

Fiscal Estimate Narratives

DOR 12/1/2009

LRB Number	09-3735/1	Introduction Number	AB-0580	Estimate Type	Original
Description Petitions and management plans for the designation of managed forest land; transferrals of ownership of managed forest land; establishing stumpage values, filing cutting reports, and estimating withdrawal taxes under the managed forest land program; signatures and authentication requirements for orders under the forest croplands program; granting rule-making authority; making an appropriation; and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

The bill amends several statutes affecting the Forest Crop Law (FCL) and Managed Forest Law (MFL) programs. Primary administrative responsibility for these programs is with the Department of Natural Resources (DNR). The Department of Revenue (DOR) is responsible for calculating certain landowner fees (the acreage share and closure fees) and for assisting the DNR in calculating the "withdrawal tax" for those parcels that are taken out of either program. This bill affects the calculation of the "withdrawal tax".

Land enrolled under the FCL is exempt from property taxes. Landowners could enroll their land for a 25-year or 50-year period. An FCL landowner must currently make an annual "acreage share" payment to the municipality where the land is located of \$0.10 per acre for land enrolled before 1972, \$1.66 per acre for land enrolled after 1972, or \$0.20 per acre for certain "special class" land enrolled from 1949 to 1963. When timber is harvested, a severance tax of 10% of the value of the harvested timber is imposed. If land is withdrawn from the program by owner request or by order of the DNR, a "withdrawal tax" is imposed. This tax equals the sum, for the years the land was enrolled in the program, of the differences between the real estate taxes that would have been levied on the land and any landowner payments (acreage shares and severance taxes) made on the land. Each year's difference is subject to interest at 12% per year (5% for contracts entered on or before December 31, 1977) for each year the real estate tax has been deferred.

Land enrolled under the MFL is exempt from property taxes. Landowners can enroll their land for a 25-year or 50-year period. An MFL landowner must currently make an annual "acreage share" payment to the municipality where the land is located of \$0.83 on land enrolled before April 28, 2004, and \$1.46 per acre for all other land. An additional annual fee, called the "closure fee", is due on land closed to public access. This fee is currently \$1.12 per acre for MFL entries that took effect before April 28, 2004 and \$5.82 for all other land. When timber is harvested on MFL land, a "yield tax" of 5% of the value of the harvested timber is imposed. If land is withdrawn from the program by owner request or by order of the DNR, a "withdrawal tax" is imposed. For land that has been enrolled only under the MFL program, this tax is the greater of (a) the product of the net assessed value tax rate in the year prior to withdrawal times the assessed value of the land in the year prior to withdrawal times the number of years the land was in the MFL minus the sum of the acreage share and yield taxes paid on that parcel; or (b) 5% of the value of the merchantable timber on the land. For land that was enrolled under the FCL but converted to the MFL, during the first 10 years under the MFL the withdrawal tax is calculated under both programs, and the higher of the two taxes is imposed. After 10 years, only the MFL withdrawal tax is calculated.

Under current law, once the process to withdraw land from the MFL is commenced, it cannot, in general, be reversed. When the withdrawal process is commenced, the DNR sends a request to the DOR for assistance in calculating the withdrawal fee on the affected land parcels. Based on data from the DNR for 2008, about 13,626 acres were withdrawn from the MFL program and about \$3.018 million in MFL withdrawal taxes were paid by landowners, indicating that the average withdrawal tax was about \$222 per acre. Given that this is an average, actual per acre withdrawal taxes on specific MFL withdrawals could be considerably above or below the average.

Because of the potential for large withdrawal tax payments, and since the withdrawal process is not reversible once commenced, landowners may wish to have DOR estimate how much the tax could be before making decisions on whether or not to withdraw from the MFL.

The bill permits an MFL landowner to file a request with the DOR to prepare (with the assistance of the DNR) an estimate of the withdrawal tax that could become imposed by the DNR if the land were withdrawn from the MFL program. Such a request must be accompanied by a non-refundable fee equal to the greater of \$100 or \$5 per whole or partial acre being proposed for withdrawal. If the landowner decides to actually

withdraw the land from the MFL program, he or she will be liable to DNR for the withdrawal application fee (\$300) plus the withdrawal tax.

The DOR is unable to reasonably estimate the number of requests for withdrawal tax estimates or the amount of fees that the bill could engender. DOR administrative costs can be absorbed within existing budgetary authority.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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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		
	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, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$Indeterminate increase	\$
Agency/Prepared By			
DOR/ Daniel Huegel (608) 266-5705		Authorized Signature	
		Paul Ziegler (608) 266-5773	
			Date
			12/1/2009