



## Fiscal Estimate Narratives

DOR 8/24/01

LRB Number <b>01-3151/1</b>	Introduction Number <b>AB-476</b>	Estimate Type <b>Original</b>
<b>Subject</b>		
Property tax credit based on county timber sales		

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, a county board may annually request an interest-free loan from the Department of Natural Resources (DNR) of up to \$0.50 per acre to purchase, preserve, or maintain its county forests. When timber on county forest land is harvested, the county must make a severance payment to DNR of at least 20% of the gross proceeds as long as any county forest loans are outstanding. An additional 10% of the gross proceeds must be paid to the municipalities with county forest land based on their proportion of the acreage in the county forest. The county retains the remaining 70% of the gross proceeds to pay the operating costs of county forests and for other county expenditures.

This bill would require counties to distribute the net proceeds of timber sales on county forest land (assumed to be the 70% of gross proceeds retained by the county) as a "timber sales credit" on property tax bills for real estate parcels. A given year's credit would equal the prior year's net proceeds divided by the number of real estate parcels in the county. The credit would be reflected on property tax bills as a reduction in the county tax levy allocated to that parcel.

Based on data from the DNR, as of December 31, 2000, about 2,346,000 acres of land were enrolled in the county forest program. This land was located in 29 counties. Based on timber sales in 1999 as reported to the Department of Revenue on county financial report forms, 28 of the 29 counties with county forest land reported proceeds from timber sales. The total reported proceeds was about \$11.7 million. The net proceeds were therefore about \$8.2 million (\$11.7 million X 70%). It is estimated that the total number of taxable real estate parcels in the 28 counties is about 800,000. Thus, the statewide average credit would be about \$10 per parcel (\$8.2 million / 800,000). Credit amounts could vary considerably from county to county and from year to year, depending on the level of timber harvests and the market prices of timber.

By earmarking net proceeds from county forest timber sales for payment as a tax credit, these funds would not be available to pay the costs of operating county forests or other county expenditures. Therefore, if it is assumed that the affected counties maintain their current level of expenditures, their property tax levies would likely increase by the amount of the credit. Since the tax levy is apportioned to taxpayers in proportion to value and the credit is a flat amount per real estate parcel, there would be a shift in the net county tax levy from low value parcels to high value parcels.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 01-3151/1		<b>Introduction Number</b> AB-476	
<b>Subject</b>			
Property tax credit based on county timber sales			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$+ 8.2 million
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Daniel Huegel (608) 266-5705		Brian Pahnke (608) 264-9936	8/24/01