

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB #	01-2578/2
INTRODUCTION #	AB 247
Admin. Rule #	

**Subject**  
 Extension of Use Value Assessment to 9/10ths of Forest Land and Swamp and Waste Land

**Fiscal Effect**

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

<input type="checkbox"/> Increase Existing Appropriation	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Decrease Existing Appropriation	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriation	<input type="checkbox"/> Decrease Costs	

**Local:**  No Local Government Costs    **see text of fiscal note**

1. <input checked="" type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>special districts</u> <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEG-S	<b>Affected Ch. 20 Appropriations</b> Conservation Fund (State forestry taxes)
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**Assumptions Used in Arriving at Fiscal Estimate:**

Under current law, agricultural land is assessed according to its value in agricultural use. Agricultural use includes land that is tilled, pastured or enrolled in agricultural land conservation programs specified by administrative rule.

Under this proposal, for every acre of agricultural land owned, nine-tenths (9/10ths) of an acre of land currently classified Productive Forest or Swamp and Waste is also considered agricultural land subject to use value assessment, if the Productive Forest land or Swamp and Waste land is:

1. Contiguous to the agricultural land and
2. Owned by the person that owns the agricultural land.

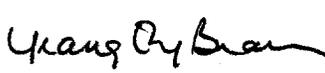
Land subject to use value assessment under the proposal would be assessed as pasture.

**A. Local Fiscal Effect**

According to the Wisconsin Department of Agriculture, Trade and Consumer Protection, the total acreage of farms was 16.3 million acres in 1999. According to the Department of Revenue, 12.8 million acres were classified Agricultural and 0.2 million acres were classified Other (i.e., farmhouses, barns, improvements and the underlying land) in 1999. Assuming the Agricultural and Other lands are located on farms, a maximum of about 3.3 (16.3 - 12.8 - 0.2) million acres is unaccounted for. The estimate assumes that this unaccounted for portion is currently classified Productive Forest or Swamp or Waste (hereafter, agricultural PFSW) and would be subject to use value assessment under the proposal. Under the foregoing assumptions, statewide, the number of acres of agricultural PFSW is 25.8% (3.3 million / 12.8 million) of the number of acres classified Agricultural.

(continued on page two)

**Long-Range Fiscal Implications:**

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Estimated value of agricultural PFSW under current law. The value of the 3.3 million acres of agricultural PFSW was estimated in four steps. First, the per acre value of agricultural PFSW for each municipality was estimated as the average of the per acre value of Productive Forest and the per acre value of Swamp and Waste in that municipality. Second, the number of agricultural PFSW acres in each municipality was estimated as 25.8% of the total Agricultural acres in that municipality; this calculation assumes that the agricultural PFSW acreage is 25.8% of the acreage classified Agricultural in each municipality, the same as the statewide percentage. Third, the total value of agricultural PFSW by municipality is determined by multiplying the per acre value of agricultural PFSW by the estimated number of agricultural PFSW acres for each municipality. Finally, summing the values of agricultural PFSW by municipality produced a statewide total value of agricultural PFSW of \$2.0 billion in 1999.

Use value of agricultural PFSW under the proposal. The Department publishes annually a use value guideline for pasture in each municipality. The use value of agricultural PFSW under the proposal is calculated as the sum of the products of the DOR guideline for pasture in each municipality times the estimated number of acres of agricultural PFSW in that municipality. The estimated 3.3 million acres of agricultural PFSW had a statewide value of \$473 million in 1999.

Reduction in property value and property tax shift. Although the 3.3 million acres of agricultural PFSW are only 25.8% of the Agricultural land on farms statewide, the percentage of Productive Forest and Swamp and Waste on farms increases and the percentage of Agricultural land decreases as one moves north. This means that the limit of 9/10ths of an acre of agricultural PFSW for each acre of Agricultural land will likely exclude some Productive Forest or Swamp and Waste that would otherwise be assessed at use value under the proposal. Such exclusions would be more likely in the northern parts of the state than in the southern. In addition, some Productive Forest and Swamp and Waste on farms may not meet the contiguity or ownership requirements to qualify as agricultural PFSW under the proposal.

Therefore, it is assumed that 50% of the 3.3 million acres of agricultural PFSW would be subject to use value assessment under the proposal. Statewide, 50% of the estimated value of agricultural PFSW, \$1 billion, (50% x \$2.0 billion) minus the value of that land assessed according to use value, \$237 million, (50% x \$473 million) is \$763 million (\$1.0 billion - 237 million). Assuming 50% of the agricultural PFSW in each municipality was assessed under the proposal, at the 1999 net tax rate for that municipality, a total of \$14.5 million in property taxes would be shifted from Productive Forest and Swamp and Waste to other taxable property.

#### B. State Fiscal Effect

Assuming 50% of the 3.3 million acres of agricultural PFSW was subject to use value assessment under the proposal, SEG state forestry taxes would decrease by about \$153,000 (\$763 million x 0.0002).

#### C. State and Local Administrative Costs

Based on discussions with assessors and with Department of Revenue (DOR) appraisers, municipalities and DOR would incur costs, primarily in the first year, to identify parcels of agricultural PFSW under the proposal. Data are not available to estimate these costs.

YEB  
3/13/01

