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**WISCONSIN LEGISLATIVE COUNCIL  
AMENDMENT MEMO**

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**2003 Assembly Bill 650**

**Assembly Substitute  
Amendment 1**

*Memo published: January 26, 2004*

*Contact: William Ford, Senior Staff Attorney (266-0680)*

Assembly Substitute Amendment 1 to 2003 Assembly Bill 650 (the “substitute amendment”) would expand the amount of wooded lands on farms that qualify for preferential property tax treatment as “agricultural forest land.”

2003 Wisconsin Act 33 (the biennial budget act) provided that agricultural forest land is assessed for property taxes at 50% of its fair market value. “Agricultural forest land” was defined as land that either is producing or is capable of producing commercial forest products (“forest land”) and that is contiguous to another parcel of land that has been classified in whole as agricultural land if both parcels of land are owned by the same person.

The definition of “agricultural forest land” in Act 33 was the result of the item veto by Governor Doyle. The language in the enrolled bill included as “agricultural forest land” land included on a parcel classified at least in part as agricultural land and land contiguous to another parcel of land classified at least in part as agricultural land, if both parcels of land are owned by the same person. In his veto message, the Governor cited as one reason for his veto of this language the concern that owners of wooded land might qualify the land for assessment as agricultural forest land by converting a small portion of nearby land to agricultural use.

The substitute amendment retains the current law definition of “agricultural forest land” but provides that the term also includes:

1. Forest land that is located on a parcel that contains land classified as agricultural land in the property tax assessment on January 1, 2004 and on January 1 of the year of the assessment.
2. Forest land that is located on a parcel at least 50% of which, by acreage, was converted to land that is classified as agricultural land in the property tax assessment on January 1, 2005, or thereafter.

Therefore, under the substitute amendment, forest land may be taxed as “agricultural forest land” if it is located on a parcel of land that was classified at least in part as agricultural land on January 1, 2004, if the forest land continues to be located on a parcel of land classified at least in part as agricultural land in the year of the assessment. If forest land was not located on a parcel classified at

least in part as agricultural land on January 1, 2004, at least 50% of the parcel upon which it is located must have been converted to agricultural land in order for the forest land to be taxed as "agricultural forest land." The substitute amendment would first apply to the 2005 assessment.

On January 21, 2004, the Assembly Committee on Ways and Means adopted the substitute amendment by a vote of Ayes, 13, Noes, 0, Absent, 1, and recommended Assembly Bill 650 for passage, as amended, by a vote of Ayes, 10, Noes, 3, Absent, 1.

WF:wu:rv;ksm

# **Assembly Republican Majority**

## **Bill Summary**

### **AB 650: Definition of Agricultural Forest Land**

Relating to: the definition of agricultural forest land for property tax purposes.

By Representatives Kestell, Gronemus, M. Lehman, Ott, Gielow, Ward, Towns, Hines, Bies, Petrowski, Suder and Musser; cosponsored by Senators Harsdorf and Welch.

**Date:** February 24, 2004

### **BACKGROUND**

Under current law, for property tax purposes, agricultural land is land that is producing or is capable of producing commercial forest products and is contiguous to a parcel that has been classified in whole as agricultural land for property tax purposes, if the contiguous parcel is owned by the same person that owns the agricultural forest land.

### **SUMMARY OF AB 650 AS AMENDED BY COMMITTEE**

Assembly Bill 650, as amended by ASA 1, would expand the amount of wooded lands on farms that are classified as agricultural forest land for property tax purposes. 2003 WI Act 33 (budget bill) provided that agricultural forest land is assessed for property tax purposes at 50% of its fair market value. As a result of an item veto by Governor Doyle, agricultural forest land was defined as land that either is producing or is capable of producing commercial forest products and that is contiguous to another parcel of land that has been classified in whole as agricultural land if both parcels of land are owned by the same person. ASA 1 retains the current definition but provides that the term also includes forest land that is located on a parcel that contains land classified as agricultural land in the property tax assessment on January 1, 2004 and on January 1 of the year of the assessment. Also, forest land that is located on a parcel at least 50% of which, by acreage, was converted to land that is classified as agricultural land in the property tax assessment on January 1, 2005, or thereafter. Thus, under ASA 1, forest land may be taxed as agricultural forest land if it is located on a parcel of land that was classified at least in part as agricultural land in the year of the assessment. If forest land was not located on a parcel classified at least in part as agricultural land on January 1, 2004, at least 50% of the parcel upon which it is located must have been converted to agricultural land in order for the forest land to be taxed as agricultural forest land. The substitute amendment would first apply to the 2005 assessment.

### **AMENDMENTS**

**Assembly Amendment 1** to Assembly Bill 650 expands the amount of wooded lands on farms that qualify for preferential property tax treatment as agricultural forest land, beginning with the 2005 assessment [adopted 13-0-1 (Rep. Ziegelbauer was absent)].

### **FISCAL EFFECT**

A fiscal estimate prepared by the Department of Revenue on the original bill indicates that AB 650 would result in an estimated property tax shift of \$17.6 million from woodland acres on farms to other taxable property. AB 650 would also result in an estimated decrease of \$180,000 in state forestry tax collections.

### **PROS**

1. AB 650 revises the eligibility of agricultural forest land to restore the intended benefits of reduced tax assessments to farmers owning agricultural forests.
2. A greater number of farmers who have wooded lands on their property would qualify for preferential property tax treatment under AB 650.
3. AB 650 would reduce taxpayer frustration and confusion by clarifying what qualifies as agricultural forest land.

### **CONS**

1. AB 650 will cause a tax shift from properties containing agricultural forest lands to other property classifications, including residential properties.
2. AB 650 would likely result in a loss of equalizing state aids to urban municipalities and school districts as aids will be redistributed toward municipalities/school districts with significant loss of value associated with agricultural forest acres.

### **SUPPORTERS**

Rep. Steve Kestell, author; Sen. Sheila Harsdorf, lead co-sponsor; Sen. Bob Welch; Ron Kuehn, WI Pork Producers, WI Cranberry Growers, and WI Potato and Vegetable Growers Assns.; Roger Cliff, WI Farm Bureau Federation; Richard Stadelman, WI Towns Assn.; Sue Beitlich, WI Farmers Union.

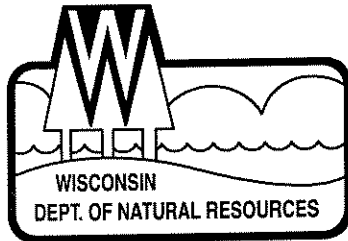
### **OPPOSITION**

Jason Helgerson and Rebecca Boldt, WI Dept. of Revenue; Paul Pingrey, WI Dept. of Natural Resources; David Gawenda, Dane County Treasurer; Joyce Frey, WI Assn. of Assessing Officers; Sarah Diedrick-Kasdorf, WI Counties Assn.

### **HISTORY**

Assembly Bill 650 was introduced on November 10, 2003 and referred to the Assembly Committee on Ways and Means. A public hearing was held on November 19, 2003. On January 21, 2004, the Committee voted 10-3-1 [Reps. Young, Berceau and Morris voted no; Rep. Ziegelbauer was absent] to recommend passage of AB 650 as amended. On January 27, 2004, AB 650 was referred to the Joint Finance Committee. On February 17, 2004, the Committee voted 13-2-1 [Sen. Moore and Rep. Krug voted no; Sen. Darling was absent] to recommend passage of AB 650 as amended.

**CONTACT:** Vicky Halverson, Office of Rep. Michael Lehman



## State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Jim Doyle, Governor  
Scott Hassett, Secretary

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2003 Assembly Bill 650  
Assembly Committee on Ways and Means

Department of Natural Resources Testimony  
Paul E. Pingrey, Forestry Staff Specialist  
Division of Forestry  
November 17, 2003

Mr. Chairman and Committee Members:

Hello. My name is Paul Pingrey. I am the Private Forestry Specialist in the Department of Natural Resources Division of Forestry. I appreciate this opportunity to explain the Department's opposition to Assembly Bill 650.

First let me convey the message that our department is very sympathetic with rural landowners regarding the property tax burdens they carry. We also wish to reaffirm the department's recognition and support for Wisconsin's agricultural industry. Although use value assessment has helped reduce property taxes on farmland, we also know that some farm owners are experiencing significant increases in taxes on other land associated with their operations.

There are some fundamental issues with Wisconsin's property tax policy for open lands that we feel need to be recognized. As data recently prepared by the Wisconsin Department of Revenue reveals, there has been a substantial increase in the relative net property tax of productive forestland in comparison to agricultural land over the short time span of the last seven years. As shown in Figure 1, implementation of Agricultural Use Value Assessment has resulted in a drop in net agricultural property taxes from \$12.24 per acre in 1996 to \$4.45 per acre in 2002. That is good for those landowners who have cropland or pastureland. During the same time, net average property taxes on forestland have jumped from \$6.82 to \$17.96 per acre. That should raise a red flag.

If the increase in net forest property taxes were due solely to cumulative annual inflation, one could have expected an increase of about 15% between 1996 and 2002<sup>1</sup>. Instead, Wisconsin woodland owners not enrolled in a forest tax program experienced a 263% increase in average net property taxes. There are many factors related to that change, including real increases in the price of forest property as demand for recreational and investment land accelerates. The radical margin between the average taxes on agricultural land compared to that on forests, however, will drive landowners to do something to lower their property tax burden.

<sup>1</sup> Based on the inflation calculator at [http://inflationdata.com/Inflation/Inflation\\_Rate/InflationCalculator.asp](http://inflationdata.com/Inflation/Inflation_Rate/InflationCalculator.asp).

Without a change in the property tax laws, farmers and other landowners are faced with four basic choices:

- 1) Accept the increase in property taxes as a cost of owning woodland;
- 2) Sell off their woodland (or part of it) to escape the tax, which results in land fragmentation;
- 3) Enroll the land in the Managed Forest Law program, subject to a 25 or 50 year agreement with DNR; or
- 4) Convert the forest to an agricultural classified use.

Wisconsin has about 10 million acres of private forests. People who identified themselves as "farmers" in the last forest inventory own about 1.5 million acres of that.

Our concern relative to AB 650 is not with those who farm. The bill could relieve pressure on farmers to use woodland as pasture. AB 650 could also help agricultural producers keep their woodland as part of working farms instead of being forced to sell off their forests. In those respects, we appreciate the underlying rationale of the bill.

Rather our concern is with how owners of the other 8.5 million acres of private forests would react to the opportunity to claim an agricultural forest classification by converting part of their ownership to agricultural use. Why not lower your taxes 50% simply by cutting out a field or pasture contiguous to the woods? AB 650 would make it far easier for a forest owner to artificially manipulate the system to claim an agricultural land use than the current Use Value Assessment law provides. (It's much easier to create woodland contiguous to an agriculture use than it is to convert entire woods to field or pasture.)

Given time and the creative problem solving many woodland owners might apply, Wisconsin could see land in the productive forest classification shrink to nothing as people maneuver to claim the agricultural forest designation. The eventual revenue loss to local government could be considerable ...perhaps in excess of \$50,000,000 annually. A better approach in the near term would be to promote the conservation benefits that can be derived by the public from existing programs like the Managed Forest Law and Farmland Preservation that reward a commitment to sustainable land management.

In summary, the Department of Natural Resources has empathy for rural landowners who feel their property taxes are too high because of a shift in taxes to their woodlands. Passage of AB 650, however, is not a desirable solution due to its potential impacts outside of the farming community. Instead, the Department of Natural Resources encourages the Legislature to initiate a comprehensive evaluation of rural property taxation issues — one that recognizes existing programs such as Use Value Assessment, Farmland Preservation and the Managed Forest Law and how they interact with each other. The Department would gladly work with the agricultural community, local governments, DATCP, DOR and other affected and interested parties to discuss how we might address the concerns that have led to this bill.

# Changes in Property Taxes on Open Land 1996-2002

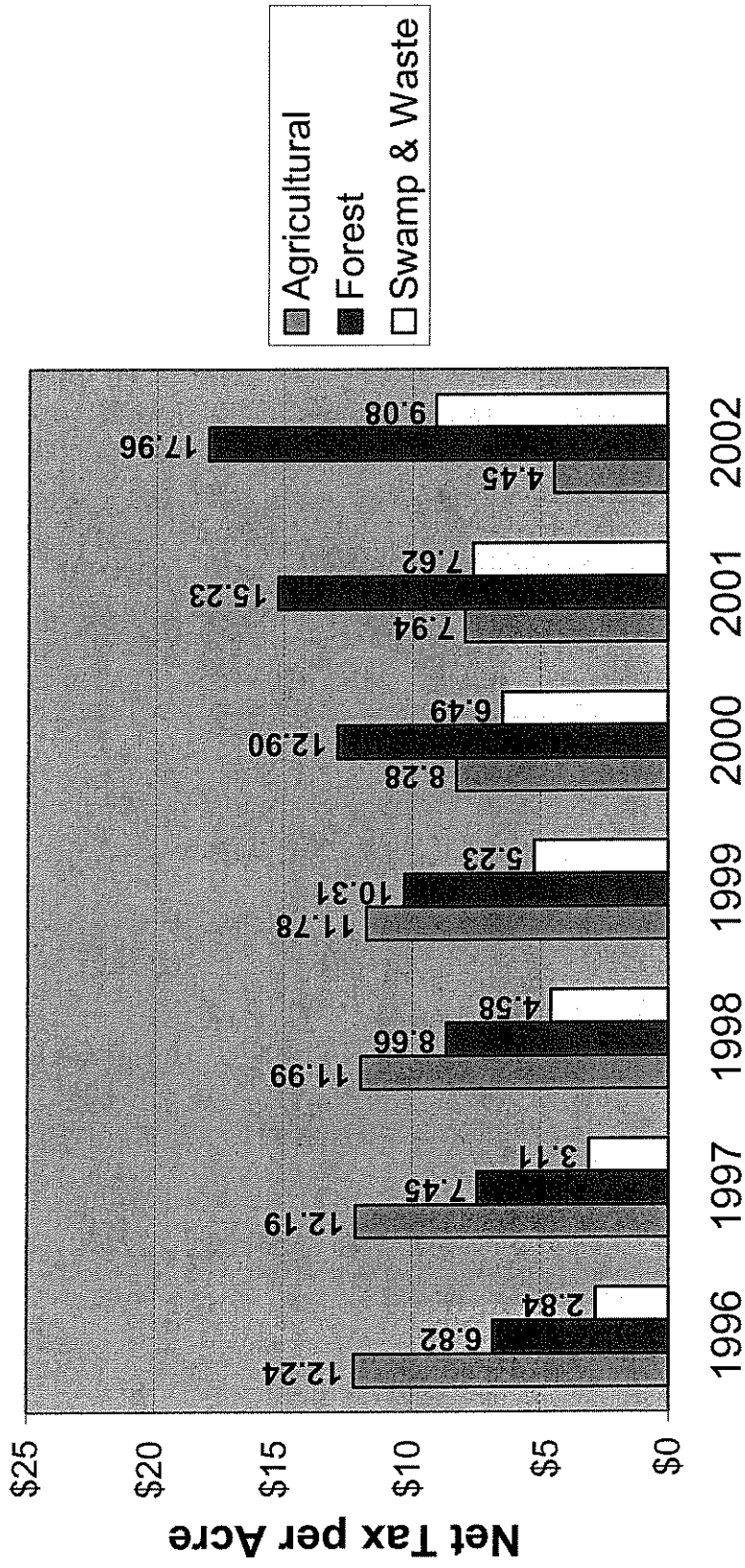


Figure 1.  
Source: Wisconsin Department of Revenue, November 2003

## **AB 650 - Agricultural Forest land definition clarification**

The original language in the Open Space Protection Act that was included in the state budget would have had any productive forest that was adjacent to or part of a parcel that contained agricultural land be reclassified as "agricultural forest land" and taxed at 50 percent of the assessed value starting in 2004.

### **Governor's partial veto changes eligibility**

Governor Jim Doyle did a partial veto of the original language that changed the eligibility. Through the veto, productive forests on farms to get the reduced assessment had to meet these three criteria:

1. The woodlots must be currently classified as "productive forest."
2. The tax parcel containing the woodlots must be contiguous to a tax parcel that is entirely cropland or pasture, and the forest must be touching this tax parcel.
3. The land must be under the same ownership.

### **Governor's partial veto reduces farmer eligibility**

The Governor's partial veto resulted in an unintended consequence that now disqualifies most agricultural forest from the lower assessment rate. This will affect farmers in areas of Wisconsin where there are smaller contiguous tracts of agricultural land and more tracts of woodlots.

The Department of Revenue estimates that of all of the agricultural tax parcels, only 20 percent are entirely cropland. This means that 80 percent of the farm tax parcels contain a combination of undeveloped land, buildings, or productive forest.

Farmers have many tax parcels as part of their farm holding. Some of the tax parcels contain a variety of land: agricultural, buildings, undeveloped land, and agricultural forests. In many cases, the tax parcels containing the agricultural forests are not next to parcels that are entirely agricultural land. Some of those parcels may be a combination of agricultural land, undeveloped land, or buildings.

Refer to the examples of how legitimate agricultural forest land on farms will not qualify for the reduced assessment and a comparison of how AB 650 will expand the qualification.

### **AB 650 restores original intent of protecting agricultural forest land**

AB 650 will revise the eligibility of agricultural forest land to restore the intended benefits of reduced tax assessments to farmers owning agricultural forests. The new definition would make the following agricultural forest land eligible to be taxed at 50 percent of the assessed rate:

- A parcel that includes agricultural forest land and contains agricultural land.
- A parcel that is agricultural forest and is contiguous to a parcel that contains agricultural land or other (which includes residence of farm operator).

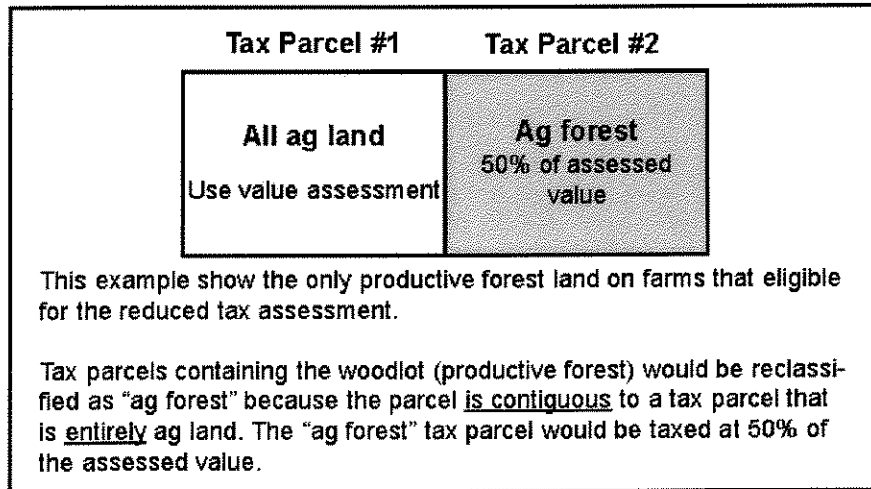


**Wisconsin Farm  
Bureau Federation**

**1-800-261-FARM  
www.wfbf.com**

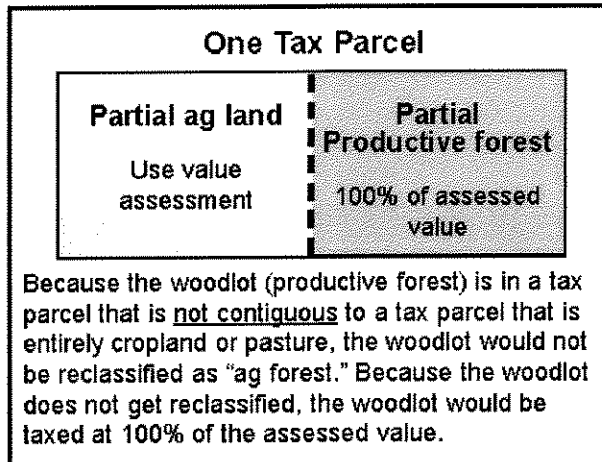


# Agriculture forest eligibility - current law per Governor's line item veto

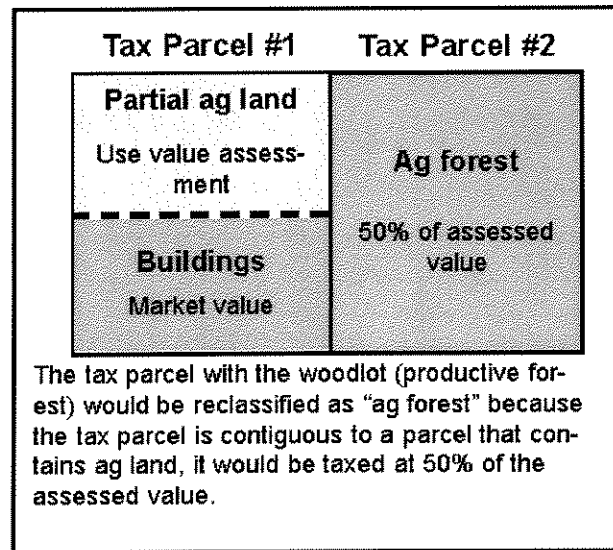
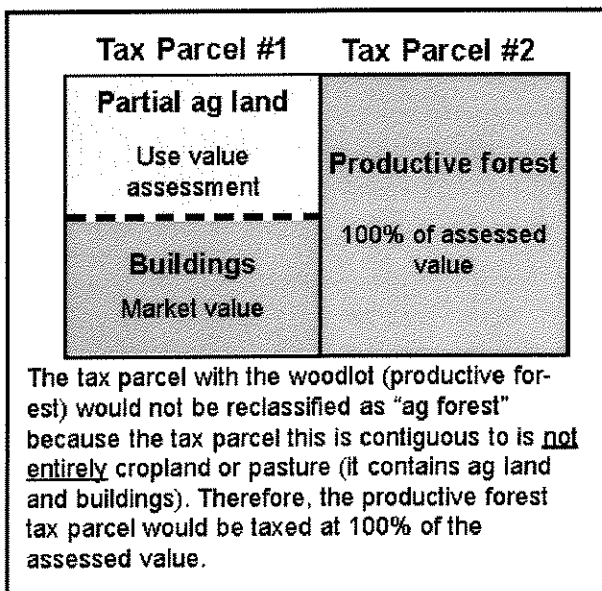
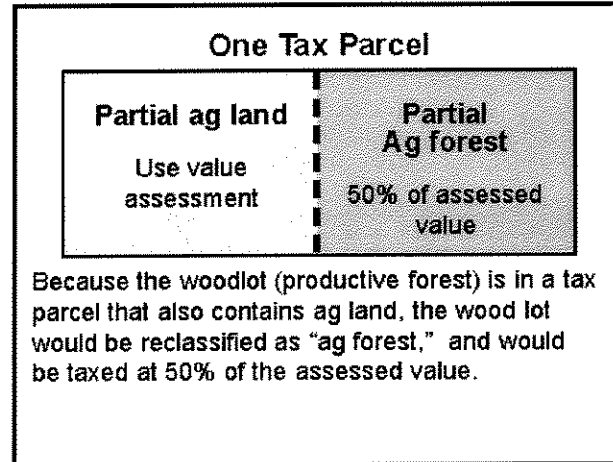


## Agriculture forest eligibility comparisons - Current law and AB 650

### Current law



### AB 650



TO: REPRESENTATIVE MICHAEL LEHMAN, CHAIR  
MEMBERS OF THE ASSEMBLY WAYS AND MEANS COMMITTEE

FROM: JOYCE FREY  
WISCONSIN ASSOCIATION OF ASSESSING OFFICERS

SUBJECT: ASSEMBLY BILL 650

DATE: NOVEMBER 19, 2003

Representative Lehman and members, I am here today representing the Wisconsin Association of Officers (WAAO), a professional organization of 600 assessors, statewide. We are opposed to Assembly Bill 650 in its present form. I thank you for the opportunity to speak to you today.

First, the timing of the proposal with its effective date of January 1, 2004 is very aggressive. Assessors throughout the state have just completed their annual training by the Department of Revenue (DOR) relative to the administration of new assessment laws passed during the budget bill. Agricultural Forest land, the subject of this proposal, was part of that training. Assessors have already begun their work for the 2004 assessments; changing the definition so soon after training will undoubtedly lead to non-uniform application. Indeed, WAAO and the DOR had researched unresolved issues and concerns with the language in the budget bill. There is no doubt that corrective legislation is necessary but it deserves careful debate after input from all concerned.

WAAO is also concerned about the impact of the tax shift. Early reports from our committee on rural concerns indicate that in certain jurisdictions the equalized value would decrease on an average of 4%. Any shifting has impacts on shared aids based on value and tax transfers to other property owners.

Another important concern expressed by our members relates to the issue of uniformity. This proposal, as well as its predecessor, allows for the non-uniform assessment of otherwise similarly situated properties based solely upon who owns the property. This, we feel, does not pass muster with the uniformity clause of the Wisconsin Constitution. Regardless of the allowance that agricultural and undeveloped land can have preferential taxation, all property within the class must be uniform. Again, this proposal allows for abuse.

We urge you to table this provision, invite interested parties to discuss and hone a satisfactory provision with meaningful timelines.




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## MEMORANDUM

TO: Honorable Members of the Assembly Committee on Ways and Means

FROM: Sarah Diedrick-Kasdorf, Senior Legislative Associate 

DATE: November 19, 2003

SUBJECT: Opposition to Assembly Bill 650

The Wisconsin Counties Association (WCA) opposes Assembly Bill 650 which changes the definition of agricultural forest land for property tax purposes.

Assembly Bill 650, in essence, expands the types and amount of property that will be subject to use value assessment. Adoption of this provision will cause a tax shift from properties containing agricultural forest lands to other property classifications, increasing property taxes to other property classifications, including residential properties. At a time when this legislature is placing significant pressure on local governments to decrease the property tax burden on our homeowners across the state, WCA questions the value of adopting legislation that shifts taxes to these same homeowners.

WCA also has concerns regarding the January 1, 2004 implementation date included in the bill.

Thank you for considering our comments.



# State of Wisconsin • DEPARTMENT OF REVENUE

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**Jim Doyle**  
Governor

**Michael L. Morgan**  
Secretary of Revenue

## Assembly Ways and Means Committee Hearing, November 19, 2003

### **AB 650 - Related to the Definition of Agricultural Forest Land (Kestell+11/Harsdorf+1)**

#### *Description of Current Law and Proposed Change*

Beginning with the January 1, 2004 assessments, agricultural forest land will be assessed at 50% of full value. The current law restricts the preferential assessment only to woodlands that are contiguous to wholly agricultural parcels.

The bill defines agricultural forest as woodlands located on a parcel that contains some agricultural acres or is contiguous to a wholly agricultural parcel or contiguous to a parcel that is classified agricultural land and other so long as the same person owns both parcels.

#### *Fairness/Tax Equity*

The broader definition of agricultural forest would have the following effects:

- Would provide preferential tax treatment for most woodlands owned by farmers and would reduce taxpayer frustration and confusion regarding what qualifies as agricultural forest under current law.
- Would result in a major property tax shift to owners of taxable property other than woodlands. These shifts are likely to be significant in municipalities in the northern part of the state that have large percentages of value in woodlands. For example, the Towns of Hackett, Prentice, and Knox, Price County and the Town of Peeksville, Ashland County have over 60% of the total equalized value in agricultural forest. In these locations, residential and commercial property owners would see significantly higher property tax rates and taxes.
- Would likely result in significant loss of equalizing state aids to urban municipalities and school districts as aids will be redistributed toward municipalities/school districts with significant loss of value associated with agricultural forest acres; and
- Would provide preferential tax treatment for non-farmers. Over time, the main beneficiaries of the bill would be non-farm owners of woodlands.

#### *Economic Development*

- The bill is likely to create a long-term property tax shift affecting commercial and manufacturing property, which would be reflected in significantly higher property taxes in certain communities.

- The effect on economic development would potentially be most significant in northern parts of the state.

#### *Administrative Impact/Fiscal Effect*

It is estimated that about 1.4 million acres are taxable woodlands located on farms; of this amount, only 280,000 acres, or 20%, are expected to meet the current law definition of agricultural forest. It is estimated that all the 1.4 million acres of woodlands located on farms would meet the proposed definition under the bill. This would result in an immediate property tax shift of approximately \$16.4 million from owners of agricultural forest to owners of other taxable property such as commercial and rural residential. In the short term, this shift will be most significant in agricultural areas with significant amounts of agricultural land (i.e. Southwestern Wisconsin.)

In the long run, this legislation creates a significant incentive for woodland owners to clear and cultivate sufficient woodland acres to qualify as agricultural forest. The legislation provides no minimum threshold for what constitutes agricultural use, hence this legislation is open to abuse. Thus, the clearing of only a few acres of woodlands would allow for the preferential tax treatment of large tracts of woodlands. This would result in an estimated tax shift of \$56 million from woodland owners to owners of other taxable property including commercial and residential property.

The bill would become effective January 1, 2004. Given that the assessment manual and assessor training for the 2004 assessment year has been completed, the bill could not be implemented for 2004.

#### *DOR Position*

- Oppose. The impact of the bill would extend far beyond the original intent to provide tax relief for farm owners of woodlands. Further study is needed to identify effective means of property tax relief targeted to woodlands on farms only. Also, the effective date should be changed to January 1, 2005.

Prepared by: Rebecca Boldt, 608 266-6785

November 18, 2003

RB:skr

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Property Values and Taxes Comparison  
Statewide Totals

1996 to 2002  
DOR Information - December Tax Bills

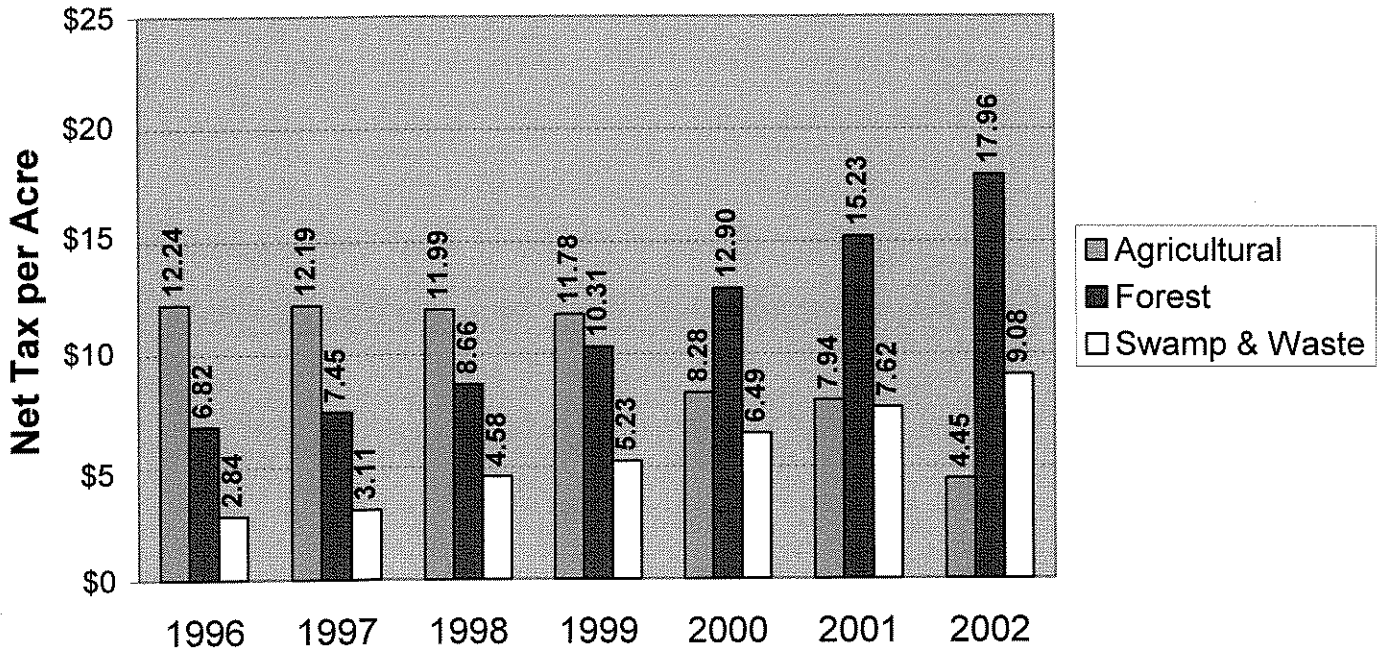
	1996 Assessed Value	2002 Assessed Value	Percent Change
Residential	\$145,787,359,600	\$243,006,703,300	+ 167%
Commercial	\$ 37,122,019,500	\$ 59,165,698,000	+ 159%
Manufacturing	\$ 7,409,440,500	\$ 10,968,742,900	+ 148%
Swamp and Waste	\$ 224,380,700	\$ 1,546,886,100	+ 689%
Forest Land	\$ 2,911,917,200	\$ 8,742,796,500	+ 300%
Ag Land	\$ 8,512,764,700	\$ 2,769,877,600	- 68%
Other (Ag Buildings)	\$ 5,928,586,900	\$ 8,377,173,400	+ 141%
State Totals	\$207,896,469,100	\$325,577,877,800	+ 157%

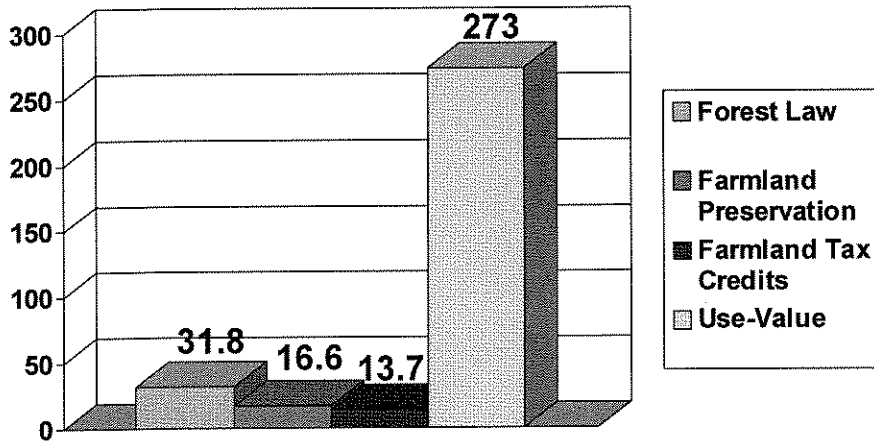
	1996 Property Taxes	2002 Property Taxes	Percent Change
Residential	\$ 3,533,874,111	\$ 5,081,097,804	+ 144%
Commercial	\$ 1,013,779,838	\$ 1,391,799,359	+ 137%
Manufacturing	\$ 193,497,476	\$ 260,619,387	+ 135%
Swamp and Waste	\$ 3,976,756	\$ 23,853,766	+ 600%
Forest Land	\$ 54,370,749	\$ 132,644,034	+ 244%
Ag Land	\$ 191,486,621	\$ 60,664,745	- 68%
Other (Ag Buildings)	\$ 141,287,483	\$ 180,556,745	+ 128%
State Totals	\$ 5,132,273,034	\$ 7,131,235,840	+ 139%

Note: The statewide average mill rate in 1996 was \$24.78. In 2002 it was \$21.95. This is 11.4% decline. Also, the acres per category vary from year to year. Do not have this data. Lastly, these numbers are before any state property tax credits are applied. That's why the ag land numbers vary from the "Farm Bureau Delivers" document.

### Changes in Property Taxes on Open Land 1996-2002

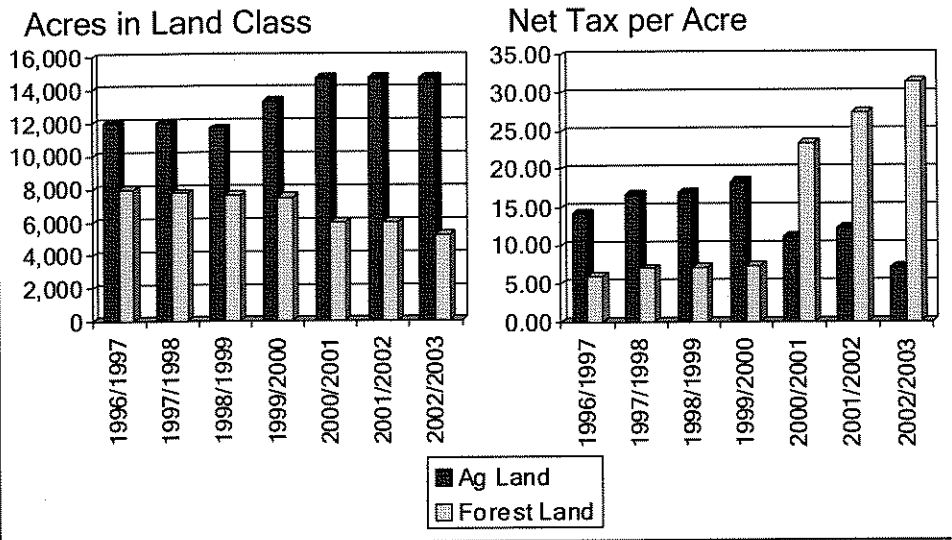


### Rural Land Property Tax Incentives in 2002 (Millions of Dollars)

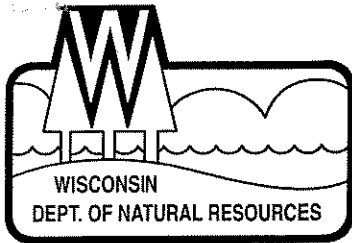


# Changes in Land Use and Taxes

## Town of Coon 96/97 - 02/03







State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Jim Doyle, Governor  
Scott Hassett, Secretary

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DRAFT

December 30, 2003

Representative Michael Lehman  
Chair, Ways and Means Committee  
PO Box 8952  
Madison, WI 53708

Subject: AB 650 and Rural Property Tax Incentives

Dear Representative Lehman:

As you know from our recent testimony on AB 650, the Department of Natural Resources is very interested in rural land taxation issues and would like to continue to work with you and your committee as this and other legislation evolves. Most importantly, you should know that we're especially concerned with current tax incentives that have negative conservation incentives associated with them. Quite simply, we should not have a state mandated tax policy that rewards property owners for pasturing woodlands, wetlands or streams or for cropping marginal lands.

As shown on the attached charts, we're beginning to see some rather disturbing trends that we hope can be addressed. Tax incentives for the Farmland Preservation Program, a program that encourages protection of farmland through zoning, is now 1/10<sup>th</sup> those provided to anyone who simply crops or pastures land regardless of how it is managed. Similarly the Managed Forest Law, which provides 1/5<sup>th</sup> the tax benefits provided by use value assessment is being reviewed, in part, because it is perceived as reducing the local tax base too much given its expanding popularity.

Wisconsin citizens have been well served by our rural property taxation policies. Programs such as the Managed Forest Law or the Farmland Preservation Program have been very effective as a means to provide property tax relief while simultaneously promoting the stewardship and wise use of Wisconsin's farmland and other natural resources. In exchange for property tax reductions, landowners agree to maintain their land in either agricultural or forested use and to implement and maintain certain conservation practices. Perhaps it is time for us to take a fresh look at use value assessment to see if a conservation component should be included there as well.

Please know we are committed to working with you and all of our legislators to ensure that revisions to our tax laws are equitable, fair, and, protective of our natural resources.

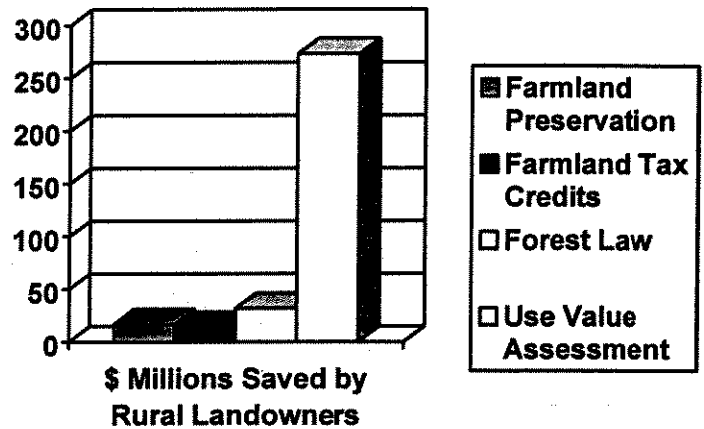
Sincerely,

# Wisconsin's Tax Policy – Is it harming our natural resources?

Wisconsin has four programs to provide tax relief to property owners – Forest Law, Farmland Preservation Program, Farmland Tax Relief Program, and use value assessment. These programs provided over \$335,000,000 in tax relief to rural landowners in Wisconsin in 2002.

## Incentives for Conservation?

Both Forest Law and the Farmland Preservation Program incorporate the development and implementation of management plans to qualify for the tax relief. This rewards the landowner for being a good steward of their property, while providing many benefits to the people of Wisconsin.

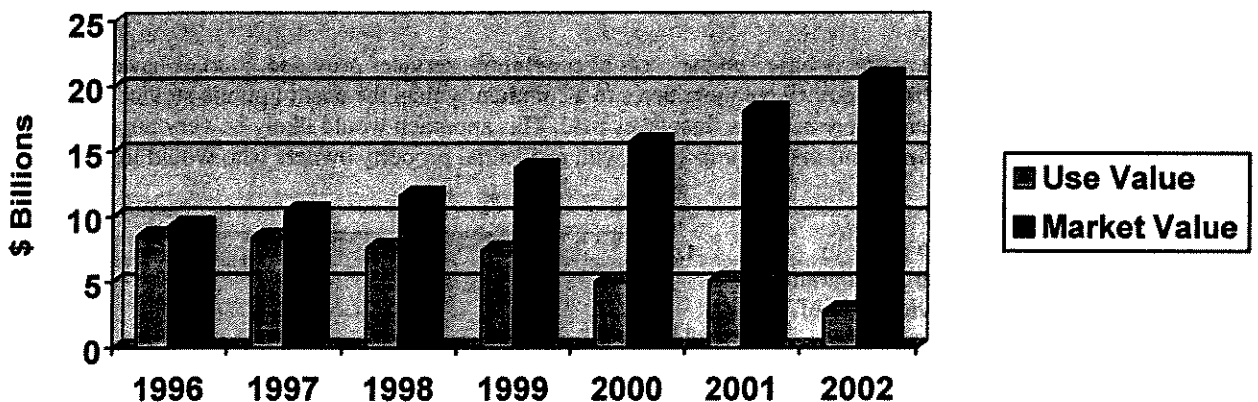


The other two, the Farmland Tax Relief Program and use value assessment, do not incorporate management plans or a conservation element. Without this component, a landowner that is allowing excessive cattle pasturing on stream banks or uses poor farm practices receives the same benefits as a farmer that has taken the initiative to fence stream banks or utilize contour strips and other soil saving farm practices.

## Woodland and Wetland Losses?

Use value assessment, which accounts for 81% of the tax relief provided to Wisconsin landowners in 2002 is resulting in some unexpected trends. With use value, farmland is assessed based on its productivity, rather than its full market value. Since 1996, agricultural land values have plummeted, and the associated taxes as well – accomplishing a major goal of the policy.

## Agricultural Land Values

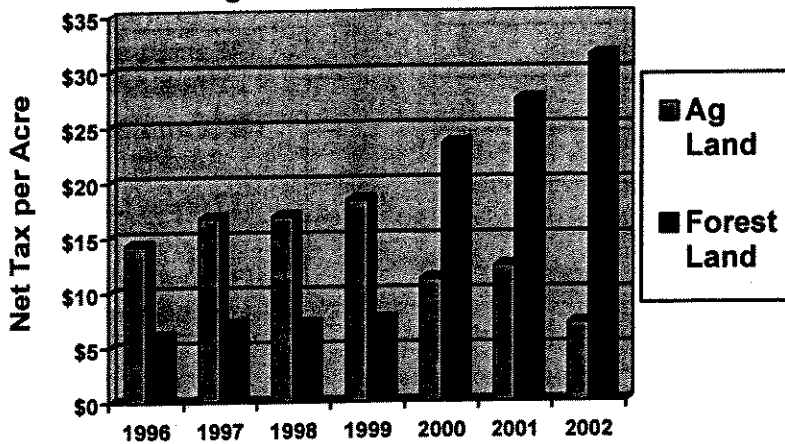


However, while owners of rural land saw their tax bills dropping on their agricultural lands, some were surprised to see their taxes increasing on improvements on their lands, as well as on their woodlands and wetlands. For instance, in the Town of Coon in Vernon County, the net tax per acre on woodlands was \$5.98 in 1996. By 2002, taxes had skyrocketed to \$31.39 per

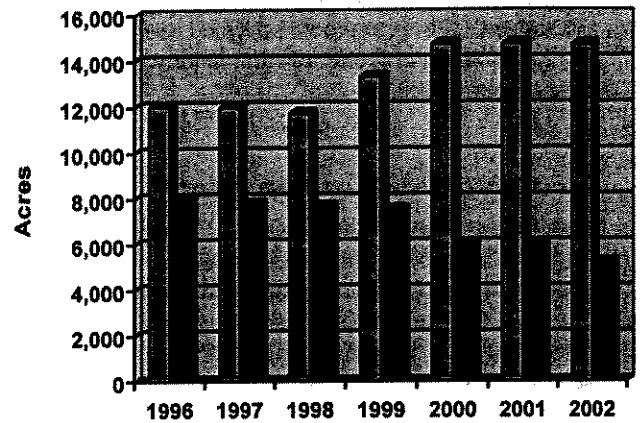
acre. Landowners, as a result, have found it to be more cost-effective to convert woodlands to pasture. The same trend is being observed in wetlands.

### Town of Coon, Vernon County

**Changes in Net Tax per Acre**



**Changes in Land Class**



The conversion of wooded hillsides and wetlands to pastures or crop fields is in direct contradiction to years of conservation efforts geared towards removing marginal lands from farm production. The benefits of conserving marginal croplands, wooded hillsides and wetlands include the prevention of excessive soil erosion, preservation of water quality, improvement of fish and wildlife habitat, and reduction of flash flooding.

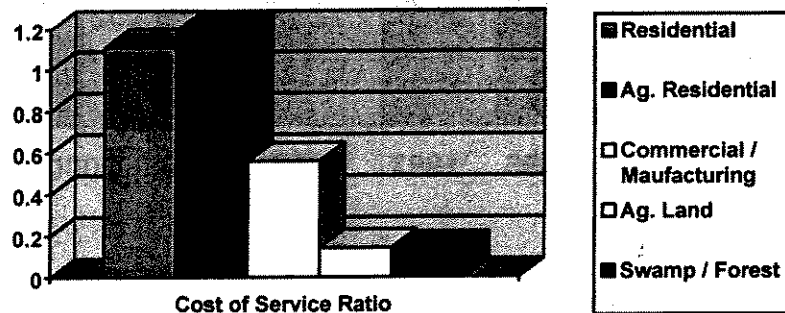
#### Win/Win for Landowners and the State?

In April 1974, the Wisconsin Constitution was amended to state that the "(t)axation of agricultural land and undeveloped land, both as defined by law, need not be uniform with the taxation of each other nor with the taxation of other real property." (Article VIII, §1).

One option is to develop a tax policy that incorporates concepts from Forest Law and the Farmland Preservation Program to encourage preservation of Wisconsin's natural resources by rewarding landowners who are good stewards of their property. In exchange, all of Wisconsin's citizens would benefit from better water quality, enhanced wildlife habitat, and fewer flood disasters.

Another option would be to tax property based on the costs of community services provided. Studies have shown that agricultural lands and swamps/forest contribute more taxes to a community than the cost of public services they receive, subsidizing residences that receive more services than taxes paid. This approach would likely be very popular with owners of undeveloped and agricultural lands, but may be unpopular with residential property owners who would likely see their taxes rise.

The chart at right summarizes a study by the Wisconsin Land Use Research Program at UW-Madison. A cost of service ratio of greater than 1 indicates a particular land use costs more than the revenue it provides. A ratio of less than 1 indicates a land use provides more revenue to a community than it requires in costs of public services. The table is an average of the results found in eight Wisconsin towns.



## Halverson, Vicky

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**From:** Wedepohl, Richard E  
**Sent:** Thursday, December 11, 2003 1:36 PM  
**To:** Halverson, Vicky  
**Cc:** Heinen, Paul H  
**Subject:** tax incentives



Taxprogramincentiv  
es.doc

Vicky, here's three slides that we think help provide some perspective on rural taxation issues and explain why some of the issues being raised are happening. Please feel free to contact me as necessary. Thanks.

**Halverson, Vicky**

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**From:** Halverson, Vicky  
**Sent:** Monday, December 22, 2003 8:56 AM  
**To:** Wedepohl, Richard E  
**Subject:** RE: ab650

AB 650 -  
Kestell Bill  
Mtg. set for  
Jan. 7th - 9:30

Mr. Wedepohl;

Work continues on a compromise amendment to AB 650. The parties involved met the week before last, and plan to meet again on the 7th of January. I expect that drafting instructions will be issued shortly thereafter.

Vicky Halverson  
Rep. Michael "Mickey" Lehman's Office

-----Original Message-----

**From:** Wedepohl, Richard E  
**Sent:** Monday, December 22, 2003 8:23 AM  
**To:** Halverson, Vicky  
**Cc:** Heinen, Paul H  
**Subject:** ab650

Hi Vicki, just checking to see where we might be with this bill. Thanks for any info.

## Halverson, Vicky

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**From:** Ford, William  
**Sent:** Wednesday, January 07, 2004 11:23 AM  
**To:** Kreye, Joseph; Lehman, Michael; Kestell, Steve; Wood, Wayne; Helgerson, Jason; Gates-Hendrix, Sherrie; Wedepohl, Richard E; 'pzimmerman@wfbf.com'; 'Rcliff@wfbf.com'

To: Joe Kreye

From: William Ford

Re: Substitute Amendment to Assembly Bill 650

Please draft a substitute amendment to 2003 Assembly Bill 650 for Rep. Kestell that reads as follows:

"Agricultural forest land" means land that is:

1. Producing or is capable of producing commercial forest products and is located on a parcel that contains land that is classified as agricultural land in the property tax assessment on January 1st, 2004; or
2. Producing or is capable of producing commercial forest products and is located on a parcel at least 50 percent of which, by acreage, was converted to land classified as agricultural land in the property tax assessment on January 1st, 2005, or thereafter.

Rep. Lehman would like to have the substitute amendment ready for the Assembly Ways and Means Committee to take executive action on as soon as possible. Please contact me (266 -- 0680) with any questions or comments. Thank you, Joe.

0.

**Halverson, Vicky**

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**From:** Matzen, David  
**Sent:** Wednesday, January 07, 2004 4:49 PM  
**To:** 'pzimmerman@wfbf.com'; Lehman, Michael; Halverson, Vicky; 'rcliff@wfbf.com'  
**Subject:** Substitute Amendment on AB 650

*Mickey,  
I forwarded a copy to  
Bill. VH*

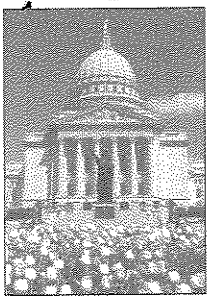


03s02911.pdf

e have the jacket for the sub, Rep. Kestell wants everyone to look it over to see if it looks o.k. -Thanks, Dave

-----Original Message-----

**From:** Kestell, Steve  
**Sent:** Wednesday, January 07, 2004 4:17 PM  
**To:** Matzen, David  
**Subject:**



Michael (Mickey)  
**Lehman**

State Representative  
99th Assembly District

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Committee Chair: Ways and Means

## Memorandum

To: Ways & Means Committee Members

From: Rep. Michael "Mickey" Lehman *Mickey*

Date: January 20, 2004

Re: Revision of the Substitute Amendment to AB 650

Attached is a revised version of the substitute amendment to AB 650. The only change is the applicability date on page 2, line 10, from January 1, 2004 to January 1, 2005. This change was requested by the Department of Revenue, and was agreed to by the parties involved.

A reminder that the Executive Session will begin promptly at 9:30 a.m. tomorrow.



AB650

Vote Record  
Committee on Ways and Means

Date: 1/21/04  
Moved by: W Wood Seconded by: Kerkman  
AB \_\_\_\_\_ SB \_\_\_\_\_ Clearinghouse Rule \_\_\_\_\_  
AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment \_\_\_\_\_  
AR \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

A/S Amdt \_\_\_\_\_  
A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_  
A/S Sub Amdt 0291/4  
A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_  
A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

- Be recommended for:  
 Passage     Adoption     Confirmation     Concurrence     Indefinite Postponement  
 Introduction     Rejection     Tabling     Nonconcurrency

Committee Member	Aye	No	Absent	Not Voting
Representative Michael Lehman, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Stephen Nass	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Lasee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Lothian	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Wayne Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Leon Young	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terese Berceau	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Johnnie Morris	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>10</u>	<u>3</u>	<u>1</u>	<u>    </u>

Motion Carried     Motion Failed

AB450

Vote Record  
Committee on Ways and Means

Date: 1/21/04

Moved by: J. Wood

Seconded by: W. Wood

AB \_\_\_\_\_

SB \_\_\_\_\_

Clearinghouse Rule \_\_\_\_\_

AJR \_\_\_\_\_

SJR \_\_\_\_\_

Appointment \_\_\_\_\_

AR \_\_\_\_\_

SR \_\_\_\_\_

Other \_\_\_\_\_

A/S Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_

A/S Sub Amdt 0291/4

A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

Be recommended for:

- Passage
- Adoption
- Confirmation
- Concurrence
- Indefinite Postponement
- Introduction
- Rejection
- Tabling
- Nonconcurrence

Committee Member	Aye	No	Absent	Not Voting
Representative Michael Lehman, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Stephen Nass	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Lasee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Lothian	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Wayne Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Leon Young	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terese Berceau	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Johnnie Morris	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>13</u>	<u>0</u>	<u>1</u>	<u>    </u>

Motion Carried

Motion Failed