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☛ (FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Forestry...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (July 2013)

Assembly

Record of Committee Proceedings

Committee on Forestry

Assembly Bill 1011

Relating to: the determination of the value of timber for purposes of assessing a yield tax.

By Representatives Wieckert, Mursau, Musser, Albers, Owens, Gunderson, Bies, Townsend, Petrowski, Ott and Pettis; cosponsored by Senators Roessler, Lassa and Brown.

February 10, 2006 Referred to Committee on Forestry.

February 14, 2006 **PUBLIC HEARING HELD**

Present: (5) Representatives Friske, Mursau, Ainsworth,
Hubler and Boyle.
Absent: (1) Representative M. Williams.

Appearances For

- Scott Becher, Madison — Representative Steve Wieckert - 57th Assembly District
- Gene Francisco, Sun Prairie — Executive Director, Wisconsin Professional Loggers Association
- John Czerwonka, Wittenberg — Wisconsin Woodland Owners Association
- Dale Zaug, Tigerton — Wisconsin Woodland Owners Association

Appearances Against

- Robert Mather, Madison — Department of Natural Resources
- Richard Stadelman, Shawano — Wisconsin Towns Association

Appearances for Information Only

- None.

Registrations For

- Joe Hovel, Conover
- William Fucik, Ladysmith — Wisconsin Woodland Owners Association - NW Chapter

Registrations Against

- Gary Vander Wyst, Butternut — Society of American Foresters - Wisconsin Chapter

- Matt Stohr, Madison — Wisconsin Counties Association

March 14, 2006

EXECUTIVE SESSION HELD

Present: (5) Representatives Friske, Mursau, Ainsworth, M. Williams and Hubler.

Absent: (1) Representative Boyle.

Moved by Representative Mursau, seconded by Representative M. Williams that **Assembly Substitute Amendment 1** be recommended for adoption.

Ayes: (5) Representatives Friske, Mursau, Ainsworth, M. Williams and Hubler.

Noes: (0) None.

Absent: (1) Representative Boyle.

**ASSEMBLY SUBSTITUTE AMENDMENT 1 ADOPTION
RECOMMENDED, Ayes 5, Noes 0**

Moved by Representative Hubler, seconded by Representative M. Williams that **Assembly Bill 1011** be recommended for passage as amended.

Ayes: (5) Representatives Friske, Mursau, Ainsworth, M. Williams and Hubler.

Noes: (0) None.

Absent: (1) Representative Boyle.

PASSAGE AS AMENDED RECOMMENDED, Ayes 5, Noes 0


Tim Gary
Committee Clerk

Vote Record Committee on Forestry

Date: 3-14-06

Moved by: Rep. Hubler

Seconded by: Rep. Williams

AB 1011 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Donald Friske, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Mursau	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Hubler	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Boyle	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>5</u>	<u>0</u>	<u>1</u>	<u> </u>

Motion Carried

Motion Failed

Vote Record Committee on Forestry

Date: 3-14-06

Moved by: Rep. Mursau

Seconded by: Rep. Williams

AB 1011 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt 1
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Donald Friske, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Mursau	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Hubler	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Boyle	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>5</u>	<u>0</u>	<u>1</u>	<u> </u>

Motion Carried

Motion Failed



December 5, 2005

Rep. Steve Wieckert
Room 16 West State Capitol
P.O. Box 8953
Madison 53708

Re: Timber Yield Tax Assessment Bill

Dear Rep. Wieckert:

Wisconsin Family Forests strongly supports your bill regarding the calculation of the yield tax on timber products. This solution will address the salvaged timber issue and it will also be fairer for each individual landowner.

As you know the recent Cottonville fire damaged a large amount of standing timber. The salvaged timber brought the owner only 25% of the stumpage value. This bill will simplify the calculation and avoid the additional stress of paying an excessive tax at a time when one's woods and life's work have been destroyed.

This bill will also address the inflated calculated price that is currently being used. The current price includes state and county land which typically bring an above average price because of its size, location and familiarity with the players. This approach will reflect the local logging cost, transportation cost and proximity to the mill. It is also straight forward and easy for the landowner to understand.

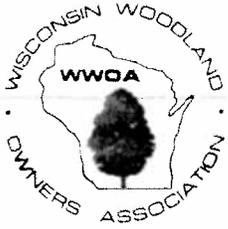
To base the tax on what one actually receives seems to be the fairest approach from the viewpoint of the individual. Thank you for sponsoring this effort. The woodland owners of Wisconsin appreciate your effort and support.

Sincerely,


Gerry Mich

Executive Director





Wisconsin Woodland Owners Association, Inc.
P.O. Box 285, Stevens Point, WI 54481-0285
www.wisconsinwoodlands.org



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EXECUTIVE DIRECTOR
Nancy C. Bozek
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715/346-4798
FAX 715/346-4821

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February 7, 2006

Representative Steve Wieckert
State Capital: Room 16 West
Box 8953
Madison, WI 53708-8953

Dear Representative Wieckert:

The Wisconsin Woodland Owners Association (WWOA) is in support of the bill regarding yield tax you have developed. We feel that 5% yield tax of the actual timber is most fair. We assume this includes woodlands that a disaster has occurred on where the landowner would only pay 5% of what they receive on their wood products.

The bill needs to address how industrial forests would pay yield tax since they harvest their own lands and how yield tax will be figured on timber where the owners do their own harvesting.

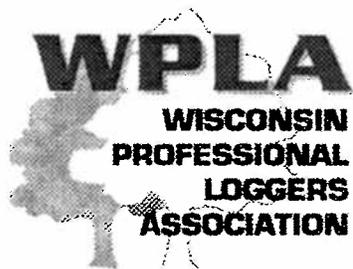
We believe a stumpage rate will have to be calculated for the above-mentioned sales. These sales could be calculated as it is presently being done.

We are supportive of this bill so private landowners do not pay yield tax in excess of 5% of the sale. We look forward to working with you and the legislature in implementing this bill.

Sincerely,

Dale A. Zaug
WWOA President





**Testimony Before the
Assembly Committee on Forestry
February 14, 2006
In Regards to AB1011**

Good morning Mr. Chairman and committee members. My name is Gene Francisco; I am the Executive Director of the Wisconsin Professional Loggers Association. I am here to express our support for AB 1011.

AB 1011 remedies an age old problem landowners experience with the State's forest tax laws. Under current law landowners entered into the managed forest law are required to pay a yield tax on timber harvested from their land. The yield tax is based on a complicated formula developed by the DNR that determines the average value of timber sold on primarily public timber sales.

This formula is fraught with inequities since most public timber sales have value added to them with public tax dollars such as roads, stream crossing permits and advertising prior to being offered for sale. These additions to the value on public sales generally bring higher timber prices during the bidding process. In addition, landowners are required to pay the average price as determined by the DNR formula regardless of whether they have average value timber. This is the one complaint I heard most often about the Managed Forest Law as a DNR forester and Chief State Forester.

Critics of the bill believe this would open the law to fraud and a significant reduction in yield taxes paid as well as a significant increase in enforcement. Currently a DNR forester must review and approve the cutting notice and cutting report filed by the MFL owner when they harvest timber. In that report the DNR forester approves the volume voluntarily reported by the landowner. If a landowner wished to commit fraud on their cutting report, they can do it now by not reporting the accurate volume harvested. A simple way to implement this bill would be to add a line on the cutting report showing the sale value of the timber and any other value considerations they received for the timber.

We understand that there are many landowners that cut or contract to cut their timber and sell it directly to the mill. In these cases, the DNR still has access to the stumpage values received on public lands to make a yield tax determination.

AB 1011 will level the playing field for many forest landowners who are currently paying yield taxes in excess of their value. Thank you for allowing me to speak regarding AB 1011... I would be happy to answer any questions.





State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Jim Doyle, Governor
Scott Hassett, Secretary

101 S. Webster St.
Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
TTY Access via relay - 711

Testimony Before the Assembly Forestry Committee February 14, 2006

In Regards to AB 1011

Good morning Chairman Friske and committee members. I am Bob Mather, director of the Bureau of Forest Management, Division of Forestry, in the Department of Natural Resources. I want to thank you for this opportunity to come before you in regard to AB 1011. The Department of Natural Resources supports the concept of the landowner paying 5% of the actual income from stumpage received for the sale of their timber, but we have several reservations regarding the bill's ability to fairly implement this system. Therefore, we recommend consideration of an alternative: maintain the current system with the provision that if a landowner can prove they received a different value through an arms-length sale of their timber, that value would be used to calculate the yield tax. The burden of proof rests with the landowner and the Department would define in rule what is required as proof.

The Managed Forest Law is an incentive program designed to promote sound forest management on privately owned forestlands. A landowner who enters into an agreement with the state to practice sound forestry pays a reduced tax in place of their regular property taxes. A typical landowner saves between 75-95 percent of their annual property taxes, with a portion of that difference paid through a yield tax levied at the time timber is harvested. One hundred percent of the yield tax collected is returned to the municipality and county where the timber was harvested.

Under current law the value of the timber harvested is based on the actual volume of timber harvested and the current stumpage rate for the species and product in the applicable zone. There are thirteen zones in the state. Stumpage is the value of the forest product in the woods as a standing tree. Stumpage rates are established annually through the rules process in NR 46.30 (2) Admin. Code. The stumpage rates proposed each year are based on a three year weighted average of timber sale data collected from private and public timber sales. Adjustments are made to the proposed rates through the public hearing process to insure that they better reflect the current market values.

This bill would revise the method of valuing the timber harvested on the Managed Forest Law land from the current method of using stumpage values established annually in administrative rule to the amount received by the landowner in an arms-length sale of timber.

Concerns in the proposed bill include:

1. **Defining an "arms-length sale."** The bill sets the value at the amount received from an "arms-length sale" but does not define what an "arms-length sale" is. The lack of a definition encourages an "arms-length sale" to mean something other than the fair market value of the standing timber.
2. **Determining fair market value for aid in lieu-of-tax payments to the local municipality.** Municipalities and counties receive 5% of the fair market value of the timber harvested. All (100%)

of the yield tax collected by the Department is distributed to the local governments where the MFL land is located (80% to the municipality and 20% to the county). It is very common for landowners to receive various services or products from logging contractors in exchange for a payment for the timber harvested. This reduces the timber value below the fair market value. Examples of services include: (a) building roads, (b) installing bridges and culverts, (c) receiving cut forest products, like firewood or logs, or (d) paying the landowner's property taxes. Knowledge of such agreements between the landowner and the logging contractor are unknown to the Department and are almost impossible to verify. These "like kind" exchanges could result in the local governments not receiving yield tax revenue commensurate with the fair market value of the cut timber.

Further complications occur where the landowner chooses to sell their timber at the landing (already cut and skidded) instead of as standing timber (stumpage). There is value added to the product at the landing and no real way for the landowner to establish or verify what the fair market value of the timber was before cutting.

Fair market values are determined yearly and are listed in the yield tax charts in NR 46. These charts are similar to the "blue book" values with the sale of used cars. The Department has no legal authority to obtain records on timber prices from the sellers, buyers or wood-using industries which would be necessary to insure against fraud.

3. **Verifying/auditing timber values from an arms-length sale will be difficult.** The Department has no legal authority to obtain timber price information from the sellers, buyers or wood-using industries. Additional auditing and verification procedures will have to be developed to insure that the municipalities and counties receive the appropriate compensation from yield taxes.

We estimate that at least one full time staff person would be needed to develop, implement and monitor/audit the timber values reported. Additional staff time will be needed in the future as the amount of wood harvested increases. The number of yield tax invoices issued each year has been steadily increasing from 1,759 in 2000 to 2,900 in 2005. One centralized staff person would handle this auditing more efficiently than adding additional work to the already full workload of the Department Foresters in the county.

The current cutting notice and reporting system required in statute and carried out by the Department Foresters in the county will be maintained. This process is needed to approve and verify that sound forestry practices are being implemented on MFL land. Verifying harvest volumes under the current system can be accomplished by comparing pre- and post-sale timber reconnaissance data.

4. **Maintaining multiple systems of calculating timber value data.** Fifty percent (50%) of the timber harvested from MFL land comes from the 850,000 acres owned by timber industry and they do not have the same "arms-length sale of timber" as non-industrial private landowners. The Department would need to either continue the current system of determining timber values for timber harvested from industrial Managed Forest Law land or create a separate definition for "arms-length sale of timber" for industrial lands. Regardless of if or how the valuing of timber harvested from MFL land is changed the Department will have to maintain the current system for valuing timber for calculating the 10% severance tax collected on timber harvested from the 350,000 acres of Forest Cop Law land.

The Department would welcome the opportunity to work with the Committee to revise the bill to reflect the barriers outlined above. As I said at the outset, we support the concept being advanced in this bill and remain open to finding an equitable and efficient way to accomplish the stated objective. Once again, I want to thank you for this opportunity to speak before the committee.



**Testimony of State Representative
Steve Wieckert**

**Assembly Bill 1011 – Helping Wisconsin's
Forestry Industry**
Assembly Committee on Forestry
328 Northwest – February 14, 2006

Good morning Chairman Don Friske and committee members. Thank you for holding a hearing today on Assembly Bill 1011, which will help Wisconsin's Forestry Industry.

I am sorry I could not be here in person today to testify in favor of the bill. Today I am attending an event in my district where more than 600 people will be in attendance to discuss issues relating to our local and state economy.

This legislation will help Wisconsin's forestry industry by providing a more fair, consistent, and uniform application of a tax that is applied when stumpage or logs are sold.

While there is a complicated existing formula, currently an individual or company selling wood is required to pay a certain level of tax on what is sold without consideration for the price the seller has actually received. That is unfair to loggers who sell at prices that are below an average established price through no fault of their own.

This bill allows the tax to be based on the price the seller actually received for the sale. In practice, if a seller is selling damaged or lower quality wood, as in the case where a fire may have caused some of the wood to be reduced in value, the seller would not be required to pay a tax as if the wood was sold for the higher average price.

Our logging industry in Wisconsin is composed of very hard-working men and women, yet the industry is being challenged by difficult times because of foreign competition and domestic regulation and taxation. This legislation takes a step in the direction of leveling the playing field, providing for a more fair tax rate and allowing sellers to reduce their overhead, helping this industry to grow.

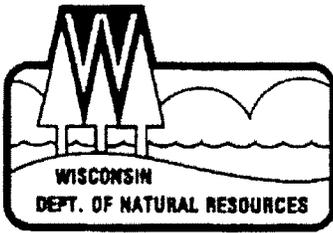
The Department of Revenue has indicated that they would like to have a number of terms in this legislation more precisely defined. As author of the bill these changes as technical amendments would be acceptable

I have already talked with members of the State Senate regarding this bill, and am optimistic that if we act quickly we can enact this bill yet this session; thereby giving immediate relief to Wisconsin's logging industry.

This legislation is supported by the Timber Producer's Association of Michigan & Wisconsin, Wisconsin Family Forests, and the Wisconsin Woodland Owners Association.

Thank you. At this time I would be happy to answer any questions of the committee.





State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Jim Doyle, Governor
Scott Hassett, Secretary

101 S. Webster St. Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
TDD 608-267-6897

February 8, 2006

CZERWONKA, JOHN P ETAL
565 S HWY 49
WITTENBERG WI 54499

Invoice No.: FY30536
Order No.: 37-011-1991

SUBJECT: Assessment of Yield Tax on wood products cut from Managed Forest Law
Lands of CZERWONKA, JOHN P ETAL

Having reported to the Department of Natural Resources in accordance with Section 77.87 Wisconsin Statutes that the following wood products have been cut and removed from the lands (described on following pages) entered under the Managed Forest Law. The Department of Natural Resources finds and determines the stumpage value of such wood products and the yield tax thereon to be as follows:

Total stumpage value of wood products*:	\$7,449.58
Actual Cash Received	\$6,983.80
Yield tax (5%) of the total stumpage value:	\$372.48
Flat 5%0	\$ 349.19

*S.77.87 Wis. Stats., directs the Department to calculate the stumpage value and yield tax using the stumpage rates set annually in NR46.30 Admin. Code. It is not based on the actual amount received by the owner.

The above yield tax in the amount of **\$372.48 is due on/before March 31, 2006 and payable to the**

Wisconsin Department of Natural Resources
P O Box 78816
Milwaukee, Wisconsin 53278-0816

Interest will be assessed on any tax paid after the due date at a rate of 12% per year.
Return a copy of the invoice with your payment to ensure proper credit.

State Department of Natural Resources

by

Kathy Mather
Forest Tax Administrative Assistant
Bureau of Forestry
Telephone: 608-266-6982 e-mail: kathy.mather@dnr.state.wi.us
cc: DNR Forester

