

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number **03-1310/2** **Introduction Number** **AB-323**

Subject
 Various changes to laws regarding managed forest land

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations
 Decrease Existing Revenues
 Yes No
 Create New Appropriations
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs	3. <input checked="" type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input checked="" type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS 20.370 (5)(bv)

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Fiscal Estimate Narratives

DOR 7/8/2003

LRB Number	03-1310/2	Introduction Number	AB-323	Estimate Type	Corrected
Subject					
Various changes to laws regarding managed forest land					

Assumptions Used in Arriving at Fiscal Estimate

The bill makes several changes to the Managed Forest Law (MFL) program. The fiscal effect of the increase in the filing fee for MFL entry petitions, increase in the number of acres that can be closed to public access, changes in management plan requirements, implementation of a withdrawal fee and a noncompliance fee, changes to renewal provisions, and fees for document recording are not within the expertise of the Department of Revenue (DOR) and are therefore not covered in this fiscal note.

The bill also creates a grant program for the purchase of land for outdoor recreation funded from the "closure fee" paid by MFL landowners. This program would be administered by the Department of Natural Resources (DNR) and is therefore not covered in this fiscal note.

LANDOWNER ANNUAL PAYMENTS - CURRENT LAW

Land enrolled under the MFL program is exempt from property taxes. Owners are required to make an annual "acreage share" payment to the town or village. Enrolled land is generally open to public hunting and recreational access. However, landowners can opt to close up to 80 acres to public access by paying an annual "closure fee".

Landowners make their payments to the municipality where the land is located. For the "acreage share" payment on open land, the municipality retains 80% and remits 20% to the county. For the "closure fee", the entire payment is remitted to the DNR. (It should be noted that an owner of closed acreage pays both the "acreage share" and "closure fee".)

The "acreage share" and "closure fee" are recalculated by DOR every five years. The revised payments are determined by multiplying a ratio and a base. The ratio equals the most recent property tax per acre for agricultural, swamp and waste, and taxable forest property (as defined by 1993 statutes) divided by the property tax per acre for the same classes of property in 1986. The base equals the payments used when the MFL was enacted in 1985, or \$0.74 per acre for the "acreage share" and \$1.00 per acre for the "closure fee".

The last recalculation was done in 2002, based on property taxes for the 2001/02 tax year. The revised rates will apply to payments billed in December 2003 (payable in 2004) through December 2007 (payable in 2008). The "acreage share" will be \$0.83 per acre and the "closure fee" will be \$1.12 per acre (resulting in a total payment of \$1.95 per acre).

The next recalculation is due to be made in 2007, based on property taxes for the 2006/07 tax year. These revised payment amounts will determine landowner payments billed in 2008 to 2012.

LANDOWNER ANNUAL PAYMENTS - UNDER THE BILL

Beginning with the recalculation in 2007, the base will be the statewide property tax per acre on taxable forest and swamp and waste land. The "acreage share" will be 5% of this average tax per acre. The "closure fee" will be 20% of this average tax per acre. The revised rates will be used to determine landowner payments billed in 2008 to 2012. As under current law, DOR will be required to recalculate these payments every 5 years.

The property taxes levied on a class of property in a municipality can be estimated by determining the percentage of the municipality's total assessed value in that property class. Based on assessed values, assessed acres, and property tax levies in each municipality across the state, the statewide total net property tax on forest land and swamp and waste land for 2001/02 was \$124,828,587 and the total

assessed acreage was 9,348,857. The statewide average net property tax per acre was therefore about \$13.35 per acre ($\$124,828,587 / 9,348,857$). If this bill had been in effect for the 2002 recalculation, the payments billed in 2003 to 2007 would have been as follows:

The "acreage share" would have been \$0.67 per acre ($\$13.35 \times 5\%$), or \$0.16 per acre less than under current law. Based on the total acres enrolled under the MFL in 2002 of about 2.23 million, this would reduce total "acreage share" payments by \$356,800, of which \$285,440 would be lost by municipalities and \$71,360 would be lost by counties.

The "closure fee" would have been \$2.67 per acre ($\$13.35 \times 20\%$), or \$1.55 higher than under current law. Based on the total MFL acres closed to public access in 2002 of about 1.05 million, this would increase total "closure fee" payments by \$1,627,500 all of which would accrue to the state. This fee would be remitted to the DNR.

YIELD AND WITHDRAWAL TAXES

Under current law, when timber on MFL land is harvested, a "yield tax" is imposed at a rate of 5% of the value of the merchantable timber cut. A landowner who withdraws land from the MFL program must pay a "withdrawal tax" equal to the greater of (a) the real estate taxes that would have been levied on the land minus "acreage share" and "yield tax" payments that were paid, or (b) 5% of the stumpage value of the merchantable timber on the land. DNR retains 50% of these taxes, and remits the other 50% to the municipality where the land is located. The municipality retains 80% of the proceeds and remits 20% to the county.

Under the bill, the "yield tax" would not be imposed during the first five years of an MFL contract and the entire proceeds of any "yield tax" and "withdrawal tax" collections would be remitted to the municipality where the land is located. DOR is unable to estimate the "yield tax" that would be foregone by exempting harvests in the first five years of an MFL contract. For purposes of this estimate, it is assumed that this would have a minimal effect on payments.

Based on data for DNR payments to municipalities in 2002, the total "yield tax" and "withdrawal tax" is estimated to have been about \$2,100,000. The state retained \$1,050,000 and remitted \$1,050,000 to municipalities. Municipalities retained \$840,000 and remitted \$210,000 to counties. Under the bill, the entire \$2,100,000 would have been remitted to municipalities. Municipalities would have retained \$1,680,000 and remitted \$420,000 to counties.

NET FISCAL EFFECT

State: State revenue from the "closure fee" would increase by \$1,627,500. State expenditures would increase by \$1,050,000 due to the increase in the "yield tax" and "withdrawal tax" returned to local governments.

Municipal: The decrease of \$285,440 in "acreage share" payments plus the increase of \$840,000 from the "yield tax" and "withdrawal tax" would result in a net increase in revenues of \$554,560.

County: The decrease of \$71,360 in "acreage share" payments plus the increase of \$210,000 from the tax" and "withdrawal tax" would result in a net increase in revenues of \$138,640.

These fiscal effects were based on acres enrolled under the MFL program for 2002. When the bill's provisions on "acreage share" and "closure fee" payments take effect for billings in December 2008, the number of acres enrolled under the program and therefore the fiscal effect will differ from the figures shown above. The amount of "yield tax" and "withdrawal tax" collected in a given year can vary, depending on the amount of timber harvests and landowner actions regarding withdrawal. Thus, the amounts used above may not be representative of collections that may occur in future years.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect.

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LRB Number 03-1310/2		Introduction Number AB-323	
Subject			
Various changes to laws regarding managed forest land			
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 funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance	1,050,000		
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$1,050,000		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S	1,050,000		
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	1,627,500		
TOTAL State Revenues	\$1,627,500		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$1,050,000		\$
NET CHANGE IN REVENUE	\$1,627,500		\$\$693,200
Agency/Prepared By		Authorized Signature	Date
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