use occurring where a higher economic use than tree-farming develops.
3. Provide incentives to encourage proper management of forest lands.
4. Encourage compatible uses of tree-farm land for other purposes while at the same time meeting the requirement of the lands to grow trees.

The objectives could be achieved by:

1. Requiring tree-farm certificate to be registered as a restrictive covenant in the Land Registry Office with removal only being permitted with the written approval of the Minister or someone authorized to act on his behalf.
2. Approval to delete land from the tree-farm or to change ownership to be granted by the Minister upon receipt of any satisfactory reason.
3. Removal fee to be charged the owner based on circumstances involved in each case. Fee to be nominal if no land use change involved.
4. Compelling tree-farm owner to make available areas of land within tree-farm for recreational or homesite purposes.
5. Taxing areas of tree-farms used for other than tree-farm purposes in the name of the occupier and owner jointly.

Darkwoods TF, near Creston, is case in point.

multi-use.

current value, discount back, charge taxes that would have been.

assess land separately

Aug. 22, Issues

1. Equal treatment for Crown land & freehold land.

Now, giants can hold huge reserves, at public expense.

Appraisal system charges them what timber is worth —

not what it costs.

2. ACE a factor in appraising TT? Maybe.

3. We agree, TT should be elim. ?

Uniform treatment — whatever it may be.

Then only problem is back taxes. (& defining uniform treatment)

4. Then, see p. 1

AM

Tree Farms

Proposals

a. Timber inv., yes
b. alt. l.v., no, (annuity values)

1. The direct cost of the Tree Farm tax abatement is the excess of normal tax ~~of~~ over the lower TF basis tax. The annual amount is about $_____. In modern terminology such an abatement is a "tax subsidy".

2. ~~The recipients of~~ Most of this subsidy ~~abatement are~~ inures to a few owners.

The largest owner, M & B, has about 70 % of the inventory of timber in the class, etc.

3. Benefits to the Province from this subsidy are to be found in the owner's practice of "good forestry" to which he agrees as the quid pro quo.

a. In operation, the main ~~elements~~ forest practices encouraged are ~~the~~ a slower ~~rate of harvest~~ a ac of old growth; ~~(and in the future presumably second growth.~~ ~~long~~ planned rotations for second-growth, (~~and~~ freedom mai ? surmise this means wider spacing of new ~~growth~~ plantings); single purpose use of the sites; ~~cutting-planting schedules geared to produce a normalized or even-flow forest when old-growth is gone~~; and retaining land in timber culture w/o consideration of costs and benefits.

reforestation, or keeping the land productive; keeping cutover land in ~~pvt~~ ownership, encourage pvt. forms

~~b.~~

and sites must be defined in legally surveyed blocks, like 160 acres. But they can survey out small parcels for motels, etc.

b.

Messrs. Moore & Knight testify from their experience that ~~the~~ Tree Farmers are not monitored by any Provincial agency effectively enough to guarantee that they comply with their agreed-upon forest practises.

All ~~Mr. Laffey~~ presumes that companies controlling (over)

c. The social and economic value of inducing owners to harvest slower than their own interest would dictate has not been established. ~~It is based on an appeal to "Good Forestry" which has not been examined, but used as a blanket slogan~~ At the time the TF program began, slower cutting was evidently regarded as "Good Forestry," but today this should be reexamined, ~~since the concept~~ and "Good Forestry" carefully defined and rationalized.

It is possible that the term has been used as a slogan, and the concept as a blanket to cover practices that might not bear examination. Forestry is capital-intensive ~~at best~~ by nature, but slow cutting makes it ~~much~~ more so, and by (over)

The Minister of Lands and Forests has recently made policy favoring coal-fired power plants over hydro plants on the grounds that the former are less capital-intensive. Presumably this same reasoning would lead him to favor shorter cutting cycles.

d. The value of single-purpose use is dubious, as other demands grow.

Timber both inside and outside TFs will ~~compensate~~ cut the outside timber faster to compensate for the TF slowdown, thus receiving a tax benefit w/o having to alter their overall cutting rate much.

very large factors — the capital in a forest doubles every 7 years it is held, at a 10% rate of interest.

e. The value of normalized rotations is material, but not absolute.
~~i. On small holdings it~~
For a whole market area it has ~~some~~ a value, although how much bears study, ~~,~~ especially in areas where labor turns over rapidly emigrates for other reasons. But even-flow for a market area need not call for even-flow from each small tract, ~~especially small ones.~~ One cuts while another holds back.

As to the large TTs, ~~they~~ some are split into many parts, in different market areas. They might provide even-flow to a company but not a community.

In any event, the self-interest of timber holders leads them toward (but not all the way to) even flow, since everyone tries to hold back from glutted markets and reserve sales ~~to~~ for lean markets, and it is not clear why those who benefit from "community stability" would not reflect this in the market, and induce loggers to cut more evenly. For example, a glut of labor would encourage cutting, and a shortage discourage it, thus accommodating the laborers.

f. Professional foresters should ~~do~~ be used to define "Good Forestry", but subject to budgetary ~~costs~~ constraints. No profession should be given free reign to define standards w/o regard to costs, because costs are a measure of expenses imposed on others, and reduced standards demanded of others.

The F.S. has a defined monetary budget, but its larger budget is the hidden cost of interest on the capital value of standing timber. By defining "standards" w/o regard to this cost, ~~the~~ professional foresters are operating without a constraint on this part of the budget, with predictable results.

Foresters are no more to be chastened for this than others who do ~~the same~~ similar things. Most people develop biases for their own concerns. But the wrongs ~~faults~~ of others do not ~~just~~ justify waste in the name of "Good Forestry" either. Rather, it is ~~the~~ ~~duty~~ the Legislature which is sovereign, and responsible for ~~applying tests~~ ~~to~~ devising ways to ~~arbitrate~~ make all professional and other groups subject to constraints that reflect the expense they impose on others.

(over)

With this in mind, we recommend that ~~the~~ the LG in C instruct the F.S. to revise its ~~definition~~ standards and define "Good Forestry" as that practice which maximizes the "bottom line"; ~~i.e.~~ i.e. the excess of output over all costs, including interest, and taxes imposed on a uniform criterion. If this were to be done, we would have a basis for deciding if the Canadian people of B.C. receive any benefit in return for the tax subsidy granted to TFs.

where any subsidy goes in the name of promoting "Good Forestry"!

Meantime, the burden of proof falls on ~~anyone~~ those advocacy of a subsidy, and the burden has not been borne.

4. There may be a tendency for TF lands to attract ~~shelter~~ more forest-related capital than is economical, because of the shelter from property tax.

TFs are assessed by capitalizing cash flow, regardless of the capital behind it. Forest capital normally assessed, like roads, garages, and machinery & equipment, is in effect exempt if on a TF

Tree Farms

Proposals

1. Tree Farm class is based on false premises, and should be eliminated. These are: that single-purpose use is desirable; that long rotations are desirable; ~~and~~ that ~~of~~ deferred cutting of old-growth is desirable, or at least acceptable, in order to reach a hypothetical normalized (even)

2. A. Some TF lands will remain in forest use. Here we can say that past ~~of~~ govts. made a bad bargain, but we cannot collect back taxes now. It is enough to raise taxes in the future.

B. Other lands have alternative higher uses, incompatible with forestry. Appraisal can define which lands these are, rather than leave this decision with private owner.

Here we can say there is more involved than a bad bargain by govt. The pvt. owner ~~planned~~ got reduced ~~tax~~ taxes, on a forest-oriented rationale, while land was diverted into non-forest ~~other~~ use. We can't read anyone's "intent", but the process is objective and observable. The land is and should be destined for other use. There is little forestry rationale for TF class, in this case. The land was misclassified, on the owner's initiative. The owner shares the fault and liability.

Recapture of taxes is ~~is~~ appropriate; so is ~~as well as~~ ~~as~~ conversion to higher use. Each is important, and one should not be allowed to interfere with the other. That is, the object of taxation here is not to penalize or prevent conversion, for conversion is desirable, to meet the demand for the higher use. The object is to collect back revenue without preventing upgrading of use.

rotation in the distant future; and that forestry is ipso facto desirable, regardless of cost.

There has been a tendency to use "Good Forest Management" as a blanket slogan, w/o definition, rationale, or consideration of costs and foregone alternatives. ✓ Tree Farms exist under this blanket. The tax privileges of

The tendency is to leave definition of "Good Forestry" to professional foresters. But all history testifies that no professional group — doctors, soldiers, undertakers civil engineers, contractors, or farmers, or foresters can be expected to apply to itself the same standards it expects of others.

The back revenue which is due is the tax based on the value of the bare land, not the forest inventory viewed as lumber. ~~The exception is~~ where and to the degree that the forest itself is an ~~major~~ essential part of the higher use, as in some recreational uses. In either case, the tax due is that which would have been collected on the convertible assets, as they ripened into the current value.

"convertible assets": land or land-with-trees,

Assessors may ~~assume~~ estimate this value by the reasonable assumption that the convertible assets shifted from the ~~lumbering~~ Tree Farm value to current higher value along a compound interest path. B.C. assessors are ~~conversant with~~ skilled in the basic financial mathematics involved. Or, they may have actual values. Alth, they could apply inventory values.

See Ratcliff & Hamm. p. 10

The resulting "make-up tax" could be levied ~~in different ways~~ as a lump sum at the time the law is changed and thin land reclassified. To minimize liquidity problems, ~~the~~ instalment terms could be arranged over 5-10 years. But most TFL land is in strong hands, and minimal problems are expected by application and a fuel statement.

~~The usual~~ a proposal often made ~~proposal~~ is a betterment ~~levy~~ tax, imposed when the owner changes the use. This ~~is a~~ would deter conversion and hold land in a lower use. It is not to be compared to

an income tax which would reduce income from both lower and higher uses by equal percentages a conversion tax is like a tax levied on land income from the higher use but not the lower use. If the tax is 50%, for example, then the higher value must become twice the lower value for the owner to ~~$~~ gain from converting.

So if a conversion tax is applied it must be coupled with a countervailing tax of equal force on ~~land~~ income from the old use, or TT.

A third proposal is to ~~tax~~ levy the tax regardless of use change, but on the occasion of ~~the~~ declassifying the TT. The Province would declassify at its initiative. Thus the tax would be levied for ~~not~~ a public action outside the owner's control, and would not deter him from converting. This has the good incentive effect of a land tax, but is designed to recapture back taxes, not substitute for future ones. The land would now be assessed on its new value for annual and valorem taxes.

C. A third class of land ~~is~~ finds its best use in multi-purpose use. Land may be logged in a cycle of say 60 years, and still yield other values than lumber over most of the cycle.

In the long run, most forest land falls in this class. In the short run there is incompatibility of logging vs. recreation and residential use owing to a combination of ~~class~~ ~~situation~~ emotionalism, ~~strife~~ a kind of class warfare, ~~Both~~ and ambiguous definitions of property rights. Most of these can probably be resolved by distributing ownership interests more widely in the local communities. Alternatively a local fiscal interest in logging revenues would help foster fuller appreciation of this aspect of forest use.

The TI legislation rules out multi-purpose use by specifying single purpose use. This is clearly undesirable.

Here, the land should be released from this constraint, and assessed upwards accordingly. The land should also repay back taxes, as in (B).

The trees may be forgiven back taxes, as in (A). But they should now be assessed upwards for higher future use, both as inventory and as part of multi-purpose use.

3. An overall goal is equal tax treatment for capital and land in all ~~its~~ alternative uses. Unequal treatment ~~draws~~ deters resources from the higher to ~~One means is~~ the lower taxed use.

Land and capital cannot be converted one into the other, so exempting capital (improvements, buildings, cattle, inventories, etc.) does not have this effect. But other tax differentials do, — i.e., those based on use.

Taxing capital will of course bear heavier on more capital-intensive uses. Forestry is such a use, because every tree cut has to spend 60 - 150 years in inventory before liquidation. [Or, in a normalized rotation, every tree cut has 60 - 150 other trees standing in inventory, costing interest, not being cut.]

If, to avoid this, we create special low tax ~~rates~~ rates for forests, we tie up capital, in ~~$~~ timber and land ~~yielding lower rates of return than~~ where it is less productive, measured by rate of return, than in other uses from which taxation removes it. Too, it is less productive of employment than in more labor-intensive industries.

An alternative is to exempt capital in all uses from the property tax, limiting the base to the value of land in all uses.

At present, capital in some forms is exempt: inventories, cars, home furnishings ~~personal property~~, farm improvements (in part), urban buildings (in part), ~~estate~~ forest inventories in TFs, public works, etc.

Rather than continue this ~~capricious~~ haphazard exemption, based in part

There is no avoiding some exemption, since much personal property is unreachable practically. Rather than continue haphazard exemption based on such factors, total exemption is preferable.

There is no need to exempt forest sites, however. The tax cannot be abated by cutting, and therefore ~~the~~ does not motivate an owner to cut earlier than otherwise. An ~~The only~~ exception is when he plans to abandon the land after cutting, but such land by definition has no value and would not be taxed (unless overassessed by error.)

Another exception is where owners plan to convert to non forest use. Here the site tax will accelerate cutting — or conversion without cutting, where that is the highest use.

Tree Farms

Draft Proposals

1. The direct cost of the TF tax abatement is the excess of normal tax (based on assessing timber as "inventory") over the lower TF basis tax, (based on assessing timber and land by capitalizing cash flow.) This ~~$~~ cost is a "tax subsidy."

~~$~~ A minimum estimate is the excess of $5.5 m over 2.5 m, or $3.0 m. This is ~~where the~~ basing the normal assessment ~~is based~~ on inventory value of timber.

The true estimate is larger, because inventory assessment of timber omits most, if not all, of the amenity value of timber sites. By current B.C. law and practise timber is included in "land", and they are reported together. ~~Report~~ The assessor includes a site value in his own calculations, but it is generally based on the value of land for growing timber. It generally omits

the ~~alternative use of~~ amenity value of the site, and other non-timber values. There ~~is~~ may be an exception with certain waterfront sites, but in general amenity value is omitted.

In some cases there is ~~also~~ an amenity value in standing timber too, and this has ~~also~~ been omitted ~~also~~ as well. higher than its stumpage value,

2. The following table shows how the tax subsidy is divided among the 32 Certified TFs ranked by size.

~~It~~

For practical purposes, we are ~~dealing~~ concerned almost entirely with the tax treatment of 3 firms: Rayonier, and M&B, BCTC, ~~and~~ who have 80% of the TF assets.

3. Benefits to the Province from this tax subsidy are to be found in the owner's agreement to practise ~~good~~ forestry on his land. The meaning of "good forestry" is determined in practice by the Chief Forester when he certifies the Free farms. The criteria might be changed, but have mainly been the ff. ? FREE ? OR TREE ?

a. Keeping the land in forest cover, i.e. immediate reforestation after cutting, by the private owner. The C.F. has power to require this anyway, on all granted lands, by direct regulation, but the TT abatement is designed to make this profitable, hence easier to administer. However, reforestation is required regardless of profitability.

(Question: are property taxes deductible as current expense for Fed. inc. tax?)

a correlative objective is to keep ~~the~~ forest land in private hands, and let private land, which is taxable, compete with crown land, which is generally not, (with a minor exception)

b. Reduced annual cut of old growth, based on

the Hemzlik formula, geared to create a normalized
5.Y.
even-flow forest by the time the last old-growth is cut.
The last old-growth must therefore stand until the first second-
growth is mature. (over)

~~This also implies (c)~~

c. Maturity of second-growth is ~~c. Future planned rotations are~~ based on maximizing
time
mai, a somewhat longer than an economical or financial

Page 2 or Faustmann rotation using compound interest. This rotation is
the basis for regulating the cut of old-growth under the Hemzlik
formula (b)

d. Spacing of 8×8, standard on Crown land
plantings, is not required. 10×10 and 12×12 are
acceptable, and normal.

e. Single-purpose use. Grazing or extensive recreational
use would lead to decertification.

Certification is by legal parcels which may be

The Chief Forester might in his discretion ~~apply~~ change his concept of good forestry. However the financial incentives of the T7 class are clearly tailored to undergird the ~~slow growth~~ slowed-cut emphasis that has ~~been~~ prevailed historically ~~occurring~~ in ~~the~~ the Forest Service. The advantage ~~of the~~ to the owner ~~class~~ consists in a lower assessment based on reducing his rate of cut.

large, so a motel on one corner of 200 acres would decertify the whole. ~~How~~ This is solved by ~~leads to~~ surveying out the non conforming parcel. ~~however, so in practice~~

4. There are serious doubts as to the social value of these arrangements.

a. Taxation should bear as uniformly as possible on the tax base, for reasons of efficiency and equity. This end is defeated by creating special classes of owners. The 77 abatement is a regressive element in the tax system (see Table). Only large owners can internalize 57 schedules, so they are the ~~The Committ~~ ones which have mainly qualified. Only (over) All timber and timberland should be treated the same, unless, indeed, taxes are made progressive to encourage subdivision and small business competition.

large owners have the waiting power to hold old-growth under the Hamzlik and mai concepts.

b. Use tape of Cmy. 16

another exploratory session today? Then each write up tentative recommendations.

July 25

Issues

1. Is there a mechanism, legal, for collecting back taxes
Impose penalty for removing parcels, can have same effect.
   a. Jack says valuation is possible
   b. Is it legal? Yes.
   c. Is it desirable?
      i. Upon sale?
      ii. Forthwith, regardless of sale?

Jack wants option w. owner.

2. Case study – ~~Sabiota Isl.~~ Galiano Isl.

3. Tax land on highest use, but continue special treatment for timber. (Hit this one hard.)
✓ Respond to ministers wish to convert to non forest use.

4. Abolish tree farm category henceforth? Yes – TK.
Yes – JOM, but look at others too, assess all on common basis, site productivity.

5. Stop expanding category? See p. 7

6. Parity w. farm land wanted. So ↓ farm taxes?
Or reduce all prt. forest land, not just tree farms.
Or tax just land?

7. Reexamine meaning of "good forest mgmt."
What are we getting for tax subsidy?
(Is it enforced)?
Is it any good?

8. Bldgs. & subdivisions on CTF land. What has not been declassified? JOM says bldg. assoc. w. forestry get the lower rate, but other bldg. results in declassifn. — he recommends it to Min. L&F

9. If goal is slow cut, can accomplish by yield tax, w/o loss of rev. This is usual approach.
Couple yield tax & land tax, maybe salable idea.
Now, E&N grant yielding little rev. Compare revs. vs. what same revs. wd. yield if Crown lands.

10. Make TF subject to Fish & Wildlife regs, too? JOM thinks maybe it is, but I wonder — ask Ray Halliday. Stokes letter

11. Need study of complete mgmt. of all holdings of TF holders, to see how this reserve affects their other holdings.
✓ CTF shd. be limited to those who hold no other forest land.

12. Declassifn — at holders option?
Could do so at option of Crown, and tax then, thus avoid locked-in effect.
Give Crown an etc. criterion for declassifying.
(This is alt. to abolishing all immediately.)

13. Does a land tax shorten harvests same as timber tax? (No.)

14. Tax benefit reserved for large owners? Sloan, p. 142

15. Repeal Wild Land Tax, call it timber land. - Moore, Knight wants to keep it.

16. Redefine "eligible" TF land.
Helping done that, ie new applications, can apply same def. to land now in CTFs, and declassify it.

17. What Dept. shd. handle?

a. If evaluate forest practice, then DF needs to be involved. (If eval. wildlife & fish, they need to be in. too.)

b. If don't, then abolish CTFs.

18. There is no program of regularly inspecting TFs. Recommend there be one — and decertify those not complying, and levy back taxes.

19. CTT are taxed under:
    a. Tax Act
    b. Public Schools Tax
    c. Local Services Tax
    d. Other.
    e. Forest Protn. Tax.

In order of importance:
    Public Schools Tax
    Tax Act
    Local Services Tax

Not clear what sum is, & limits are. Or if same assmts. are used for each.

20. Cap. value of CTT from current stumpage makes no allowance for future infln.
    Thus understates value of reserves.

21. Tax. Act defines CTT land as land whose "best ec. use" is "under forest crop."
    So it shd. be decertified automatically when best ec. use changes.

22. New assmt. Act raises all valuation to 100% — but leaves out farm & CTF assmts.

Thus skips over part of the ripening land problem — but not in areas of apt. sprawl.

23. Some CTF land is in TTLs. This gives a double subsidy, since TTL reward was control of Crown land.

24. Wild Land Tax rate is ok if
a. Based on correct assmt.
b. Based on land, not growth of timber.

Sloan is fuzzy on this. Ask JOM.
Veitch, p. 16, says 2d growth is part of l.v. w. of Cascades, but not assd. east of Cascades.

25. No old growth, or 2d growth mature timber. should get CTF assmt.

26. Sloan plumps CTF class as for small holders. Best most is in giant holdings. Objective not achieved.

27. No case made for SF forestry. Simply assumed to be a good thing.

28. Big cos. put logged-over land in TTLs to escape wild land tax (& keep the land)

29. Regressive aspect. Who can qualify to wait, but big owners.

30. How much wild land has reverted for taxes?
Sloan, p. 148, says an arbitrary value is assessed even if land has no real value.

31. They talk about timber sustaining communities via S.Y. This is a trickle-down thy. Timber can do a lot more for local communities by paying taxes.

32. Prop'y. taxes are expensible, corp. inc. tax. p. 10 Veitch. This lowers impact greatly, so can raise them.

33. Timber on ordinary farm land is fully ass'd. — Veitch, p. 16
Regressive? p. 17, if volume is large enough, gets assigned to "a timberland tax class."
What such "class" is there, but CTF?

34. CTF owner needn't give up exportability.

35. In CT vs. Assnt. Dists. of Comox, Cowichan & Newcastle, S.C.B.C., Justice J. G. Ruttan, 1962 (Case 36)
Provincial Govt. sought to get away from Rothery system of wholesale discounts for big guys. Court struck them down.
So why do they need CTF? They get it anyway.

36. Bob Mulholm alleges CTF, one asmt. at 100%. So?
Bus. not covered by asmt. = a Cert.

4. Forested Lands

3% Pays prop. taxes
15% TFL, no prop. tax
82% crown land, no prop. tax.

JOM wants to tax all forests
TK " " " only pvt. acreage.
JOM wants uniform treatment,
TK " " " by tenure. A real issue.

Aug. 1, 1914 CT 7

Some TT are assessed more on T 7 bcs. of ACE.

Land in TTL, advantage in having high volume, bcs. Hamrlick C.C. is $\frac{\text{vol}}{\text{pd.}}$

For taxation, want to

Re CT7

If fear that prop'ty. tax accelerates cut,

why ∆ the yield tax signal, then hit both ways.

Apr. 14: Morris Cayer said by Mfg. logging rd., can shift land from wild land to "improved," lower taxes. $2.50/ does it. Not "timber land." "Improved" is a catch-all for misc., a residual class if it doesn't fall

---

Farming on Gulf Islands was mainly to hold down taxes. - J.O.M

Objectives to guide our recommendations.

1. Watershed, multi-purpose

2. Protect res's.

3. Cite Sloan on why CT 7 originally estab.

4. Customer should pay for recreation.

Ian Macleod was timberland appraiser late 140s.

~~J. T. Clarke~~

Ian Macleod
Frank Rainsford
Dick Coleman
Bob Mulholm
Tony Sayle

JOM - Apr. 13.

Wild Land

Build road, becomes "improved land".

Trees grow to 8,000 bfa, become Timber Land
(5,000 bfa in Interior)
Goes to higher tax rate.

(O.T. pays "Forest Land Tax", 1% on imp. value, if outside TFL)

---

a part of a parcel can be separately assd. even tho not surveyed out. ~~Even now, unprod. land on TF is not~~

1. Overall study of forest land called for.
Including a) O.F.T. (Inside & Outside TFL)
b) TFL Crown land

and TF,
Timberland
Wild land
Improved
Forest Land (Taxation Act)

O.T. inside TFLs are 100% exempt from prop. tax.

[6 applications are pending for new TFs.]

Forest Land Tax is on trees only, not land.

→ We agree: make recommendns. for prt. land; recommend further study on Crown Lands, to integrate. (Exemption 24N in tax act re

~~2. Future conversions out of TF class.~~

2. Annual prop. tax, 2 part
   a. Land value, same rate as "other property."
   b. Harvest time tax, ~~legality~~ a land tax in legal form or of sales tax (paid by purchaser)

Less (b) as larger element

3.

Pearse, March 14

Purpose: S.F. forestry. Not good objective.
Forestry, si; S.F., non.
Zoning is better, for open space.

Postpones harvests

Cap. ~~Dis~~. at 14%. (But 14% wd. call for a fast cut)

9% is used to discount. – look into this.

Mostly certain land is in TF – do we have data?

M & B said they wd. SF anyway. – (so who needs subsidy)

We have lots of forest land, but are short on resid'l & vacation.

~~Etc~~ Subst. zoning for tax subsidy.

Site value tax. in theory, but phase in slowly, if at all.

Shd. be resolved in conjunction w. all tax system.

Re Scott

To protect revs, Prov. shd, sell land subject to high propty. tax.

Ted Knight, Munich

25 [illegible] m ~~cunit~~ cu ft. cu ft worth $\frac{1.10}{100}$

$50 m mill, pulp.

5000 cu ft./acre. (but they also use chips)

$\frac{25,000}{5}$

5,000 acres/yr. per mill.

100,000 " for 20 yrs.

Agr. land is being assd. on 3 bases.

1. Actual ~~spec~~ value, including dev. rts.
2. Farm use value, less amenity value.
3. Restricted roll, limited to 10% a year.

Old growth
~~Fir~~ shd. be assessed; 2d growth too.
But orchards are improvements.

Use easement to protect public open space interests.
Let someone administer it. – the taxing unit.

Fear of T.T. subdiv. is desire for artificial scarcity, maintain prices.

Wants no conflict of interest, hence no involvement in framing working plans.

From Tony Sayles, Feb. 14, 1975

Current Methods – Timber Valuation

A - all classifications (TAX ACT) other than Tree farm

1. Property information

a) trees - species, volumes, quality, size (merchantability)

b) loggability - access to property
access on property
volumes of timber per acre (ie density + distribution)

c) restrictions by outside agencies on logging

d) requirements of outside agencies involving cost to owner

This information from following sources:

Owners statutory returns - cruises, logging etc.
Cruise reports
Forest Service information on adjacent Crown lands
Other Govt. depts.
Timberland Appraisers inspections and background knowledge

Note: For. Service and other departmental policies must be discovered and studied before appropriate weighting can be given. The policies are not specific in their application as, for example, zoning restrictions on municipal lots.

2. Valuation

a) market information for stumpage values for timber
- entirely from B.C.F.S. timber sales.
- must be adjusted for policy items
- not adjusted for time because of Court confirmed 1 year collection period.
- adjusted sales collected and analysed by our appraisal zones.
- we produce individual species stumpages by appraisal zone for each product appropriate to our cruise ~~data~~ information

b. calculation of assessed value of timber

- each species on each property is related to the zone average value of that species through a rating factor

- assessed value for each species is :
  species volume × zone average stumpage × rating

- total timber value for property is :
  sum of individual species assessed values

c. determination of assessed value for bare land

- where market evidence exists then Assessor is responsible for setting the figure.

- where no market evidence is available then Timberland Appraisers Office applies a nominal value.

- note there is no land value on Timber Licences.

Total Land assessment on assessment notice is :
LAND plus TIMBER.

B. Tree farm classification

Statutory valuation method requires an income approach to the predicted yields specified in an approved forest management plan.

Yield is converted to income by applying appropriate zone average stumpages (above) to the anticipated ~~percentage breakdown~~ species percentages in that yield.

C. Lamb

14 Feb. 75.

From Tony Sayles
Feb. 14, 1975

FOREST TENURES IN B.C.

A Summary of Acreages with an Assessment Slant

(for greater detail see Forest Inventory Statistics of B.C.--table B2 (attached))

% of Total		Area	% of Total	Assessed?
95%	Provincial Owned - Forest Service administered			
	Tree Farm Licences (excluding private & T.L.'s) (forest managed by licencees)	22,261,985	9.5%	No
	Timber Licences - (no management, uncontrolled cut)	1,421,509	0.6%	Yes--1%, no S.D.
	*Timber Sales - (controlled cutting, some management)	1,268,372	0.5%	No
	Unoccupied forest land	190,725,998	81.5%	No
	Provincial parks & non-forest reserves	6,922,667	3.0%	No
	TOTAL	222,600,531	95.1%	
1%	Dominion Owned			
	Timber Licences in Parks Other Federal lands	2,092,805	0.9%	T.L.'s only, 1% no S.D.
4%	Crown Granted (Private)	9,432,127	4.0%	Yes
	TOTAL	234,128,463	100.0%	

* from 1973 B.C.F.S. Annual Report

February 14, 1975

Timberland Appraiser's Office

C.C. Sayles

PROVINCE OF BRITISH COLUMBIA

TABLE B2

FOREST AND NON-FOREST AREA IN ACRES

STATUS	FOREST LAND						NON-FOREST LAND	TOTAL AREA
	MATURE	IMMATURE	RESIDUAL	N.S.R.	N.C.	TOTAL		
APPROVED SUSTAINED-YIELD UNITS	40,733,228	34,166,450	433,037	3,018,691	1,272,561	79,623,967	42,290,729	121,914,696
PROPOSED SUSTAINED-YIELD UNITS	9,190,655	13,041,381	1,316	3,111,731	1,832,462	27,177,545	36,806,392	63,983,937
REGULATED UNITS	1,307,117	2,596,760	1,616	1,327,540	47,037	5,280,070	341,856	5,621,926
UNREGULATED	95,143	170,018	-	13,122	16,643	294,926	178,885	473,811
TOTAL - NON-ALIENATED LANDS ON WHICH THE FOREST SERVICE CAN DISPOSE OF TIMBER	51,326,143	49,974,609	435,969	7,471,084	3,168,703	112,376,508	79,617,862	191,994,370
MAJOR PROVINCIAL PARKS	1,626,405	626,680	72	85,454	433,937	2,772,548	3,696,622	6,469,170
NON-FOREST RESERVES & MINOR PARKS	132,204	156,359	2,806	15,100	3,467	309,936	143,561	453,497
TREE FARM LICENCES INCLUDING TEMPORARY TENURES BUT EXCLUDING CROWN GRANTS IN SCHEDULE "A"	6,809,572	2,445,211	15,915	275,565	385,734	9,931,997	12,329,988	22,261,985
TEMPORARY TENURES (LEASES, LICENCES, ETC.) OTHER THAN THOSE IN SCHEDULE "A"	811,235	349,192	10,878	115,365	18,254	1,304,924	116,585	1,421,509
TOTAL - NON-ALIENATED LANDS ON WHICH THE FOREST SERVICE DOES NOT DISPOSE OF TIMBER	9,379,416	3,577,442	29,671	491,484	841,392	14,319,405	16,286,756	30,606,161
CROWN GRANTS INCLUDING THOSE IN T.F.L. SCHEDULE "A"	1,743,212	3,788,970	160,703	431,524	201,651	6,326,060	3,106,067	9,432,127
FEDERAL PARKS	141,359	178,590	60	8,495	89,652	418,156	647,702	1,065,858
OTHER FEDERAL LANDS	253,194	337,286	22,323	44,995	14,285	672,083	357,864	1,029,947
TOTAL ALIENATED	2,137,765	4,304,846	183,086	485,014	305,588	7,416,299	4,111,633	11,527,932
PROVINCIAL TOTAL	62,843,324	57,856,897	648,726	8,447,582	4,315,683	134,112,212	100,016,251	234,128,463

What if there are minerals on TT land?

Remember Leo Drey!

Tree Farms

Principle:

No one has a prop. right in land on which he doesn't pay taxes.

Lemma:

Amt of prop. right is limited to value on which taxes are paid.

Lemma:

Crown shd. have, systematic program of bidding on, undervalued land at assd. value. Refusal of bid means 10% rise of assmt. relative to others

Lemma:

~~Crown~~ Tax holder can offer to Crown. Refusal means 10% drop of assmt.

Conspiracy between assr. & holder to overassess & sell is criminal, and invalidates sale.

Lemma:

Use value assmt. means forfeit of dev. rts.

[Should be optional w. individ., like Tree Farms]

Cond v.v., zoning for low use gives up tax revs.

TF idea

Realty Issues Slow Tax Bill

OTTAWA (CP) — Measures the government says will curb land speculators were labelled counter-productive by Conservative MPs Friday as the Commons droned through its 13th day of debate on the omnibus income tax bill.

Flora MacDonald and Sinclair Stevens, the Conservative housing and finance critics, said all the measures will do is drive small developers out of business, aggravating an already serious housing shortage.

A section of the 287-page bill would forbid deduction for income tax purposes of real estate tax and interest charges on undeveloped property held by developers. However, the charges could be saved up and deducted when the land is developed or sold.

Stevens (York-Simcoe) said big developers will not be hurt by the provisions because "they have sufficient other resources and sufficient write-offs to offset for many years whatever will be the tax implications of this clause."

Miss MacDonald (Kingston and the Islands, said the result would depress the housing industry further because small developers "make up about 90 per cent of the industry."

That argument received some support from Liberal Norm Cafik Ontario who said the provisions "will have a tendency to drive out those small developers who do not have the liquidity to be able to go through the long haul and stay in the business of building houses."

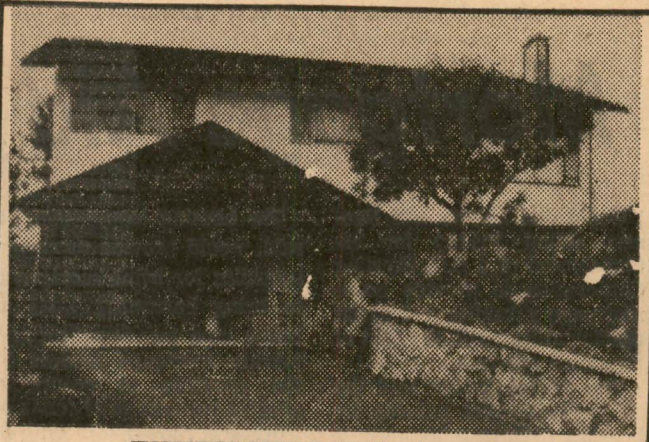
Cafik joined with the Conservative critics in saying local bylaws, which involve time-consuming approval of development proposals, are more to blame than land speculation for delays in the provision of serviced land.

Stevens, disputing comments by New Democrat John Gilbert, said "it is the bureaucracy that the NDP caucus and the Trudeau Liberal caucus love so much that is the main impediment to the development of serviced land in this country."

Passage of the measures, combined with administrative delays, would add 'between $1,500 and $2,000 to the cost of land before a house can be built on it."

3 Firms Taken Over

OTTAWA (CP)
Foreign In



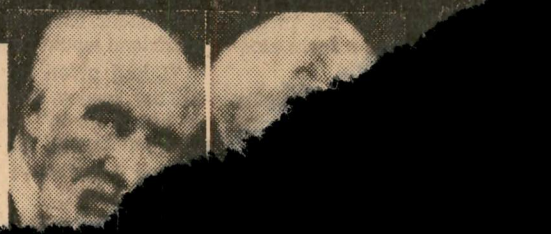
THETIS HEIGHTS $54,900



Excellent value in this 3-year-old home. Featuring 3 bedrooms, living room and dining room. Eating area in kitchen, 4 pce. bath plus ensuite. Full basement with a finished room. Large unique lot with good views.

JULIE MANNESS
477-0191 479-8019

Bald or thinning?



Mortgage Aid Sought

Opposition Leader Bill Bennett called Friday for establishment of a B.C. Housing Corporation to provide home mortgage subsidies and assist municipalities with the cost of providing services.

The Socred leader said the NDP government policies for housing "have become a threat to the privilege of home ownership, have created a shelter crisis in B.C. . . . and suggest all British Columbians will be tenants of the state."

The housing corporation, he said, would provide mortgage subsidies for home mortgages to bring borrowing costs to below nine per cent; prompt private mortgage lenders in the province to secure a greater percentage of funds of mortgages; provide incentives to municipalities to decrease their financial burden in providing services; and expand the homeowner grant program to include a cost of living increase index.

Bennett said "rent subsidies through the renters' grant ($30 a year) have not worked because those who need it are not getting enough."

His housing corporations would "let the private sector get on with the job of building housing by eliminating the fear that exists as a consequence of the Barrett government.

Bennett made the comments after an all-day Socred party caucus meeting.

Chiefs, Ministers To Meet

A committee of provincial government cabinet ministers will meet with representatives of the B.C. Union of Indion Chiefs to discuss cut-off lands the week of March 3, Human Resources Minister Norm Levi said Friday;

Levi said he received a telegram Thursday from Adam Eneas, chairman of the union's cut-off lands committee asking for "an unofficial in camera meeting before the end of the month.

Purpose of the request, said Levi, was to "informally discuss claims."

Indians want compensation for some 36,000 acres they claim were put to other uses by the provincial government between 1913 and 1916 although they had been designated as Indian reserve lands in 1860.

Levi said cabinet ministers were unable to schedule the meeting before the end of the month because of previous commitments.

BEFORE THE JUDGE

Judge William Ostler sentenced a 20-year-old man Friday in Victoria provincial court to 30 days in jail for breach of probation.

Stephen John Rawlings, ... Dowler, had been placed ... years probation Oct. ... tion of the proba... in from alco... ing

shoplifting $25.20 worth of cosmetics from The Bay Thursday.

★ ★ ★

A 32-year-old man, who pleaded guilty to not paying his taxi fare Thursday, told the court he had called the taxi under the assumption his girlfriend would pay the tab.

"I had given my girlfriend all my money and was going to get it back," said Andrew Thomas James, 740 Audley.

"... t I just don't know what ... with it."

... was fined $35, ... ba...

guilty to charges of impaired and dangerous driving.

Central Saanich police said Desjardins 23 was seen driving on the wrong side of the road Feb. 7 and almost hit a patrol car.

He was chased by police through a five-block area before being stopped.

"The night it happened I was suppose to be at my stag party" Desjardins told the court.

He was fined $500 and his licence suspended for the impaired driving charge. He also received a $250 fine for dangerous driving.



• AUTHENTIC EAST
• INTERNATIONAL
• SMORGASBORD
• LOUNGE WITH

EVENING RESERVA
PHONE 3

EAST

① definition of a true farm
philosophy
forestry goals + standards
multiple uses
mature vs immature
returns
additions + deletions

② assessment
stumpage valuation + ratings
NPC + appraised harvest level
forestry cost allowance
capitalization rate
validity of tax adjustment if use changed - voluntary? ordinance?
assessment + tax for multiple uses?
tax rate - rural electrification / Kyana Dist charges?
thinnings -

Discussion must cover all above points + since some different concepts may develop which will require opportunity to explore it is only reasonable to anticipate that Fridays meeting can handle all items in ① + initial discussion re items in ② The complexities of which will require a second meeting

Re Cumming, Mark 7
& Cumscough

Pg. 1

Access is important aspect of multiple use.

Re scattered CTZs, the point is for admin. convenience of M & B, when land is put under mgmt. Paperwork.

Small TZ sml. have less paperwork.

Highly committed to stability & sust. instr.

Duncan & Nanaimo need stability from timber.

As old growth is cut, then they are put into TZ — and support the A.C.

They have a plan out to 2035, programmed ahead on 5 Y. basis.

Holding old growth longer than 16-18 years calls for TZ.

Watershed argument, above Nanaimo.

TT philosophy.

Commitment to trees — sort of.
Social planning

(If things here are so different here, how come so many foresters go to S.E.?)

2035
- 1975
60

Mill: set replaced, added to, which adds to "life" in sense of commitment.

~~Sawmill~~:
~~Pulp~~ mill:

Throughput of mill relates to cost = ?

On poorer sites, wait for natural regeneration.
On better sites, ~~pulp~~ pays to replant.
(Watershed that might not get replanted)

Co. has rules of thumb for allowable replanting cost. (not tailored to indiv. area)
Same for thinning.

436 per acre, 10 x 10.

Humboldt grows closer.

Old growth

Balance species & grade, long & short haul
year-round work

Owned land not now in TF are destined
to go into them.

Seed gathering. Slow to get into it.

TFL, open access, for recreation: mobile.

Summer homesites — not now, maybe later.
Regional Dist. zoning is single purpose use,
is an obstacle.

(Do all CTFs get zoned by RDs? If so,
change of zoning ed. be chanted for.)

Tenant protests ed. be handled.

Forest Land can be exempt from RD zoning. under some Munic. Act.

Housing sites of some amt are in CT 7s. and if put on mkt.

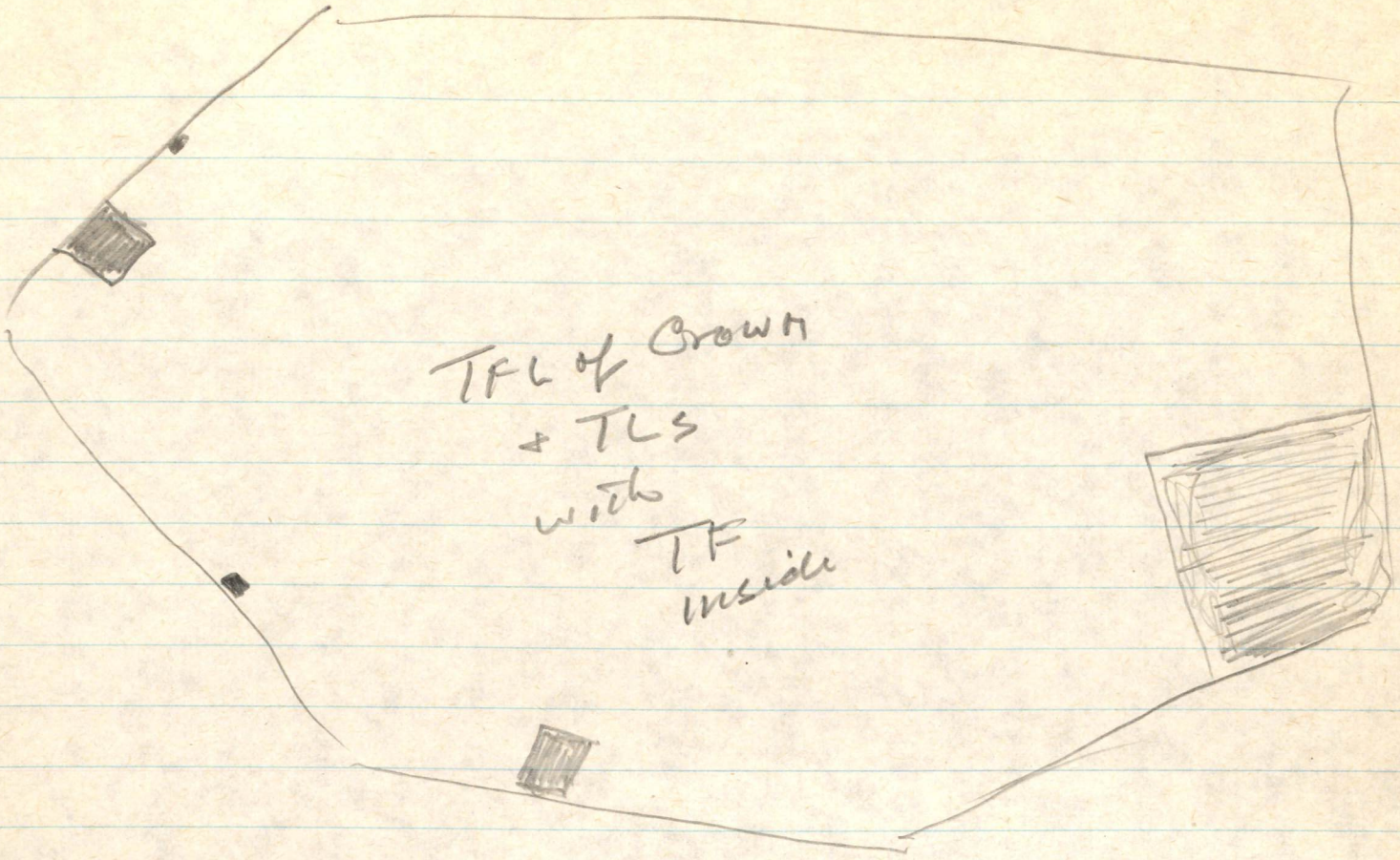
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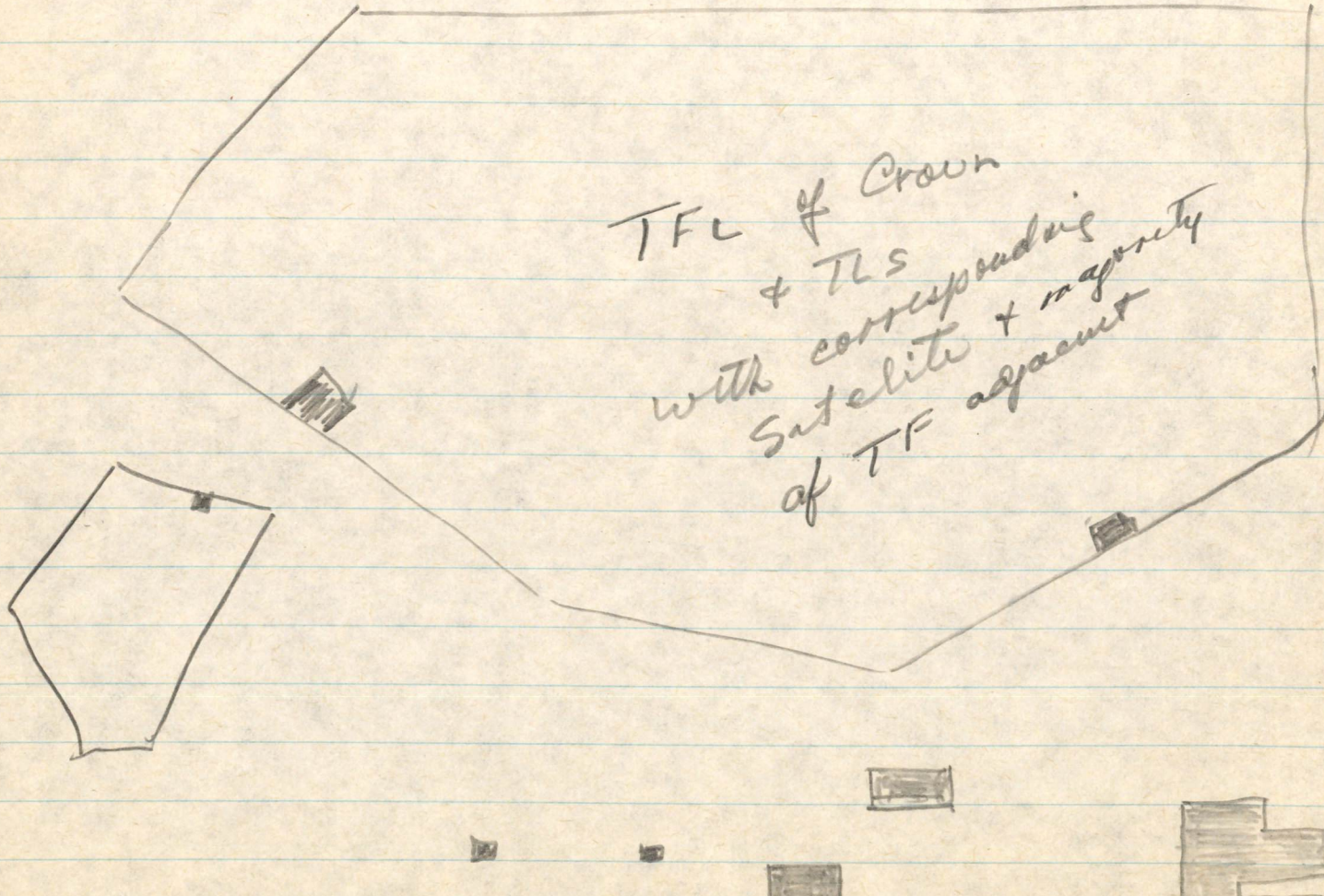
1. Royalty continuing on lands granted after 1904.

2.



T. F.


TFL of Crown
+ TLS
with
TF
inside


TFL of Crown
+ TLS
with corresponding
Satelite + majority
of TF adjacent

Tax treatment of timber income. (M. Moore, Apr. 24, '75)

It is ordinary income, normally. Only cap. gain if you can show you didn't intend to make money on it. Inadvertent appreciation is bequeste.

If you sell for another use, e.g. homesites, probly get cap. gains. Thus, a strong incentive to do so

As to JOM, if he uses gross-of-tax income, he probly is using a gross-of-tax cap. rate, which explains why rate is so high.

In ~~comm~~ figuring gain on sale of timber, how much detail is required, re basis?

If you buy several tracts at different times, can you average, as with stocks.

In U.S., can you use LIFO? ~~No~~ Less need, bec. get cap. gains, but still nice to reduce or defer cap-gain tax.

Neville Ivey

Prop. Tax Conf., Topics

Bob Malcolmy used to work for JOM, says CTT are assd. at 100% — the only propty. that is Bes. is not governed by the Assmt. Act. Neville doubts.

Tony Sayles does appraisals of CTT

Now cap. at 14% — eqs. current cash flow.

Leg B.C. Stated Cases

Case 27, re CTT
28 " "
36 re discounts

~~Leg. Assn~~

CTTs were not changed by Assmt. Act. JOM said why bother, since Law Comm. is looking into it. Also Pearce

Also left out farm situations from Assmt. Act.

If we tax one for converting land use, that is same as taxing new use. Thus defers conversion.

a. Bes. of reducing challenger value,

b. Bes. of ripening algebra, as in TRRL? No, not relevant, bes. tax base is S, not C.

c. Bes. of T.ISTOC, too?

a. Tree farm yields an income — defender income.

New use yields a rent, after costs. This rent must exceed defender inc.: $C > D$.

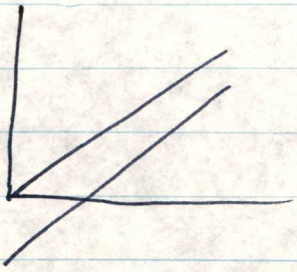
Now, we take half of D in tax, that defers conversion.

Analogy to inc. tax does not apply, bes. conversion tax is on C and not on D.

It is not as bad as, or quite like, a bldg. tax, bes. it is rather based on L.V.

So, for this to work, we must raise tax on D by a proportionate amount.

c. Tistoc apply?



In a way, but (a) is enough.

Meeting of July 25

1. JOM recommends.
Crown-granted land classified as "Timberland"
Present assmt doesn't recognize that timber is subject to restraints. Assmt is based on inventory, not flow.

TK says create uniform classes.

2. TK says erosion control is objective of slow cutting and aesthetics

3. TK says that CTZ shd not get preferential treatment.

4. Encouraging multiple use.

5. JOM wants land tax based on annual output.

4a. How do you get compatibility of CTZ and recreation? Give people some interest in the timber.
M&B wanted to get rid of Saltiams bes. they knew they cd never log it. Class warfare.

$$\frac{ie}{i}$$

6. On big scattered TZ, all land is assd at ave. level.

6a.

7. If there is much timber on wild land, it becomes timberland, and goes into a new class.

8. Wild land class

9. Levy penalty tax on conversion?
~~Defer~~ Analyze locked-in effect – is it substantial?

Ideas & facts

1. Take slow stream of income, cap. at .12, tax at .01, so tax takes 1/12 of inc. stream — but probably 1/24, since is it assmt. at 50% of mkt? And now it is cap. at .14.

2. Knight said in balanced rotn., ~~output~~ you don't have to wait for income. If so, he shd. not object to propty. tax. (He doesn't!)

3. Correct area?

4. I surmise TF holders speed up other cuts to compensate.

5. Defn. of "mature timber"?

6. Owners purpose is to escape wild land tax. — Sloan, p. 142

7. Tree Farms aren't necky to help new growth, but some are to hold back old. No reason for this.

8. Timber leases & licenses are taxed 1%, unless in TFL, 1953. Veitch, p. 17. So?
Exempt from school act.

Mtg. of July 18

Moore, JOM, wants to repeal wild land tax. Will write out rationale.

Moore wants to widen terms, because what is good for CT7 depends on what is done on competing land.

We decided to recommend such integration, ~~&~~ and put in a few "it depends", as a compromise.

Farm bldgs. are exempt from "General Tax" but are partially assd. for school tax. It is a double base.

Cameron recommended consolidating School Distrs. over wide areas, and it was done. Too, more than half school funds come from Province.

Tax base in unorg. territory is mostly ~~&~~ improvements, even tho farm bldgs. are exempt.

These are pulp mills, e.g.; utility lines. JOM will supply breakdown by indy.

Utility lines are assd. according to how much capacity is used each year. (!)

Allocated among districts according to mileage — weighted by capacity, somehow.

JOM stresses differences of unorg. terr. (UT) and orgd. terr. (OT).

a. In UT, land is smaller share. (But assmts. may be way out of date.) This could come about bcs. the

land base assocd. w. or backing up a pulp mill is Crown land, etc.

b. In UT, value Δs are unforeseen and sudden. I'm skeptical. Maybe mkt. is slower, and am. doesn't see them.

JOM dismisses locked-in effect. Make model to show force of it.

Ted Knight (TK) restates position re ~~total~~ balance overcoming lag. He actually does think a balanced forest doesn't need propty. tax relief, and an ~~balanced~~ even-aged one does.

Yes. the balanced one has current cash flow. It is based on income tax thinking — that you can deduct forest regen. costs vs. forestry inc., but not other inc. JOM thinks can deduct regen. costs from mill income, but not sure.

Peace is vague on this, but there is a "same business" rule, of uncertain scope.

Helliwell also omits timber.

Perry, p. 50, says all sources of inc. are aggregated, losses being offset vs. income, except farming losses.

See Bird on Can. tax reform

To btm. p. 3

Wild Land brings in less than $.5 m from "Forest Indy."

Other owners also pay: $1.2 m, 1973.

---

2 Acts: General Taxn.
Other, mainly School Acts, & Improvement Acts
(Irrn. Dists. are a third)

Farm

Immature timber isn't assd. until 17" or so anyway, so early yrs. are pretty much untaxed, and CTT isn't so much different from normal practise. - JOM.

I can see a terrible bias that might occur in Can. tax law, if cost of even-aged stands had to be capd, while ~~the~~ ~~est~~ firms w. other cash flow could expense.

However:

a. I find no restriction on deducting losses from other inc. (except for hobby farms.)

b. I surmise that afforestn. costs must be capd., anyway. This is hard to nail down, however.

Also, is prop. tax on forests an expense, or capd? (In U.S. it's expensed, bec. all prop. taxes are. And I think also in Canada)

Aug. 15

Knight — "good reason" ~~purpose~~ of TT is to help small guy, too small to normalize. But legn. says purpose is SY.

Crown land is not kept productive
Pvt. land, reforestn. is expensable
On TTL, reforestn. is an expense in appraised system.

But on other public land not kept productive.
Where we do reforest, use 8×8 standard, regardless.

---

2 issues
— land removed from TT
— should we elim. TT

Timber is land, so same rate must be applied.
Could be dumped. But waterfront is separately used.

F: Tree Farm Licences

For Mission, tree farm is good business

By JIM LYON
Sun Business Writer

A municipal tree farm licence that has been operating successfully at Mission since 1958 may be the prototype for many similar operations across the province.

Resources Minister Bob Williams is on record as saying that the provincial government plans to turn tree farm licences over to municipalities as a method of granting local residents a say in use of the resources of their areas.

And he has warned that the government does not intend to award further tree farm licences (TFLs) to private enterprise. Already at least five municipalities have indicated they would like a piece of the action but no awards have yet been made by Victoria.

A TFL is a 21-year renewable lease which gives the operators almost total control over the areas. More than 20 million acres of land in the province are administered in this manner.

The municipality of Mission acquired about 3,000 acres of land during the 1920s and 1930s because of homesteaders' failure to pay their taxes.

The municipality approached the provincial government during the early 1950s and asked to lease about 17,000 acres of Crown land situated within the municipal boundaries. They argued that together the two parcels of land would provide an area of sufficient size to create a viable business operation.

The provincial government accepted the municipality's reasoning and both the municipal and forest acts were amended to provide for the granting of TFL No. 26 in 1958.

The municipality hopes that it may add a further 4,000 acres of reverted timber berths (land that has been logged and returned to the Crown) to its management area within the next month or so.

The policy, according to municipal officials, has been to concentrate on good forestry practices and promote multiple use without too much concern about making money.

The operation has still been a money maker. In the past few years it has netted $100,000 a year, which has accounted for five mills off municipal taxes.

It has an admitted edge over normal commercial enterprises in that the province collects only royalties — averaging $10-$13 a thousand board feet — which are about a third of the stumpage charges paid by private industry.

Annual cut from the TFL is now averaging just over 11,000 cunits a year. (A cunit is 100 cubic feet of wood.)

The municipality operates four logging shows a year — two in the summer and two in the winter. Total area logged each year averages about 200 acres. The harvest is sold to the highest bidder and 98 per cent of the cutting contracts have been awarded to local contractors.

Road building, fire control, drainage, reforestation and pruning are all under the control of the municipality.

General foreman Howard Murdoch says the municipality puts the roads where it wants them and builds them how it wants them. "That way we know no corners have been cut. Culverts go where they should and proper ditches are dug."

The TFL has about 30 miles of good quality roads. It was given a head start shortly after its formation when about $500,000 worth or road building was subsidized by government winter works programs which provided employment for 30 to 40 men.

Present road building costs are about $25,000 - $28,000 a mile but have been as high as $32,000 in particularly difficult places and an average of two new miles of road are built each year. At this rate a complete road network will be finished in 20 years.

Tree farm manager Irwin "Rocky" Rockwell claims that without the pressure to produce impressive financial results he has the flexibility to practice quality forestry in a way that is not bettered in North America. His work is patterned on European methods of forest management.

Within months of an area being logged slash disposal is carried out — "don't call it slash burning" interjects Murdoch, sensitive to the persistent criticism of environmentalists, althouth it is just that — and the area is replanted with seedlings. A plaque at the TFL nursery commemmorates the planting of the one millionth tree on June 25, 1971, by then resources minister Ray Williston. Many more have been planted since then.

The nursery at present contains 100,000 Douglas Fir, 30,020 spruce and 5,000 yellow cedar seedlings.

The yellow cedar are of special interest and are the subject of an experimental program. Little is known so far about re-planting this species which commands high prices.

Most yellow cedar lumber goes to Japan where it is used in the manufacture of panelling, furniture, cupboards and for boat fittings. Like red cedar it has important weather - resistant qualities.

Murdoch argues that it does not make sense to restock natural yellow cedar areas with Douglas Fir — the practice to date — if techniques for replanting the more lucrative yellow cedar crop can be developed.

The provincial forest service has shown interest in the experiments so far carried out.

Each year as old growth timber and fire - killed snags are removed the entire TFL area will be brought under more intensive management.

Visitors are invited to compare areas which have been logged and left to nature with those adjacent ones which have been burned, reforested and systematically cleared of undergrowth. The former are thick with "non-commercial cover" — such as alder and vine maple — while in the latter areas healthy young trees are evenly spaced and bear promise of profitable harvests perhaps 60 or 70 years hence.

Total year - round work force at the TFL numbers about 15 while this figure grows to about 50-60 as contractors move their crews in during the summer months.

Municipal authorities do not regard the TFL solely as a source of revenue. It is an experimental facility, an attractive recreation area replete with game that draws hundreds of visitors during the summer months and an open air classroom for students from local schools.

In size it is miniscule compared with tree farm licence areas operated by the major forest companies.

Currently there are 34 tree farm licences in British Columbia of which two are owned by the government - controlled Cancel. Of these TFL No. 1 comprises over 6.6 million acres in the Prince Rupert, Terrace and Nass River districts while TFL No. 23 comprises over 2.5 million acres in the Columbia River - Arrow Lakes area.

Cancel's tree farm licences, in fact, comprise 41 per cent of the total area of tree farm licences (22.5 million acres) in the province, although much of the land is in Alpine areas and is described as non - productive.

The Forest Service is at present examining applications for TFLs from the municipalities of Smithers, Burns Lake, Nakusp, Prince George and Quesnel. An early decision is expected on the Burns Lake application.

Speaking in Prince George in April, Resources Minister Williams said that local management of the licences would provide revenue for the municipalities and would also provide environmentally - conscious citizens with a chance to foster new attitudes in resource management.

The government, he said, wants to give residents of rural municipalities a chance to be managers of both their social and their industrial resources.

Secession move grows in Western Australia

By ERIC DOWNTON

AROUND THE PACIFIC

Down under, somebody is behaving like Quebec.

A secessionist movement is getting up steam in the state of Western Australia. Fresh fuel has been given to the independence campaign by the speak-in return to office of the Labor Party last week as the result of a federal election.

For Western Australia existence as an independent nation would be much easier than for Quebec. It is the largest, wealthiest and most isolated of Australi'a six states.

Mineral wealth is already being exploited at the rate of more than $1.2 billion yearly. The state has vast reserves of oil and gas, iron ore, copper, coal, uranium, nickle, bauxite, lead and silver.

Four times the size of Texas, Western Australia has

cal peculiarities, Hancock remarks: "We in West Australia are like a developing nation, with a different set of ideals from the rest of Australia."

Can't you picture it? Rene Levesque standing on a balcony at the Perth city hall, arms raised, declaiming:

"Vive le Western Australia Libre!"

★

When I lived in pre-Communist China I came

comes to choosing a location for offices or factories.

"And, perhaps most heartening of all, the economy is on the verge of making a fundamental breakthrough with plans to establish basic industry here for the first time.

"It now seems probable that Hong Kong will have established here an oil refinery with associated petrochemicals plant; plans are also being considered for the manufacture of man-made fibres; and there are even rumors of a nuclear power plant.

"China too is on the verge of making a sizable investment in Hong Kong in the form of extra oil storage capacity, which augurs well for our future supplies of energy."

Canada is now one of the major sources of direct for-

liberalize trade within the group and to develop regional complementary industries. ASEAN members, it is proposed, would give other members first choice in the purchase, at prevailing world prices, of commodities in short supply, such as petroleum, sugar, rice, palm oil and cement.

Internationally, ASEAN intends to negotiate increasingly as a bloc, particularly in dealing with the European Economic Community.

If these plans are not shattered by political differences, we may yet see an effective regional organization in Southeast Asia.

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Call John Stokes

Tony Sayle

1969, Massive Alienation

MB, CE, & Elk R. Timber. Got remaining lands of E&N

TF assd. lower than TFL.

Crown land held under Timber Leases & Licenses

TFs are certified & then loosely admin. by FS. But foresters in Finance Dept. look at it. Still is inadequately supervised

Removal for faster forestry? Yes, no retro active penalty.

Integration w. faster cutting land? Not so much.

Where are problems

700 tax jurisdns in unorganized

Saltspring Isl. conversion.

When they take out, they get subsctn. lands

Farm bldgs are tax exempt in unorg. territory. So farm class is better off than trees.

Why have Tree Farms.

R.i.p off angle.

Let them keep low assmt on trees, raise land

In unorg. territory, values skyrocket w. a new road.

Land transfer

Yield tax?

Sept. 17, 1975

T.T. 6 has just been declassified at request of owner. Snake Hills.
Will be reclassified.

—

JOM assesses property by inc. approach w/o deducting inc. tax — bes. if it is zero or small, I surmise.

—

Condemnation values shd. be coordinated w. assessed values

—

BCR big ship can holds 32 "units" interior. — normally carries 28. There are $35/units.
1 Mcf logs → 3-4 units of chips. Smaller mills get the 4 -- & less lumber

Apr. 12, 1975

Bill Young

Forest environment around cities is desirable. Greenbelt recrn. areas – logging, multi-use.

Lands Policy encourages land clearing, to get farm title. This alienation has stopped lately – under agric. lease. But much land has been alienated for farming, & shd. be in forests.

Farm rate being so low, maybe too much land goes into farming. This is why we must look into farm taxn.

Others removed timber & let land revert.

Reduced tax on trees.

Harvest tax, not tax on growing pd. – but <u>some</u> tax on growing pd.

Then if he opts out & cuts, harvest tax hits him. If he harvests.

ALR, Class 1–4, is farm land – says ~~Young~~ Land Comm.

Ag. Cl. 4 is Forest Cl. 1. (No, Ag. Cl. 1 is urban Cl. 4, & they compete)

M. Moore (would he do study of S.F.?)

CTF ~~Assoc~~. Paper 35, 6-63.

Taxes & Exports. cfs. U.S. & Can. taxes.

Send him $1.50 for Forest Terms & Taxes.

Call CTF, ask for summary of cases on cap. gains on timber, and sale of r.e. Mary Ramsey used to be helpful. (M. Moore is non grata w. CTF now.)

Dominion Tax Cases, index up to 1970; by CCH

CCH Index, Sales of Timberland

Highway Sawmills, 1966 DTC 5116

Universal Timber Products, sold logging quotas, profits over cap.

14 DTC 6413

DTC Index

"Timber Limits"

Cap. Cost Allowance

Mrs. MacGregor

CTJ, v. 14, '66, May-June issue, p. 220

May 2

Sale of quota is cap. gain.

Value of site – how value?

1. Use value basis? No, use mkt. where there is one.

2. Effect of stumpage tax? Lower l.v., & then slow pressure to reforest early.

3. Old growth. Wd. exempt. But wd. hit w. harvest tax

4. Recrn. o.c.

JOM thinks value is low, so can be arbitrary.

Mkt. value reflects ACE, so mkt. > use value, & formula might = use value.

Shd. we limit to pvt. lands, or go on to Crown lands? Knight vs. Moore.

Planting in T7h is fully deductible by lessee – C Cap. inv. treated as current expense.

Pro & Con

Recommend: Report on Pvt. land only. ~~or crown lands too?~~

Pro

1. License to cut is not as strong as fee simple.

2. Prop. tax wd. strengthen lease tenure into fee simple.
   access to public wd. be limited by for recreation: walking, ATVs, hunting, fishing.

3. By appraisal system, taxing property wd. reduce stumpage.

4.

Con

1. Leases, licenses, TFLs, wd comprise ca. 80% of taxable for ~~taxation~~ local govt. purposes. (Outside terms of ref?)

2. Various tenures shd be treated alike. Tenure holder wd. feel same pressures as fee simple owners, & transmitted to dep. minister.

3. Clean up current maze of various & diverse royalties, charges, etc.

4. Coal leases & licenses are subject to prop. tax.

Apr. 26, 1975

Crown Land in TFLs is not subject to local govt. prop. tax.

All other "occupied" Crown land is. "Occupied" means under lease or license.

JOM wants to include all "occupied" Crown land —

a. Are the lines already drawn?

b. Some local govts. wd. do better than others.

The "Timber land Tax" was invented to ~~[illegible]~~ induce owners to go into TFLs -- obsession w. S.F.

School aid formulae, as tax base rises, aid falls, but formula is complex — JOM will supply.

Local improvements (other than schools & hospitals) are 100%

"Penticton sawmill case." Inventory value must be based on spot price of stumpage. ∴ it bobs up & down. This could also apply to land.
So argument of stable assessed value is problematical.

Changing to new system could involve double taxn.

If Knight wants land classified by Crown, then taxed ~~at lower rate, or Timber exempt~~. in distinctive way.

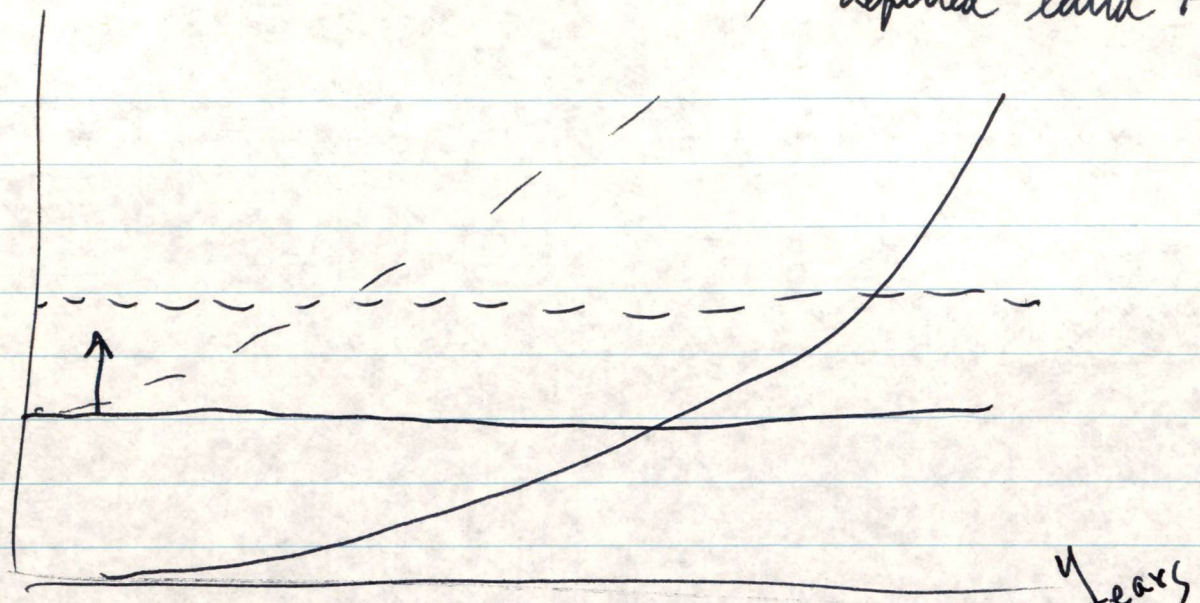
Rate: same as anyone else. Less revenue to local govt., per acre. But more acres — Crown land.

JOM guesses tax bases will be halved, locally. Even tho 5 times as much land is locally taxed.

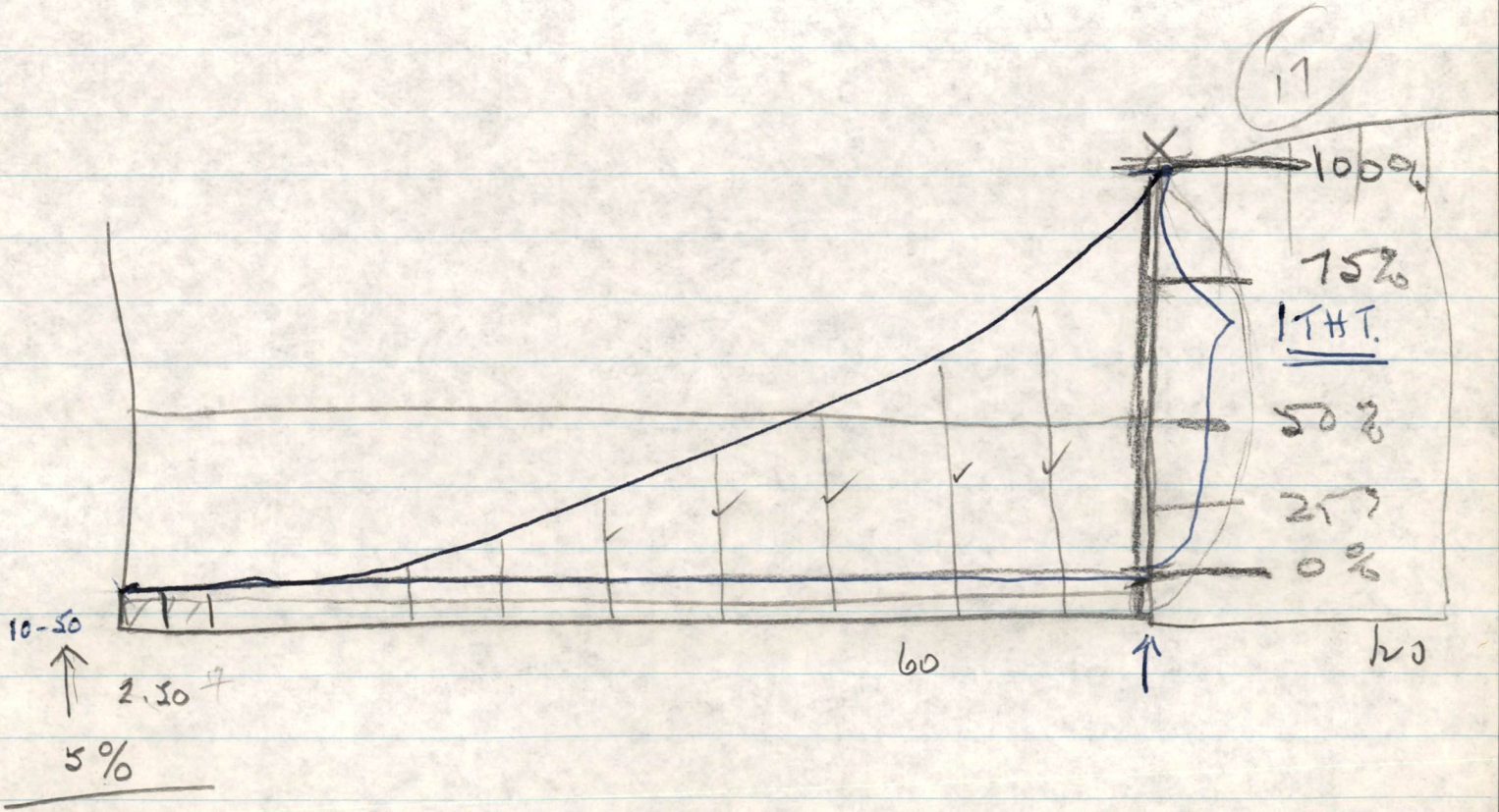
Province will get new tax, harvest tax.

harvest tax

deferred land tax



D



Feb. 25, p. 2

8. Kirimat dam & powerhouse t.e.
7 flooded lands t.e.

9.

Bob Malcolm

1. "Salal".

Poorly managed Crown lands pay nothing, and there is a lot that a pvt. owner wd. do better with. F.S. isn't big enough to manage it well. Ted agrees.

Shd. tax Crown land; or alienate it.

2. TF, have been better managed than non TF land.

3. When reach 8,000 bf/a, wild land becomes timber land and goes into higher tax rate.

Sometimes they justify high holding costs bec. the growth they get on ~~it~~ new land in creases A.C. elsewhere.

4. For small TFs, irregular incomes,
change system to reduce bookwork.
Commit them only to forest cover.

5. Retroactive property tax is OK -- 5 years back.

6. Aesthetic forest shd. be considered legit. ft

7. Other vehicle for good forestry

Thurs. Feb. 27

Tony Sayles. (with Bob Malcolm)

CTT valuation is generally lower.

If chief forester approves faster cut, — and it has — you get higher valuation. Inside TTLs, whole net of LA is used to balance.

CF vs. Nov. Assn. 1962. is case that through out wholesale discount. Case arose when assn. changed to regional discount system. Assn. were joining whole ownerships together. By losing case, they could even give discount to tracts.

Tree Farm uses a wholesale discount method, but is encouraged by statute.

Estd. inventory keeps going up, so each 5 years they find more. Also, growth estimate rise

Malcolm thinks large owners "deserve" tax breaks for practicing good forestry. They are going to do it anyway. Small fellows can't.

Tony & Bob want aesthetic TFs, too.

Problems under TF system.

1. Working Plan Approval. Sequence of 5 year plans. We value on basis of what plan predicts. But plan doesn't specify grade, ~~costs~~, species, ~~etc~~, logging costs. So plan is incomplete from a valuation viewpoint.

Assessor should have power of approval of Working Plan. And in practice, assr. has had this power, by contracts in T.S. Assr. has held them to fixed compliance — has held backs T.S. from imposing higher standards, like close utilization.

C.U.

CTTs, at time of renewal, can be required to do all kinds of things - like leave strips, hiking trails, & C.U.

(CTT can have multiple use — but this doesn't come into valuation.. Bush-mill, recreation, sheep, cattle, all exist on TT land. But probly not motels. Summer resorts are conceivable, but haven't been done.)

(The bush-mill would be used.) (but not the land.)

(Need provision for resort leases in TTs - JOM. so they needn't subdivide.)

Historically the ~~Chief~~ Sup. of Ass. (SOA) did the job, was more than an asst.

2. Enforcement of adherence.

F.S. shd. do it. But only in accordance w. plan.

(Under Forest Cert, we already have right to require reforestn.)

3. Removed lands

Retroactive "token" recovery. A % on sale of land like E&N lands.

Nicholson opposes — it wd. take all land out of TT.

at a rising, sliding scale. But let him opt out now w/o penalty.

a compensatory, prop. tax, but only start now. Washn. has such a tax.

Mon. Dec 2.

Meeting Thurs. Dec. 5

(1) Tony Sayles - appraisal of tree farm.
Bill Young, Pres. of C.L.T.
Marc Holtmen, Is land Trust (Wed. March 12)
(2) Gordon Draeseke, COTI — designate someone knowledgeable
(1) Doug Mc Crimmon
~~Chris Leadbetter~~, Milton Moore, John Helliwell
(1) Bob Malcolm, pvt. appraiser, Victoria, Pike St. (prior to Tony Sayles)
(2) Peter Pearse, Ted Young, Bill Beckman
Sierra Club, SPEC (Bob Curry; Ken Farquharson
(2) Tom Wright, small tree farmer
Ian Mahood
J. Kuetsch
George Clutterbuck - for housing tenants union
Ray Halliday. Harry Smith.

CTT is not tax dodge bec. farm class is better. Except maybe small parcels in municip., not amounting to much.

And pvt. forest land is scarce
Near Squamish, there was a CTT, urban land.

March 3, 1975

~~Gordon Draeske~~

Tom Wright.

S.e. m.a.i.

Social & ~~economic~~ political argument for small pvt. ownerships.

Has subdivided, on Howe Sound.

(Mult. use) (Age-distrib) ("Good forestry")

Pro alienating crown land – to lower price etc.
For tree farming or other use. (mainly other use.)

Hunters use his propty. Theft of X mas trees.

Good forestry.

1. Fully stocked. 10 × 10.
   Fire & insect control.

2. Close utilization.
   Effective harvest

3.

Measured controlled growth, is desirable.

Foreign in Finance Dept. Some admin. IT plans. (Tony is one) They have switched over.

—

Owing to ACE, pvt. land is worth more to big than small owners.

Dunk Wood CT 7

> 100,000 acres.

Granted 1963 to Tie Lumber Co. Ltd.
68 alienated to Dunk Woods.

Managed better than ever.

Gets in news bec. German owners keep out hunters.
But was a fire hazard problem

Galiano Isl. – dropped effort to remove it.

Tony Sayles. Dec. 5

"Predicted yield" is appraisal method in CTT.
If normalized, predicted ≡ actual.

In CTT, land value is not separate.

Treatment of risk in valuation is up to appraiser.

Nominal $25/acre is used on forest land value (12.5% assd.) where there are no sales. Absolute minimum.
Where there are sales, they might go higher.

Local assr. puts on land values.

E & N Belt, $C_0 = \$35/\text{acre}$
$S > \$25/\text{acre}$

Risk all negative. How about price?

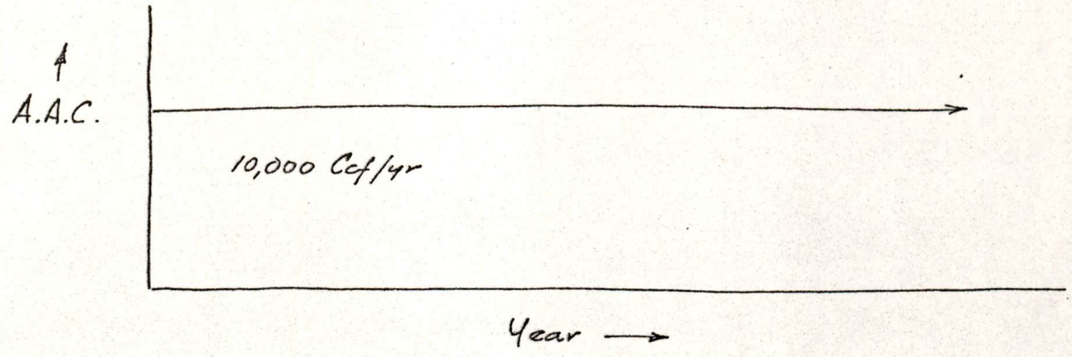
Court held that ownership must not be a factor in valuation — i.e. no larger discount for large holdings.

(C.U. = close utilization)

Tony Sayles

Example of Tree Farm Valuation - No. 1. (Timberland Appraise

1. Forest management plan predicts annual yield of 10,000 C.c.f. (C.U) per year commencing now and continuing in perpetuity. ⌊ hundred cu. ft.



Management plan indicates percent of species in each annual cut as : F 50% C 30% H 20%. Fir, Cedar, Hemlock

"Forestry costs" average 12% of gross stumpage
⌊ other than harvest costs — including regeneration

2. Valuation

	F	C	H	
Appraisal zone weighted ave. stumpages ($/cf)	21.86	16.26	11.57	(- sawlogs)
Ratings (relating species on T. Farm to zone ave.)	1.10	1.00	.95	

Percent of pulpwood in total cut - 15%

Capitalization rate 14% Discount rate 9.0% "no risk"

Weighted ave. Royalty - $1.07/Ccf

Calculation of weighted ave. effective stumpage — net of royalty & forestry costs only. But not others like reserve funds.

Species	Zone Ave. stpg.	Rating	Species %	
F	21.86	1.10	50	12.023
C	16.26	1.00	30	4.878
H	11.57	.95	20	2.198
				$19.099/Ccf. sawlogs

proration - sawlogs and pulpwood. — sawlogs

19.099 × .85 = 16.234

.55 × .15 = .083 ⌊ small wood

$16.317

$16.317/Ccf (Cu

less Royalty 1.07

less forestry costs 1.958

Weighted Ave. Effective Stpg $13.29/Ccf (Cu

Calculation of Assessed Value

Net income (annual) = 10,000 Ccf × $13.29/Ccf = $132,900

P.W. of future annual net incomes

= $132,900 ÷ (.14) = $949,286

Assessed value of ~~the~~ tree farm, including land, under above plan of forest management is

$949,286

Example of valuation of land bearing timber, not classed as treefarm land.

1. Trees

Area is assumed to have same forest cover as in treefarm example #2
There is no management plan.
Therefore:

current mature timber is 12,000 Ccf (Cu) x 10 yrs. = 120,000 Ccf (Cu)
species percentages are unchanged
ratings remain unchanged
royalty is payable in the same amount.
forestry costs are not allowed.

Total area is assumed to be 20,000 acres.

2. Assessed value of trees

weighted average effective stumpage = $16.317/Ccf(Cu)
less royalty 1.07
15.247 say $15.25/Ccf(Cu)

∴ assessed value of mature timber only
= 120,000 Ccf x $15.25 = $1,830,000
asst. ratio (.50)
= $915,000 $915,000

3. Assessed value of land

Timberland appraiser uses a nominal value per acre of $25 only when the assessor (whom he advises) cannot find higher (better) values from local sales

20,000 acres x $25/acre = $500,000
asst. ratio (.50)
= 250,000 $250,000

Assessed value of land bearing timber, not classed as T. farm = $1,165,000

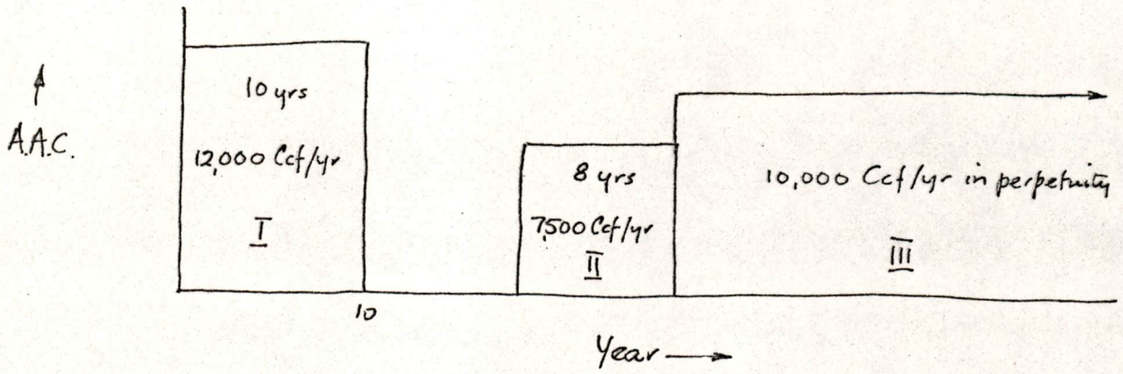
Example of Tree Farm Valuation – No. 2. (Timberland Appraisal

1. Forest management plan predicts cutting as follows:

I 12,000 Ccf (CU) per year for 10 years commencing now.

II 7,500 Ccf (CU) per year for 8 years commencing in year 16

III 10,000 Ccf (CU) per year commencing in year 24 and continuing in perpetuity.



Management plan indicates species percentages and forestry costs are the same as for Example No. 1, and are the same for each phase.

2. Valuation

Basic data assumed same as for Example No. 1.
Weighted ave. stumpage (effective) = $13.29 per C.Cf (CU).

Calculation of Assessed Value

I 12,000 Ccf (CU) per year for 10 yrs. commencing now.

Net income (annual) = 12,000 Ccf × $13.29/Ccf = $159,480

P.W. of future annual net incomes –
$159,480 × 5.1262 (10 yrs @ 14%) = $831,867

assessed value of phase I $831,867

II 7,500 Ccf (CU) per year for 8 yrs commencing year 16

Net income (annual) = 7,500 Ccf × $13.29/Ccf = $99,675

P.W. of future annual net incomes at commencement of cutting –
$99,675 × 4.63886 (8 yrs @ 14%) = $462,378

risk belongs in ? maybe.

P.W. (today) of value at commencement of cutting –
$462,378 × .25187 (16 yrs @ 9%) = $116,459

assessed value of phase II $116,459

III 10,000 Ccf (CU) per year commencing in year 24 – perpetual.

Net income (annual) = 10,000 Ccf × $13.29/Ccf = $132,900

P.W. of future annual net incomes at commencement of cutting –
$132,900 ÷ .14 = $949,286

P.W. (today) of value at commencement of cutting –
$949,286 × .1264o (24 yrs @ 9%) = $119,990

assessed value of phase III $119,990

Assessed value of tree farm, under above plan of forest management $1,068,316

Tony Sayles

1952 - 74 inclusive

December, 1974.
(Timberland Appraiser)

TREE FARM DELETIONS BY CATEGORY

	Acreage	Percentage Total Area	Total Tree Farm Area
1. Change of use by owner			
(a) owner's choice	1,226.80	0.09	
(b) Government direction (P.A.) Provincial Govt.	1,090.90	0.08	
2. Private sale or trade by owner	22,034.23*	1.64	
3. Government acquiring by demand--sale or trade	5,448.61	0.41	
4. Transfer to another Tree Farm	9,585.30	0.71	
5. Miscellaneous: including resurvey, municipal boundary changes (pre 1966)	2,971.83	0.22	
	42,356.67	3.15%	1,343,727.98 acres

* 8,886.20 - Kirk Tree Farm (consolidation of operations) - higher & better use

5,994.00 to Kaiser Resources - coal mining exclusion

Bob Ahrens, March 10, 1975

Recreation Act Greenbelt Encouragement Act, Spring, 1974.

But no one knows what govt. wants.

Gives pvt-owners tax relief if they open to public use, or forego certain uses. By negotiation. Agreement is registered w. title. Then province reimburses taxes (up to 100% but not over) for easement.

It began w. golf courses. It is an option, and they must apply for it. Then rod & gun clubs jockeyed in, & ski hills.

Penalty clause, back payment & interest at 8%

All the payments under this act are recoverable. Agreements are to be in perpetuity - informal cabinet opinion, not in legislation.

So far, no one has taken the option. The golf courses are paying the higher taxes.

(Instead of rigid thing, could subject CTT to control by a Commission.)

New Community TT Legislation, licensee is a public body, manages on multi-use basis.

Permits for cottaging in ~~Crown~~ provincial forests. Colony concept
New ones closed off, now. Special Use Permit, (S.U.P.). 21 year term
Absent' parties are single use

Govt. tried to interest pvt. owners to offer
skiing on s. Van. Island, & they don't want to.
They are afraid the ski area will bring demand
from public for homesites

Public policy has discouraged homesites in forests.
Public borrows it. (What are these 2d rents charged by
L & F?

(Irving Fox probly has S.U.P.. asks him.)

There are ~~100,000~~ 81,000 subdiv. ~~vacant~~ parcels in
mtny. Ter. — J.O.M. Under Tax deferral act,
they get money back if they build later.

Darkwoods, near Nelson, wanted to use a T7
for hunting, & charge for it.

Ted Young March 10 '75

CTF is a sop.
They get better of the bargain.

	611,	
Timberland	~~600~~,000	
Lee & L	600,000	(Forest Lands outside TFLs)
CTFs	1,300,000	CTFs
Wild Lands in forestry	260,000	

2 major holders are not in CTF
Pacific Logging
Elbe R.

They don't want control

1. Public access should be mandatory — now it's permissive.

2. Admin. ~~is~~ was in Dept. of Fish, shd. be in F.S.

3. Tighten standards.
CU
Road-bldg to prevent env. damage
culverting, ditching.
~~Cutting schedules~~ size of opening.

4. Now there is great flexibility on aac.

Robinson of Finlay Div. knows whether TFL or CIF working plan taken priority.

5. Vs. property tax.

Around P.G., people like to live in the woods, and are scattered around.

In Vanc. Forest Distr. F.S. is holding back cutting.

In P.R. FD, they aren't cutting a.c. Over mature, decadent

Wms. said no more PSYUs.

Keith Prowse, expert on Provincial Income Tax. Dept. of Fince., inc. tax branch.

Most
~~All~~ pvt. land outside E & N belt is subject to royalty reserv. Some also has a stumpage reserv.

Clay Perry, Pub. Service Comm.

Formerly w. IWA.

Land Commission

Morris Ayres & Bruce Devitt

Pac. Logging, owned by CP.

300,000 acres of fee simple, gives 75% of cut.

250 mm bf. logged yrly.

Own 80% of Sabcan Lumber.

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1. ~~The~~ "Progressive clearcutters". Save on imp. of roads

2. Against S.F.

3. 9% cutting 1% of accessible yr., 30% faster than working plan wd. allow. More options, esp. in long run.

~~The~~ [Has much water front land, to be converted.]

4 Mld. have a tax based on site capacity.
TT tax hits prodn.

5. By improving land a little you can remove from wild land class, reduce tax from 3% to 1% -- JOM

Land open for recrn, but no facilities.

Don't want permanent homesites. Open yourself up for problems — re sprays, noise of trucks, etc. "People problems" in the midst of indl. forest.

6. Options, flexibility is No. 1 consideration.

Summary PLC Forestry Program
Pacific Logging

Ap. 7/75.

	1974	1973	1972	1971
Acres Logged	2100	3800	3399	3650
Acres Planted	2922	3098	3330	4950
Trees Planted	1.2 MM.	1.5MM	1.8 MM	2.4MM
Acres Seeded.	—	2996	—	—
Acres Fertilized	1828	2020	1333	1952
Tons applied.	399	470	300	303
Acres Thinned or Spaced.	348	74	10	25
Restocking Measurements acres	8267	4669	2126	640
Acres Rehabilitated	15	—	2396	2614
Acres Snagfalled	169	60	—	—

Since 1962* Have planted 21 MM trees on 50,000 acres
Have fertilized 22000 acres
Have Spaced or thinned 457 acres
Have developed 12 acres Seed orch. produced 9# seed.

* 1.5MM trees 2364 acres PLNTG 1958-61 included.

Clay Perry Feb. 7.

Ex I.W.A.

1. No one cares about jobs in making contracts.
2. Lack of competitive log. mkt.
   (So how establish value for yield tax)

Attitude of IWA: favor high w.r., not expanding jobs, not S.Y.

Logging not looked on as a career, but very s.t. max.

IWA bought S.Y., basically.

IWA did not support small businessmen, re tenure.

Were not concerned about low stumpage.

Nitinat Triangle case, IWA opposed rezoning in perp., supported B.C.F.P. proposal to log. Sierra Club won.

45,000 members, IWA
- 15,000 logging
  7,000 plywood

Many unorganized loggers

Export limits lose more jobs in logging than gain in milling.

IWA position is, no export w/o processing to the nth degree. But U.S. changed, so B.C. might.

→ Recommends permanent agency to look at empl. effects of different policies.

Wms. has brought stumpage ~~to~~ lower than Williston ever did.

Large units give more stable empl., & lower the very high social costs of isolated logging camps.

JOM -- tax assmts. are systematically low bes. they base values on mkt. and mkt. is low, due to non-comps. Courts require this.

Tax assn. required to use info. he gets from T.S., which is Rothery stumpage. New appraisal system may change it.

There is a 10% ~~forest~~ tax on forests outside timber leases & licenses.

IWA did stumpage study to show indy. cd. pay more.

P. Pearse

ROYAL COMMISSION ON FOREST RESOURCES

TERMS OF REFERENCE 1975

To inquire into, formulate recommendations and report on all matters relating to the disposition of rights by the Crown to harvest timber and to occupy forested land in British Columbia, including the terms and conditions attached to the various forms of tenure, but excluding the royalties payable by the holders of Timber Leases and Licences, Pulp Leases and Licences, and Timber Berths, and excluding the general form of the stumpage appraisal system; and in particular, but without limiting the generality of the foregoing, to inquire into, formulate recommendations, and report on:

1. The extent to which the forest resources of the Province are committed to use and to users under all tenure arrangements, including Crown grants;

2. The procedures for allocating rights under these various arrangements;

3. The provisions for conservation, management, utilization, protection and development of the forest resources allocated;

4. The taxes, royalties, rentals and other charges levied upon forest land, timber and primary forest products, excepting the general form of the stumpage appraisal system;

   means all land best suited for forest prodn., including granted land

5. The implications of these tenure arrangements for the structure of the forest industry, having regard to its pattern of integration, concentration, ownership and control; and for the structure of markets for forest products produced in the Province.

The Commissioner shall formulate recommendations directed toward ensuring that the public interest is protected in the legislation, policies, procedures and practices affecting the allocation and use of forest resources of the Province, and in particular that:

1. The full contribution of the forest resources to the economic and social welfare of British Columbians is realized in terms of the diverse commercial and environmental benefits they potentially may generate;

2. The various public levies on, and the charges associated with the acquisition and retention of, Crown timber reflect the full value of the resources made available for harvesting, after fair and reasonable allowance for the costs of harvesting, forest development and profits; and that the various forms of public revenues derived from Crown granted and Crown forest resources are systematic, equitable and consistent with general taxation policy in the Province;

3. The marketing arrangements for timber products permit their full value to be realized and are consistent with an efficient economic structure;

4. The regulation of exports of forest products serves the best economic interest of the Province;

5. The efficiency and vigor of the forest industry is maintained, and that domestic participation in its ownership and control is adequate;

6. Proper provisions are made for the efficient management, protection and enhancement of the forest resources and for the regulation of harvesting and utilization practices.

SCANNED

AS

FOUND

Pacific Logging Holdings

