



Jeff Mursau

STATE REPRESENTATIVE • 36TH ASSEMBLY DISTRICT

Assembly Committee on Forestry, Parks, and Outdoor Recreation
AB 856 – Managed Forest Law Program
February 4, 2020

Fellow Committee Members -

Thank you for the opportunity to testify in support of AB 856, related to changes to the Managed Forest Law (MFL) program.

The MFL program was created in 1985 to replace the less popular Forest Crop Law. Both laws were intended to encourage sustainable forestry practices to ensure a constant stream of fiber for the second largest industry in Wisconsin, while at the same time providing recreational opportunities for the general public.

To participate in the MFL program, landowners designate property as “Open” or “Closed” to public access for recreation, and commit to a 25 or 50 year sustainable forest management plan. The plan sets the schedule for specific forestry practices, which landowners must complete. In return, MFL participants pay a reduced property tax rate.

According to a new national study by the National Alliance of Forest Owners, Wisconsin was first in the Midwest in the number of timberland acres (16.5 million), total employment in the forestry sector (174,848) and value of timber sales (\$21.6 billion). The report also showed an increase in employment in the forestry sector of nearly 5% and timber sales were up nearly 10 percent.

These figures highlight a need to encourage enrollment in MFL by private landowners. They own more than sixty-percent of all forest lands; and, two-thirds of the wood harvested in Wisconsin comes from their forestlands. Our timber industry wouldn't be what it is today without the commitment of private woodland owners to actively manage their woods for the ecological and economic health of our state.

In 2015, I introduced a bill along with Senator Tiffany that was a major overhaul of the MFL program. That is now 2015 WI Act 358. Now that a couple of years have passed we know the changes we made have been largely beneficial to the program, but we're aware of some areas we need to tweak and that's what bring us here today.

AB 856 is a collaboration of efforts between my office, the DNR, and private woodland owners to encourage even greater participation. During the rule-making process the department identified several areas where they felt it was necessary to clarify legislative intent. Those are most notably related to allowing leasing on MFL land, determining when something is a material change, and allowing the DNR flexibility on assessing a withdrawal tax and fee if part of the land in the program no longer meets eligibility.



Additional provisions include:

- Smaller portions of land that are not contiguous to each other could be combined to meet the 20 acre minimum entry. The smaller portions of land would need to be at least 10 acres, under the same ownership, and contained in a tract of contiguous land.
- Allows a building and improvement on MFL land if the building is used exclusively for storage
- Allows an addition of any size to an existing MFL plan as long as it meets specific eligibility requirements
- Removes a provision that a building on MFL is taxed as personal property

My goal is, and has always been, to pass meaningful legislation that support the sustainability of our forests while balancing the accessibility of the private lands to the public for recreational purposes. I'm confident that together we can find that proper balance and move this bill forward.

I would be happy to try to answer any questions you may have.

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Assembly Committee on Forestry, Parks and Outdoor Recreation

2019 Assembly Bill 856 *The managed forest land program* *February 4, 2020*

Good afternoon Chairman Mursau and members of the Committee. My name is R.J. Wickham, and I am the Tax Law Section Chief with the Wisconsin Department of Natural Resources. Thank you for the opportunity to testify, for informational purposes, on Assembly Bill 856 (AB 856), relating to the Managed Forest Law (MFL) program.

AB 856 makes numerous changes to the MFL program to include recommendations made by the Department to further clarify 2015 Wisconsin Act 358, which was signed into law in April 2016 and established added flexibility for MFL landowners.

Overall, the Department is supportive of the changes included in the bill and appreciates the continued efforts of the bill author and this Committee to pursue legislation that will help improve the administration of the MFL program. Furthermore, the Department is committed to better serving the people of Wisconsin and their resources by:

- Streamlining administrative processes
- Upholding the intent and purpose of MFL to produce forest products through sound forestry
- Maintaining public support of the program
- Maintaining municipal and local government support of the program

On behalf of the Division of Forestry, Bureau of Forestry Field Operations, I would like to thank you for your time today. I welcome the opportunity to discuss the bill in greater detail and I am happy to answer any questions you may have. Katharine Haan, a DNR Tax Law Compliance Specialist, is also present and available to address questions.



**Testimony on Assembly Bill 856
Committee on Environment and Forestry**

**Wisconsin Alliance of Forest Owners
February 4, 2020**

Mr. Chairman and Committee Members:

My name is Richard Wedepohl and I'm representing the Wisconsin Alliance of Forest Owners, a trade association that represents the interests of Wisconsin's private woodland owners, including the over 40,000 landowners who have MFL orders. We are tree farmers who manage 59% of Wisconsin's forest land and who provide 67% of the raw material needed to support Wisconsin's \$20 billion forest industry. Additionally, our woodlands are directly tied to two of the State's other biggest economic engines: our woods provide the beautiful backdrop for the Wisconsin tourism economy and also the wildlife habitat and hunting grounds for our State's hunting economy and heritage. No other rural land type offers more to Wisconsin's diverse economy, legacy and future than private woodlands. Thank you for the opportunity to provide testimony on this bill.

Since its inception almost 30 years ago, tree farmers have embraced the MFL program as a means to allow them to sustainably grow trees and keep land in forest. In exchange for committing to keep their land as a productive forest for the next 25 years, they were provided a differential tax rate that recognized that growing a crop of trees requires a long term commitment. These tree farmers also agreed, in return, to follow a management plan that commits them to providing the raw material needed to sustain our forest products industry. Good steps were made with ACT 358 which revised the MFL in 2015. The cleanup issues associated with this bill are something that I believe we all can agree upon.

WAFO POSITIONS ON THIS BILL

First, WAFO wants to acknowledge the work done on MFL by many fine people over the past several years. With this bill we wish to thank Representative Mursau for taking the initiative to get this job done. Additionally we want to thank the DNR who has worked hard to implement the new program and identified language with this bill that helps clarify the intent of ACT 358. We support:

- **Allowing landowners to be able to construct a shelter, shed or garage that is needed for storage of equipment necessary to manage their woodlands.** This bill clarifies language with ACT 358 related to structures and improvements. Current language under s.77.82(1)(bp)g states that "Structures and fixtures that are needed for sound forestry practices" may be allowed. However, the DNR felt that, given other language in the bill that limits construction,



Wisconsin Alliance of Forest Owners

promoting healthy & productive woodlands

they were uncomfortable allowing sheds or garages for equipment storage without more clarification. This bill would directly state that structures necessary to store equipment such as saws, tractors or other tools needed to actively manage their woodlands would be allowed.

- **Allow local municipalities to assess structures on MFL land as improvements rather than having to tax them as personal property.** Current law requires that any structures such as sheds or garages located on MFL land be taxed as “personal property” rather than being taxed as an improvement. Given that some municipalities already tax structures as an improvement while others follow the more complex personal property procedure, we are supportive of this change. Quite simple, landowners support this change because they understand current assessment practices and don’t like to have to deal with separate tax bills.
- **Allow landowners to meet the new, minimum 20 acre, enrollment size by being able to aggregate wooded parcels of 10 acres or larger to meet that requirement.** Many landowners have wooded areas on their property that are separated by non-wooded area such as wetlands or agricultural fields. This bill would allow these smaller areas to be enrolled in the program and then be actively managed similar to the other woods on a landowner’s property.
- **The many other provisions which have been designed to clear up some inconsistencies found with the original law.**

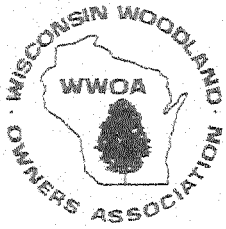
Where the Managed Forest Law Still Falls Short

- **No reduction of the special State tax landowners must pay.** WAFO strongly recommends that the growing of timber be recognized as an agricultural crop. MFL tax rates need to be compatible with those applied to other agricultural lands if we expect landowners to grow the fiber needed by our forest products industry in a profitable manner. The current \$10.68/acre rate is excessive, greatly exceeding the average \$3.17/acre property tax paid on other agricultural lands. We also do not understand why actively managed woodlands do not qualify for the M&A tax credit. If we want to keep actively managed forests on our landscape the current tax structure needs to be revised if we want to keep tree farmers actively managing their woodlands as a viable business venture.

Thank you for this opportunity to testify. Please know we very much want to work with you and other stakeholders to make the MFL an improved and sustainable program.

Respectfully submitted,

Richard Wedepohl
Wisconsin Alliance of Forest Owners



Wisconsin Woodland Owners Association, Inc.

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February 4, 2020

Assembly Committee on Forestry, Parks and Outdoor Recreation Public Hearing – Wisconsin Woodland Owners Association Testimony **Assembly Bill 856**

Mr. Chair and Committee Members,

I am Randy Cooper, President of the Wisconsin Woodland Owners Association (WWOA), representing the 350,000 plus private woodland owners who own more than 11 million acres in Wisconsin. I am a woodland owner in Waukesha and Oconto counties and a retired WI DNR forester. I have worked with the MFL program for 30 years as a forester and 20 years as a landowner. I have seen some of the ups and downs in the changes of the MFL program and some of the unintended consequences that result.

WWOA values the unique and important role the forest tax law programs play in Wisconsin. These programs are instrumental in supporting private woodland owners in their ownership and management of forestland using sustainable forestry practices for the good of our society through healthy and productive woodlands, economic benefits including diverse forest products and related jobs, and societal values such as beautiful scenery and opportunities for forest recreation.

The Wisconsin Woodland Owners Association (WWOA) supports the proposed language changes and has advocated for many of these changes since 2015 Wisconsin Act 358 was signed into law. We appreciate the opportunity to review and comment on Assembly Bill 856 pertaining to changes in the Managed Forest Law (MFL) program and clarifications of 2015 Wisconsin Act 358.

WWOA strongly supports eliminating the language in Act 358 that prevents buildings or improvements used exclusively for the storage of forestry equipment on MFL lands and supports applying this change to lands designated as MFL by an order first issued on July 1, 2016. WWOA also supports the change to allow municipalities to assess structures on MFL lands as improvements rather than personal property. One of the best ways to discourage landowners from using their forestry implements to assist in managing their woodlands sustainably is to make them haul equipment out to their land every time they need it. Equipment is expensive and the worst thing you can do is to leave it out in the weather. In addition, hauling equipment increases safety concerns.

WWOA supports additional opportunities for reaching the minimum acreage eligibility of 20 acres to enroll in the MFL program. *However, WWOA continues to advocate that the minimum acreage eligibility be set at 15 acres, in accordance with the Wisconsin Council on Forestry's recommendation from 2015.* WWOA opposed the 2015 change to a minimum of 20 acres as it discriminated against many landowners who have small tracts of forest land and want to promote sustainable forestry on their property. Not allowing smaller parcels to be entered into the MFL program further increases development pressure, and fragmentation and parcelization of these woodlands. Timber harvests of high value species are still viable on these smaller parcels.

The increase in minimum acres is unfair to many landowners in the more populated areas of the state where the remaining forests are important to the people who live and work there. These small parcels also have an increased value to wildlife due to the small percentage of forested cover compared to land cleared for development or agriculture.

WVWA supports the increased opportunities to lease MFL lands, as long as it isn't incompatible with the sound management of these forests and doesn't preclude the five public uses currently defined in statute under MFL open area provisions. WVWA has concerns that confusion and conflict will arise if leasing is allowed on MFL open lands for the five public uses (hunting, fishing, hiking, sight-seeing and cross-county skiing).

WVWA supports expanding the designation to withdraw lands that becomes unsuitable to produce merchantable timber due to environmental, ecological or economic concerns and that these landowners may not be assessed a withdrawal tax or fee. WVWA strongly encourages adding "animals" to the definition of natural disaster. Animal populations greatly impact forest productivity throughout the state and private landowners have very little control over regulating these populations. There are numerous examples where excessive deer populations adversely affect natural regeneration and new tree plantings. Examples include hemlock and cedar which are not able to be regenerated, and even difficulties with regenerating red oak, sugar maple and others in many areas of the state where deer browsing pressure is high.

Regarding "material changes" to MFL contracts, whether through a rule promulgation or statutory change, the MFL landowner needs to know *at the time the proposed language is released to the public for input* if what is being proposed is a "material change" to the program. The designation of a "material change" should not be made after an act is created or rules are already in place. Material changes need to be defined by a group of stakeholders including the private woodland owners who hold the majority of these contracts both in number and acreage. *In addition, "material changes" to the MFL program should not be limited to "orders entered into under prior rules" but should also include any newly proposed restrictions impacting existing contracts.*

WVWA appreciates the opportunity to share our thoughts on AB 856. Thank you for your consideration of our comments. WVWA is available to work with the Legislature, WI DNR and others to ensure that the MFL program remains sustainable and provides assistance to private woodland owners and the necessary raw materials for Wisconsin's forest industries to stay strong. Please feel free to contact me, if you have additional questions about my testimony.