Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-0844/1**	Introduction Number **AB-44**

Subject

Definition of agricultural land

Fiscal Effect

State:

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

Local:

☐ No Local Government Costs
☐ Indeterminate
1. ☒ Increase Costs ☐ Permissive ☒ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☒ Towns ☒ Village ☒ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS State forestry tax

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 3/6/2003

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Assumptions Used in Arriving at Fiscal Estimate

Under current law, agricultural land is assessed according to the income generated from its agricultural use; all other property is assessed based on the full value that ordinarily could be obtained at a private sale. Agricultural land is defined by rule to mean land in agricultural use for the production season of the prior year and not in a use that is incompatible with agricultural use on January 1 of the assessment year. Acreage not in agricultural use for the production season or incompatible with agricultural use, and thus not eligible for use value assessment, may include land necessary for agricultural buildings and undeveloped land such as forest land or swamp and waste.

Under the bill, agricultural land would include land that meets all of the following criteria:

1) Is within the quarter quarter section (typically 40 acres) of agricultural land;
2) Is owned by the person who owns the quarter quarter section;
3) Is so covered with trees or woody vegetation or so highly erodible because the land is steep, shallow or consisting of coarse soil or low organic matter or so rocky that is impractical to use the land for pasture or for growing crops;
4) Is not eligible for the Managed Forest Law program; and
5) Has not been rented or leased for nonagricultural purposes in the prior year.

The assessed value of an acre of land that meets these criteria would be the average of the value of an acre of pasture in the previous year and the value of an acre of swamp or waste in the previous year. Such valuation would be limited to 25% of the acreage of the quarter quarter. If land that meets the criteria comprises more than 25% of the acreage of the quarter quarter, all land would be subject to market–based assessment.

Local Fiscal Effect

According to the Department of Agriculture, Trade and Consumer Protection, farms consisted of 16.2 million acres in 2001. According to the Department of Revenue, 12.8 million acres were classified Agricultural and 0.2 million acres were classified as Other (i.e. farm improvements and the underlying land) in 2001. Thus, it can be assumed that approximately 3.2 million acres (16.2 million – 12.8 million – 0.2 million) could be land on farms that is wooded or swamp land that could not be cultivated or used as pasture. It is estimated that the potential number of acres of affected wooded/swamp land on farms statewide is 25% (3.2 million/12.8 million) of the number of acres classified as Agricultural. It is estimated that the potential number of affected acres in each municipality is equal to 25% of land classified as Agricultural in the municipality.

The 2001 value of affected wooded/swamp land on farms in each municipality is estimated to be the acreage of wooded/swamp land on farms in the municipality (i.e. 25% of agricultural land) multiplied by the per acre average of the 2001 equalized value of forest land and swamp and waste in that municipality. Statewide, the 2001 value of affected wooded/swamp land on farms is $3.1 billion. Assuming 15% annual growth for forest and swamp and waste land values, the 2003 value of affected wooded/swamp land on farms is estimated to be $4.1 billion under current law.

Under the bill, the value of an affected acre would be equal to the average of the value of an acre of pasture land in the previous year and the value of an acre of swamp or waste land in the previous year. The 2002 statewide average value of pasture was $70 per acre; the 2002 statewide average equalized value for swamp land is estimated to be $694 per acre. The statewide average full value of affected wooded/swamp land on farms under the bill would be $382 [($70 + $694)/2]. Thus, under the bill, the 3.2 million potential acres would be valued at $1.22 billion [3.2 million x $382].

If all 3.2 million acres would meet the new definition of agriculture under the bill, the bill would result in a $2.88 billion decrease in equalized value [$4.1 billion – $1.22 billion] for affected property. Assuming a 2003/04 net tax rate of $20.30 per $1,000 of equalized value, the bill would result in a potential shift of $58.5 million [$2.88 billion x .02030] from owners of affected wooded/swamp land on farms to owners of other taxable property.

It is unlikely that the entire 3.2 million acres would meet all the criteria required under the bill. Assuming that 25% of the potential acres would be affected, the bill would result in a decrease in equalized value of $720 million [$2.88 billion x .25] and a shift of $14.6 million from affected property to owners of other taxable property.

Local assessors would incur costs to identify wooded/swamp land on agricultural parcels that satisfy the criteria required under the bill. In particular, local assessors would be required, under the bill, to determine the percentage of the quarter quarter that is woody/swamp land and whether the affected acres would qualify for the Managed Forest Law program. To the extent that acres in excess of 25% of the quarter quarter would not qualify for preferential valuation, the bill will likely result in increased appeals to the local assessor and local boards of review regarding the classification of total acreage. Local assessment costs in rural areas are expected to increase significantly under the bill.

State Fiscal Effect

Assuming that 25% of the potential acreage would be affected, the bill would result in a decrease in SEG state tax forestry taxes of $144,000 [$720 million x .0002].

The bill would result in increased department costs associated with the necessary adjustments to computer programs used in equalization of property values. It is estimated that approximately 275 computer programming hours would be required at a cost of $15,300. The bill will result in increased staff time to train and assist local assessors and taxpayers, the cost of which can be absorbed.

Long-Range Fiscal Implications

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Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

$15,300 in computer programming costs.

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		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$**	**$**
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S (State)		-144,000
TOTAL State Revenues	**$**	**$-144,000**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$	$See
NET CHANGE IN REVENUE	$-144,000	$See

Agency/Prepared By	**Authorized Signature**	**Date**
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