

Policy and Procedure 18-5 Riparian Buffer Tax Credit Program

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Codes/Mandates: Code of Virginia: [§58.1-339.10](#); [58.1-439.12](#)

References: N/A

Forms: Form 18.8 Riparian Buffer Tax Credit Application
Form 18.9 Riparian Buffer Tax Credit S-Corporation/Partnership Landowner Information
Form 18.10 Riparian Buffer Tax Credit Application Verification

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PURPOSE

To summarize the required qualifications and application procedure, which landowners must follow to receive the riparian buffer tax credit (RBTC).

POLICY

It shall be the policy of the Virginia Department of Forestry to ensure compliance with Virginia Department of Taxation regulations governing the Virginia Riparian Buffer Tax Credit Program, which provides credit to landowners for leaving riparian buffers along waterways in Virginia.

DEFINITIONS

“**Agency**” and “**VDOF**” means the Virginia Department of Forestry.

“**Commonwealth**” means the Commonwealth of Virginia.

“**Operator**” means any person that operates or has operated or exercises or has exercised control over any silvicultural activity.

"**Owner**" means any person that (i) owns or leases land on which silvicultural activity occurs or has occurred or (ii) owns timber on land on which silvicultural activity occurs or has occurred.

PROCEDURES

Qualification

- ◆ The harvested area must have more than 50 percent of the basal area harvested adjacent to the riparian buffer. If more than 50 percent of the basal area was retained in the harvested area, the landowner has not forgone income by leaving the buffer.
- ◆ No water quality law violation can exist on the harvest area. If there is a water quality law violation, it must be resolved before the landowner is eligible for the tax credit.
- ◆ Timber harvest has been completed adjacent to the buffer and on the same tract.
- ◆ Buffer must be at least 35 feet wide from the bank to the outer drip line and no more than 300 feet wide. The buffer can be on one side of the stream.
- ◆ Buffer must remain intact for 15 years.
- ◆ Buffer must be on "any perennial or intermittent stream found on the US Geologic Survey 1:24,000 topographic maps" or meet the definition of a stream according to the US Geologic Survey.
- ◆ Landowners can be individuals, S-Corporations or Partnerships (S-Corporations and Partnerships MUST pass Tax Credit to shareholders/partners). Estates are not eligible for this tax credit, but Family Partnerships and Limited Liability Corporations are eligible. A Grantor's Trust is eligible for this tax credit.
- ◆ Lands located outside the state boundary are not eligible.
- ◆ Any land disturbance that reduces the effectiveness of the buffer, including allowing livestock access, will disqualify the area.
- ◆ Maintained corridors (such as rights-of-way or roads), areas around maintained structures, or openings in crown cover greater than 60 feet do not qualify as buffer areas.
- ◆ Harvest completion was after January 1, 2000.
- ◆ Tax credit must be claimed for the same year in which the harvest was completed.
- ◆ Riparian Buffers Tax Credit and Easement Properties
 - VDOF will allow the normal claiming of RBTCs on easement properties, regardless of buffer harvesting restrictions required by the terms of the easement. This is applicable regardless of the easement holder and must follow the normal rules regarding the requirements under the RBTC Program. The only exception is in cases where VDOF has knowledge that the timber in the SMZ was separately valued/appraised for the purpose of determining the value of the conservation easement, in which case, the property is not eligible for the tax credit.

Application

Individuals, S-Corporations, Partnerships and Grantor's Trusts who want to apply for this tax credit must provide the following items to their local Department of Forestry office:

- ◆ Form 18.8 Riparian Buffer Tax Credit Application – the landowner or his/her representative submits the application by hardcopy
- ◆ Form 18.9 Riparian Buffer Tax Credit S-Corporation/Partnership Landowner Information – to be submitted if there are more than five individual landowners or if landowners are S-Corporations or Partnerships

- ◆ Copy of a VDOF approved Forest Stewardship Management Plan. The criteria for a Stewardship Plan (meeting National Standards) are available from the Virginia Department of Forestry. The tract must be at least 10 acres in size (including the contained buffers).
- ◆ Proof of land ownership (Copy of title or deed, copy of last year's tax bill, etc.)
- ◆ Proof of value of timber remaining in the buffer from specific professional riparian buffer cruise, or prorated value from overall harvesting operation based on acreage (documents from sale of timber).
- ◆ Map of Riparian Buffers
 - Buffers must be drawn on a USGS 7.5" Topographic Quadrangle (Topo Quad).
 - The Topo Quad base map cannot be reduced from its original scale (of 1" = 2000'). It may, however, be enlarged.
 - The Topo Quad Name(s) used must be indicated on the map.
 - The perimeter of each buffer must be clearly visible on the map and labeled with consecutive numbers (i.e. 1, 2, 3.)
 - The drawn buffers must accurately reflect the buffer boundary locations on the ground.
 - If the Topo Quad is black-and-white (from photocopy), buffers must be drawn in a color other than black.
 - Map must be submitted with and at the same time as the other supporting documents for the application (i.e. Stewardship Plan, Proof of Property Ownership, Harvest Value info, etc.)
 - Map can also be submitted as an ESRI Shape file for transfer to IFRIS mapper.
 - Buffer acres must be indicated on the map.
 - Map digitized in IFRIS and printed.
- ◆ Riparian Buffer Tax Credit Application Fee of \$150 must be submitted with the application (check or money order).

The following item will be obtained from the local Department of Forestry Area Office.

- ◆ A copy of the Harvest Inspection Report will be attached to the application package.

Buffer Value

Timber value within the buffer can be estimated either by using the average value of the harvest sale for that tract OR from a professional timber cruise of the timber in the buffer area. If the landowner performs a partial harvest within the buffer, then the buffer timber value is decreased by half. The area forester will review the statement of value of the timber remaining in the buffer and determine if it appears reasonable.

The amount of the credit is 25 percent of the value of the timber in the buffer, up to \$17,500.

Area foresters are responsible for making these calculations by hand. Here is a simple example of the calculations being performed:

- ◆ 50 acres harvested
- ◆ \$50,000 paid for the timber on the 50 acres
- ◆ \$1,000 average price per acre
- ◆ 5 acres riparian buffer retained
- ◆ \$5,000 total value of timber retained in buffer if no cutting takes place in buffer
- ◆ If no cutting takes place in the buffer, the landowner can claim 25 percent of the buffer value retained. The landowner can claim a \$1250 tax credit (\$5,000 buffer value x 0.25).
- ◆ If the buffer was partially harvested, the total value of the timber in the buffer is half of the buffer value. The landowner can claim 25 percent of half of the buffer value, or \$625 tax credit (\$2,500 buffer value x 0.25).

Certification Process and Procedure

An application fee will be required with submission.

1. The landowner (or his/her representative) will deliver all application documents (including a hardcopy map according to above specifications) to a local VDOF Area Office.
2. Area forester collects supporting documents and completes the following:
 - Logs into IFRIS mapper and maps the riparian buffer area, listing the riparian forest buffer acres in the comment field on the map and prints the map.
 - Completes a Form 18.10 Riparian Buffer Tax Credit Application Verification.
3. Area forester submits the Form 18.8 Riparian Buffer Tax Credit Application, Form 18.9 Riparian Buffer Tax Credit C-Corporation/Partnership Landowner Information (if applicable), IFRIS map (with buffer acres listed in the comment field), application fee payment and Form 18.10 Riparian Buffer Tax Credit Application Verification to the water quality program manager at the Headquarters Office.
4. Headquarters receives the application package and payment:
 - A copy of the check or money order will be made and retained with the application package to go to the water quality program manager.
 - A copy of the Form 18.8 Riparian Buffer Tax Credit Application will be made and sent to Finance with the application fee check.
5. The water quality program manager will validate, produce, print and mail the Riparian Forest Buffer Tax Credit Certificate(s) to landowner(s):
 - One copy of each landowner's certificate is mailed to the primary contact listed on the Form 18.8.
 - One copy of each landowner's certificate is retained on file with the water quality program manager.
 - A pdf version of the certificate(s) with the Social Security number removed is emailed to the area forester for their files.
6. The water quality program manager enters the information into a tax credit spreadsheet that is protected and emailed to the Virginia Department of Taxation monthly.
7. The water quality program manager retains the application package on file.

Authority

This policy and procedure is issued by the Virginia state forester.

Interpretation

The water quality program manager and chief of operations is responsible for the interpretation of this policy and procedure.