



## Fiscal Estimate Narratives

DNR 2/6/2012

|   |           |                     |         |               |          |
|---|-----------|---------------------|---------|---------------|----------|
| LRB Number  | 11-1676/1 | Introduction Number | AB-0342 | Estimate Type | Original |
| <b>Description</b><br>Exempting certain parcels of land withdrawn from the Managed Forest Land Program from the assessment of withdrawal taxes and fees |           |                     |         |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

#### SUMMARY OF BILL

The bill allows landowners who enrolled under the Managed Forest Law (MFL) program to withdraw one to three acres from MFL without payment of a withdrawal tax or fee if the purpose is to construct a human residence and if the lands were enrolled in MFL before October 11, 1997. Landowners are allowed to withdraw more than three acres if local zoning ordinances require a larger building lot size. Lands remaining after the exempt withdrawal are allowed to remain in MFL unless the lands fail to meet eligibility requirements.

#### FISCAL IMPACT

Local municipalities and counties will receive reduced revenue from the MFL program in withdrawal taxes; however the level of reduction is dependent upon the number of exempt withdrawals processed. The average withdrawal tax per acre in 2010 was \$301.89. For each exempt withdrawal there would be an estimated loss of revenue to local municipalities and counties between \$301.89 for one acre and \$905.67 for three acres ( $\$301.89 \times 3 \text{ acres} = \$905.67$ ).

The number of people who would take advantage of an exempt withdrawal to build a human residence cannot be calculated. There are an average number of 300 voluntary withdrawals each year from the MFL program for a variety of reasons. If each of these 300 voluntary withdrawals were because landowners wished to build a human residence on their property, and if each of these 300 withdrawals had enrolled lands from 1988 through 1997, there could be a net revenue loss of \$271,701 of withdrawal taxes to local municipalities and counties ( $\$301.89/\text{acre} \times 3 \text{ acres} \times 300 \text{ exempt withdrawals per year} = \$271,701$ ).

Using the annual voluntary withdrawal average, State government could have a net revenue loss of \$90,000 ( $\$300 \text{ withdrawal fee per MFL withdrawal} \times 300 \text{ exempt withdrawals} = \$90,000$ ). In addition, the Department would incur an estimated \$7,500 in mailing and postage costs for notification of landowners impacted by the proposed statute change.

#### Long-Range Fiscal Implications

Revenue losses for municipalities, counties and state government would continue through 2036; however, the greatest revenue loss would be through 2021 since most landowners who enrolled lands into MFL do so for a 25 year term. Most of the affected MFL entries affected by AB 342 will expire on Dec. 31, 2021.

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

|   |               |  |                 |
|---|---------------|--|-----------------|
| <b>LRB Number</b> 11-1676/1   |               | <b>Introduction Number</b> AB-0342             |                 |
| <b>Description</b><br>Exempting certain parcels of land withdrawn from the Managed Forest Land Program from the assessment of withdrawal taxes and fees   |               |  |                 |
| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b><br><br>\$7,500 in mailing and postage for notification of landowners impacted by the proposed statutory change. |               |  |                 |
| <b>II. Annualized Costs:</b>  |               | <b>Annualized Fiscal Impact on funds from:</b> |                 |
|   |               | Increased Costs                                | Decreased Costs |
| <b>A. State Costs by Category</b>   |               |  |                 |
| State Operations - Salaries and Fringes<br>(FTE Position Changes)   | \$            |  | \$              |
| State Operations - Other Costs  |               |  |                 |
| Local Assistance  |               |  |                 |
| Aids to Individuals or Organizations  |               |  |                 |
| <b>TOTAL State Costs by Category</b>  | <b>\$</b>     |  | <b>\$</b>       |
| <b>B. State Costs by Source of Funds</b>  |               |  |                 |
| GPR   |               |  |                 |
| FED   |               |  |                 |
| PRO/PRS   |               |  |                 |
| SEG/SEG-S   |               |  |                 |
| <b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>  |               |  |                 |
|   | Increased Rev | Decreased Rev                                  |                 |
| GPR Taxes   | \$            |  | \$              |
| GPR Earned  |               |  |                 |
| FED   |               |  |                 |
| PRO/PRS   |               |  |                 |
| SEG/SEG-S   |               |  |                 |
| <b>TOTAL State Revenues</b>   | <b>\$</b>     |  | <b>\$</b>       |
| <b>NET ANNUALIZED FISCAL IMPACT</b>   |               |  |                 |
|   | <u>State</u>  | <u>Local</u>                                   |                 |
| NET CHANGE IN COSTS   | \$            |  | \$              |
| NET CHANGE IN REVENUE   | \$            |  | \$              |
| <b>Agency/Prepared By</b>   |               | <b>Authorized Signature</b>                    | <b>Date</b>     |
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