

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number **19-5118/1** Introduction Number **AB-0856**

Description
 the managed forest land program

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations
 Decrease Existing Revenues

 Yes No
 Create New Appropriations
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs 3. Increase Revenue
 Permissive Mandatory
 Permissive Mandatory
 2. Decrease Costs 4. Decrease Revenue
 Permissive Mandatory
 Permissive Mandatory

5. Types of Local Government Units Affected

Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 2/12/2020

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Description the managed forest land program					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, certain forested land may be designated as managed forest land (MFL) under a program administered by the Department of Natural Resources (DNR). MFL land is exempt from property taxes and subject to certain payments in lieu of property taxes. The bill makes changes to the MFL program, and the fiscal estimate will address provisions administered by the Department of Revenue.

Under current law, improvements on MFL are subject to personal property taxes. The bill removes the requirement to tax MFL improvements as personal property and the withdrawal penalty that applies for not paying such taxes. The department does not have detailed MFL improvement data. The bill creates an indeterminate property tax shift to other taxable properties.

Under current law, a parcel of land is eligible for designation as MFL only if it consists of at least 20 contiguous acres. Under the bill, a parcel may be composed of individual portions, no smaller than 10 contiguous acres each, that are not contiguous with each other if all individual portions are contained within a tract on contiguous land of 20 acres or more that is under the same ownership. Under current law, agricultural forest lands are taxed at 50 percent of market value, while productive forest lands are taxed at market value.

Allowing smaller, non-contiguous parcels eligibility in MFL may increase land shifting from taxable agricultural forest and productive forest classifications. For 2018-19, agricultural forest parcels averaged 12 acres per parcel, productive forest parcels averaged 18 acres per parcel, and MFL parcels averaged 26 acres per parcel. Since 2010, acres enrolled in special forest tax law programs have increased at annual rate of 1.44%, while productive forest acres have declined at an annual rate of 1.39%. Agricultural forest acres have increased slightly with an annual growth rate of 0.42%.

Shifting additional acres from taxable forest classifications to MFL will create an indeterminate tax shift to other taxable properties since MFL payments are typically less per acre and only apply to the municipality (80 percent) and county (20 percent). In 2018-19, agricultural forest and productive forest lands had tax levies per acre of \$23 and \$32 for all taxing jurisdictions. Comparatively, MFL property owners pay annual acreage share (\$2.04 per acre) and closure fees (\$8.16 per acre), if applicable. The DNR also makes an annual payment of \$0.20 per MFL enrolled acre to the municipality where the land is located.

The bill does not affect tax incremental districts.

Long-Range Fiscal Implications