

Fiscal Estimate Narratives

DOR 6/16/2011

LRB Number	11-2068/1	Introduction Number	SB-126	Estimate Type	Original
Description The due date for payment of yield taxes on merchantable timber cut on damaged managed forest land and the assessment of payments per acre for damaged managed forest land					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

Land enrolled under the managed forest land (MFL) program is exempt from property taxes. Landowners can enroll their land for either a 25-year or a 50-year period.

An MFL landowner must make an annual "acreage share" payment to the municipality where the land is located. For MFL orders that took effect before April 28, 2004, the payment for 2009 to 2013 is \$0.67 per acre, equal to the original payment (\$0.74 per acre) multiplied by the ratio of the average statewide tax per acre on agricultural, agricultural forest, undeveloped, taxable forest land, and other land payable in 2007 divided by the corresponding average for 1986. For MFL orders that took effect on or after April 28, 2004, the payment for 2009 to 2013 is \$1.67 per acre, equal to the average equalized value per acre of taxable forest land in 2006 (\$1,927) times the net statewide tax rate for 2006/07 (17.2998 mills) times 5%. Acreage share payments are made by the owner to the municipality, which keeps 80% and shares 20% with the county. This payment is recalculated every 5 years, with the next recalculation due in 2012.

An MFL landowner must also pay an annual "closure fee" on land that is closed to public access. For MFL orders that took effect before April 28, 2004, the payment for 2009 to 2013 is \$0.90 per acre, equal to the original payment (\$1.00 per acre) multiplied by the same ratio used to adjust the acreage share payment. For MFL orders that took effect on or after April 28, 2004, the payment for 2009 to 2013 is \$6.67 per acre, equal to the average equalized value per acre of taxable forest land in 2006 (\$1,927) times the net statewide tax rate for 2006/07 (17.2998 mills) times 20%. The fee is collected by municipalities and remitted to the DNR for deposit in the state Conservation Fund. This fee is also recalculated every 5 years, with the next recalculation due in 2012.

When timber is harvested on MFL land, a "yield tax" of 5% of the value of the harvested timber is imposed. The "yield tax" is due for payment on the last day of the month after the copy of the assessment (tax bill) is mailed to the landowner by the DNR.

PROPOSED LAW

Under the bill, an MFL landowner can petition the Department of Natural Resources (DNR) to declare that certain lands in the MFL program to be "damaged areas" affected by a "catastrophic event". If the DNR agrees, the "yield tax" due date and the "acreage share" payments are changed.

A "catastrophic event" means damage caused by fire, ice, snow, wind, flooding, insects, or disease which reduces the stumpage value of the merchantable timber on the affected MFL tracts by 50% or more. The landowner's petition to DNR concerning this event must cover at least 15% of the owner's land under his or her MFL order. The DNR may deny a petition that meets the definition only if the landowner is not in compliance with the management plan or if there are delinquent property taxes or yield taxes on the land. If the DNR agrees that the MFL land has been affected by a "catastrophic event", the due date for the "yield tax" on such land is extended to 10 years following the date on which the DNR mails a copy of the assessment to the landowner.

A "damaged area" means an area of MFL land that the DNR has declared to be affected by a "catastrophic event". The "acreage share" payment on "damaged land" may be affected if all of the following conditions are met: (1) the DNR determined that the land qualified for the "yield tax" due date extension, (2) the "catastrophic event" occurred within the 15 years immediately preceding the expiration of the MFL land order, and (3) the land is reentered under the MFL program. The "acreage share" for qualifying land for the first 10 years under the new order is set at the rate in effect when the "catastrophic event" occurred.

FISCAL EFFECT

Primary responsibility for administering the MFL program is with the DNR. The DNR is the agency that would be responsible for determining whether MFL enrolled land would fall under the requirements of the bill. DOR does not have information which would permit a reasonable estimate of the number of MFL acres that could be affected by the bill.

The DNR remits 100% of "yield tax" collections to the municipality where the timber was harvested. The municipality retains 80% of the payment and remits 20% to the county. By extending the deadline for when "yield taxes" must be paid, the payments to municipalities will occur later than they would under current law.

"Acreage share" payments are billed to landowners and collected by the municipality where the land is located. Municipalities may retain 80% of their collections of this payment, and must remit 20% to the county. Under the bill, the per acre "acreage share" payment on affected land would be different (higher or lower) than under current law. Thus, the amount retained by municipalities and shared with counties would be different than under current law.

The DOR would incur administrative costs relating to assisting municipalities and counties in charging MFL landowners the proper "acreage share" payments. These costs can be absorbed within current budgetary authority.

Since the bill would require local governments to keep track of more than the current law's four "acreage share" payment rates, local government administrative costs would increase. The DOR does not have information which would permit a reasonable estimate of this increase, but it is likely to be small.

Long-Range Fiscal Implications