

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-4374/1	Introduction Number SB-590				
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					
Fiscal Effect					
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs					
Local: <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory					
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts					
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Fund Sources Affected</td> <td style="width: 50%;">Affected Ch. 20 Appropriations</td> </tr> <tr> <td> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS GPR - Earned </td> <td></td> </tr> </table>		Fund Sources Affected	Affected Ch. 20 Appropriations	<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS GPR - Earned	
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Agency/Prepared By DOR/ Daniel Huegel (608) 266-5705	Authorized Signature Paul Ziegler (608) 266-5773				
Date 3/12/2010					

Fiscal Estimate Narratives
DOR 3/12/2010

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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's (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. While the bill makes several changes, this fiscal note is limited to discussing how the 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 \$0.67 per acre on land enrolled before April 28, 2004, and \$1.67 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 \$0.90 per acre for MFL entries that took effect before April 28, 2004 and \$6.67 per acre 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 generally cannot be reversed. Because the withdrawal tax can be substantial (based on data from the DNR, the average withdrawal tax in 2008 was about \$222 per acre), many MFL landowners would like to have an estimate of what the withdrawal tax could be before deciding whether or not they should keep their land in the MFL program.

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 kept by the DOR, in 2008 about 250 MFL withdrawals (for about 230 landowners) were processed. The DOR does not keep data on the number of acres affected by these withdrawal requests. The number of withdrawal requests processed by the DOR can vary widely from year to year, depending on the number of applications filed with the DNR.

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. Any fees collected by the DOR would be deposited in the state general fund. 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.

Since DOR does not currently keep data on the number of acres affected by MFL withdrawals, and since DOR is unable to estimate the potential number of MFL landowners who might wish to know the potential withdrawal tax that could be due on withdrawal from the program, the DOR is unable to reasonably estimate the fees that would be earned under the bill. However, to the extent that the current volume of MFL withdrawals is indicative of the potential interest, it is expected that the number of requests will be modest, and that any increase in DOR costs under the bill can be absorbed within existing budgetary authority.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 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):		
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		
Authorized Signature		Date
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Paul Ziegler (608) 266-5773		