

1999 Session

FISCAL ESTIMATE

DOA-2048 N(R10/98)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.

AB 104 (99-1284/1)
 Amendment No. if Applicable

Subject

Allow Managed Forest Land to be Located in Cities

Fiscal Effect

State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

- Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No
 Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.370 (5)(bv)

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an owner of 10 or more contiguous acres of forest land in a town or village may apply to the Department of Natural Resources (DNR) to enroll the land in the managed forest land (MFL) program. The application is for 25 or 50 years and must include a forestry management plan demonstrating the owner's commitment to use the land for forestry purposes. At least 80% of the acreage must be capable of producing a minimum of 20 cubic feet of merchantable timber per acre per year. If DNR finds the land qualifies and approves the management plan, the land is accepted into the MFL program.

Land enrolled under the MFL program is not subject to property taxes. Instead, an owner of land under the MFL program must, on an annual basis, pay \$0.74 per acre to the municipality, which must forward 20% to the county. An owner of MFL land who chooses to close the land to public access must pay an additional \$1 per acre per year to the municipality, which remits the entire amount to the DNR. The state annually pays municipalities with MFL land \$0.20 per acre, 20% of which the municipality must pay to its county

Under the bill, land in cities could be enrolled under the MFL program.

(continued on page two)

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Daniel P. Huegel, (608) 266-5705	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	2/22/99

Based on acreage data from the Department of Revenue (DOR) and DNR, it is estimated that about 25% of the privately owned forest land in Wisconsin is enrolled under special forest taxation laws, including the MFL program. DOR data for 1997 indicates that about 20,000 acres of forest land lies in cities. Assuming that forest land owners in cities would enroll their land under the MFL program at the same 25% rate as other forest land owners, 5,000 acres (20,000 X 25%) of forest land in cities would be enrolled under the MFL program.

Local Fiscal Effect: Based on the assumption that 5,000 acres would be enrolled under the MFL program and using the state average equalized value of forest land in cities in 1997 of \$1100 per acre, \$5.5 million ($\$1100 \times 5,000$) in value would be removed from city tax rolls. At the 1997/98 city average net tax rate of \$24.88 per \$1000 equalized value, about \$137,000 in taxes would be shifted to other property owners. However, a substantial part of the loss in tax base would be mitigated through higher shared revenue payments and school equalization aids, and per acre payments by MFL owners.

State Fiscal Effect: There are three separate state fiscal effects: (1) The state would make a payment of \$0.20 per acre to cities, for a total of \$1000 ($5000 \times \0.20), of which cities would retain \$800 and \$200 would be forwarded to counties. (2) The state forestation property tax, imposed at a rate of \$0.20 per \$1000 equalized value, would decline by \$1100 ($\$5.5 \text{ million} \times 0.0002$). (3) Assuming 55% (the state average) of MFL land in cities would be closed, closure fees to the state would be \$2,750 ($5,000 \times 55\% \times \1.00).

YEB
2/22/99

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**FISCAL ESTIMATE
DOA-2047 N(R10/98)**

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.	Amendment No.
AB 104	

Subject
Allow Managed Forest Land to be Located in Cities

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal Impact on State Funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(FTE)
State Operations-Other Costs		-
Local Assistance	1,000	-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 1,000	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S	1,000	-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S State Forestation Tax	2,750	- 1,100
TOTAL State Revenues	\$ 2,750	\$ - 1,100

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ +1,000	\$
NET CHANGE IN REVENUES	\$ +1,650	\$ +1,000 and see text of fiscal note

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Daniel P. Huegel, (608) 266-5705	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	2/22/99