

Economic Challenges to Produce the Raw Material Needed by Our Forest Products Industry

#1 Issue - Property Taxes

CONSTITUTIONAL CHANGE TO ALLOW LEGISLATURE TO CLASSIFY FORESTS. 1927

State Constitution Uniformity Clause

ARTICLE VIII.

FINANCE

Rule of taxation uniform; income, privilege and occupation taxes. SECTION 1. [*As amended Nov. 1908, April 1927, April 1941, April 1961 and April 1974*] The rule of taxation shall be uniform but the legislature may empower cities, villages or towns to collect and return taxes on real estate located therein by optional methods. Taxes shall be levied upon such property with such classifications as to forests and minerals including or separate or severed from the land, as the legislature shall prescribe. Taxation of agricultural land and undeveloped land, both as defined by law, need not be uniform with the taxation of each other nor with the taxation of other real property. Taxation of merchants' stock-in-trade, manufacturers' materi-



CONSTITUTIONAL CHANGE TO ALLOW DIFFERENTIAL TAXATION OF AG LAND 1974

ARTICLE VIII.

FINANCE

Rule of taxation uniform; income, privilege and occupation taxes. SECTION 1. [*As amended Nov. 1908, April 1927, April 1941, April 1961 and April 1974*] The rule of taxation shall be uniform but the legislature may empower cities, villages or towns to collect and return taxes on real estate located therein by optional methods. Taxes shall be levied upon such property with such classifications as to forests and minerals including or separate or severed from the land, as the legislature shall prescribe. Taxation of agricultural land and undeveloped land, both as defined by law, need not be uniform with the taxation of each other nor with the taxation of other real property. Taxation of merchants' stock-in-trade, manufacturers' materi-



2000 Use Value Implemented for Agricultural Lands

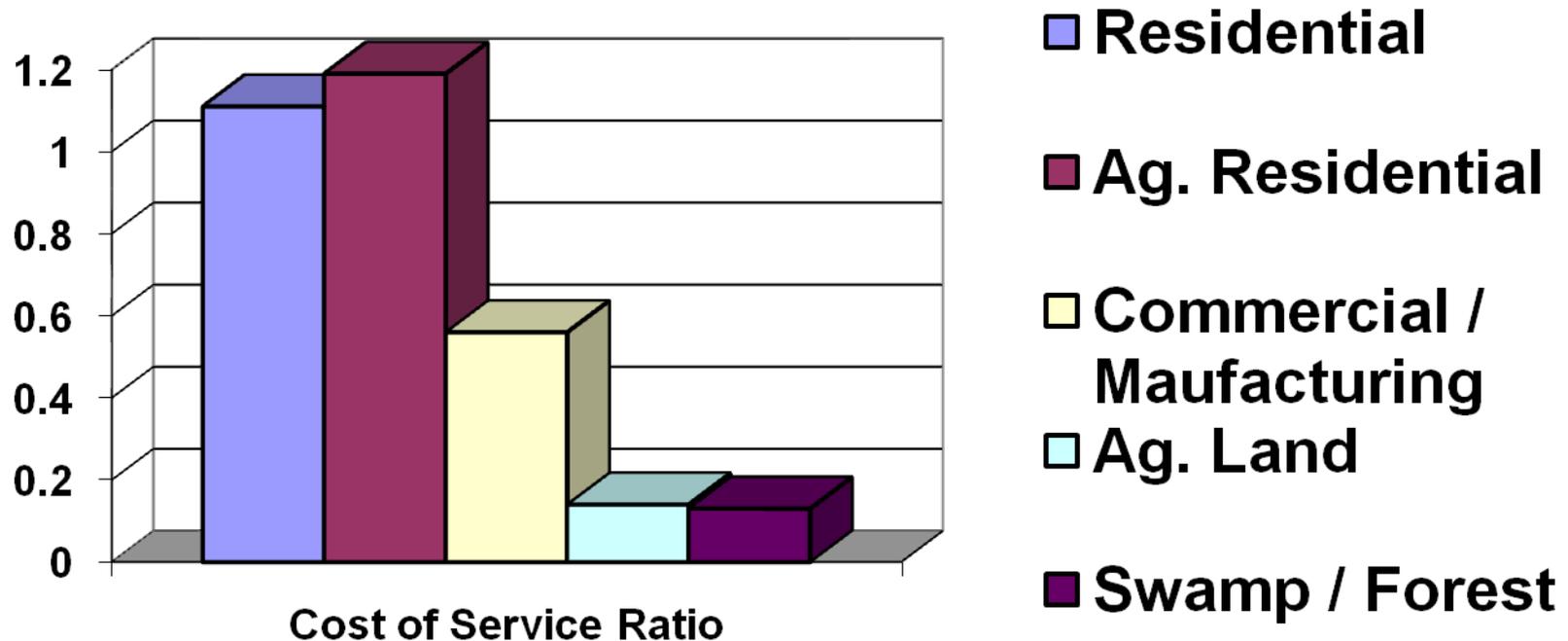
Wisconsin's use value assessment law taxes farmland at the value of its use, as opposed to its market value if sold. The bill aids farmers and protects Wisconsin farmland from development by providing a property tax formula reflecting the income farmers can generate from using that land for agriculture.”

Wisconsin Farm Bureau

Costs to Municipalities to Service Forest Land

- Police – Trespassing response?
- Fire – Yes, but significant state contributions
- Roads – Periodic harvests and access for mgt
- COSTS - \$2 per acre - maybe

Cost of Community Services



Ratio of greater than 1 indicates a particular land use costs more than the revenue it provides. A ratio of less than 1 indicates a land use provides more revenue to a community than it requires in costs of public services.

Source, Mary Edwards, et al. 2000. *Paying for Local Services: The Cost of Community Services for Nine Wisconsin Communities*. WI: Wisconsin Land Use Research Program



PROPERTY TAX ASSESSMENT CLASSIFICATIONS

1. Residential
2. Commercial
3. Manufacturing
4. Agricultural—Use Value (defined in DOR rule)
5. Undeveloped – 50% of Fair Market
- 5m. Agricultural Forest – 50% of Fair Market
6. Productive Forest Land
7. Other

2011 WI LAND CLASSIFICATIONS, TAXES AND PRICES

	<u>Acres (millions)</u>	<u>Tax/Acre</u>
Agricultural Land	12	\$3
Forest Land	4	\$33
Agricultural Forest	2	\$22
Undeveloped	3	\$12
MFL*	3	\$11 (new)

LAND PRICES IN 2011

Agricultural Land - \$4,332/acre

Forest Land - \$2006/acre

MFL CLOSED TAX = \$10.68/ac

Tax Distribution: State \$8.54, Local \$2.14



2010 TAXES = \$315.

Main

- OV Map
- Zoom Full
- Zoom Last
- Zoom In
- Zoom Out
- Pan
- Navigation
- Identify
- Parcel Info
- Print
- Clear



2010 TAXES = \$1,017

Main

Main

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2010 TAXES = \$39

Main

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Active Tool:  Pan

Active Layer:  Parcels

2010 TAXES = \$315.

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2010 TAXES = \$39

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WHAT TAX OPTIONS DO I HAVE? Main

Main

OV Map Zoom Full Zoom Last Zoom In Zoom Out Pan Navigation Identify Parcel Info Print Clear



Pasture the Woods?

A photograph showing a herd of cows of various colors (black, brown, and white) grazing in a lush green forest. The trees are tall and thin, and the ground is covered in grass and small plants.

Tax = \$37 for 40 acres

A photograph of a forest with a metal fence in the foreground. The fence is made of three horizontal rails and a vertical post. The forest is dense with tall, thin trees and green undergrowth.

Tax = \$1017

WHAT ABOUT MFL?

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MFL Option - \$1017 to \$425/yr

BUT: There are requirements and additional costs

- **Cost of plan and entry - \$1000+,**
- **Loss of leasing income,**
- **Yield tax on harvest - \$4000 ,**
- **Loss of ability to split land,**
- **Potential reduction in sale price,**
- **Significant penalty for withdrawal**
- **MFL is not a contract. What will they do next?**

AG-FOREST OPTION?

Main

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Ag-Forest Option - \$500/yr vs \$425/yr

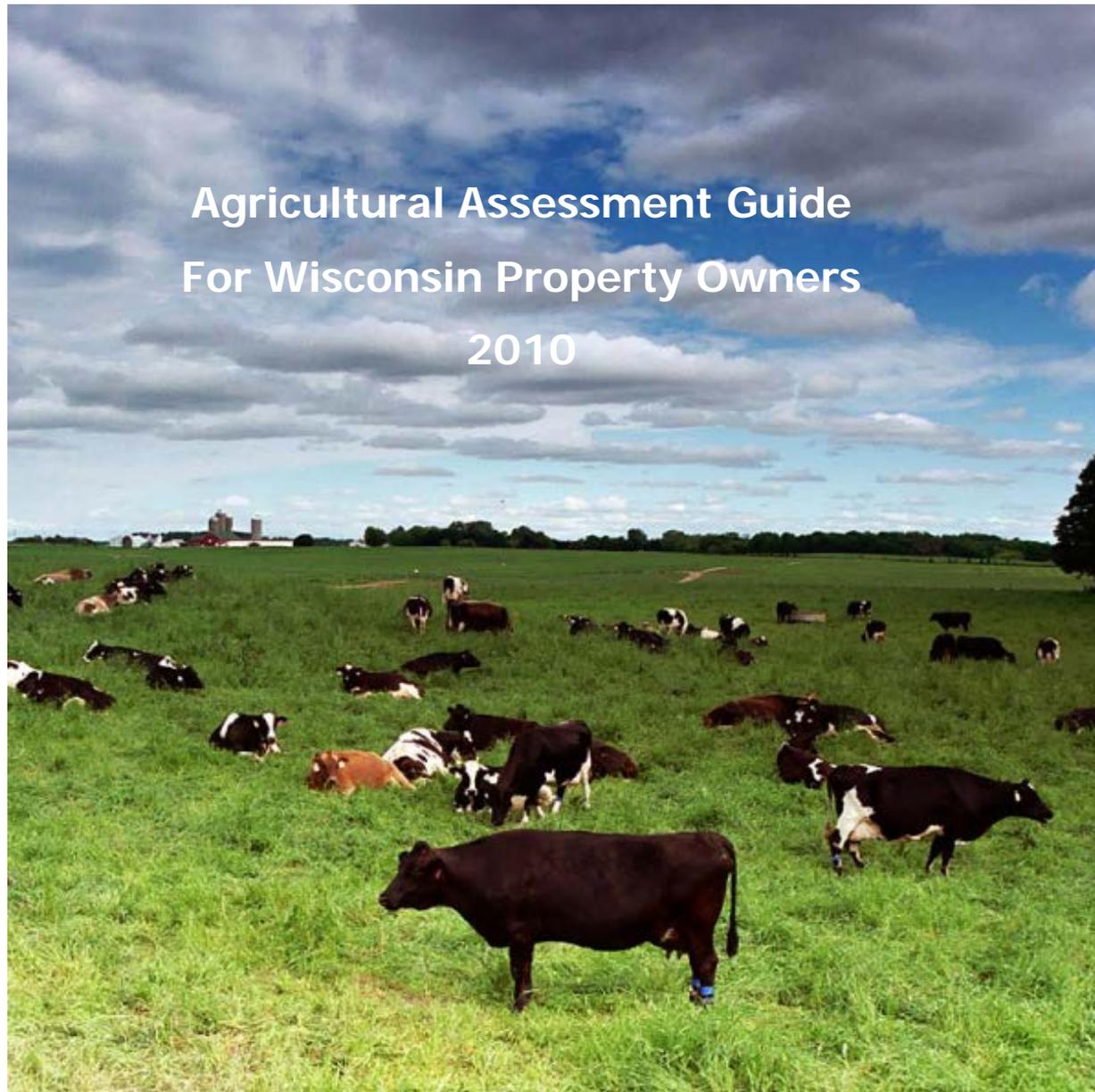
Establish a new agricultural parcel and keep remainder as forest

COSTS AND BENEFITS

- **One time cost of survey to establish new tax parcel - \$1200,**
- **Maintain DNR forestry assistance and cost sharing w voluntary plan,**
- **No yield tax on timber or special regulations to follow,**
- **No constraints on sale of land or parcel splitting, and**
- **Potential lease of \$500/yr, and**
- **Receive Farmland Preservation Tax Credit of \$300/yr**



Agricultural Assessment Guide For Wisconsin Property Owners 2010



Example From Assessors Manual

(F) Forest 6.0 acres

(Assessed at full fair market value)

(A) Agricultural 19.0 acres

Tillable Land 13.0 acres

Pasture 6.0 acres

(Assessed at use-value)

(B) Other 2.0 acres

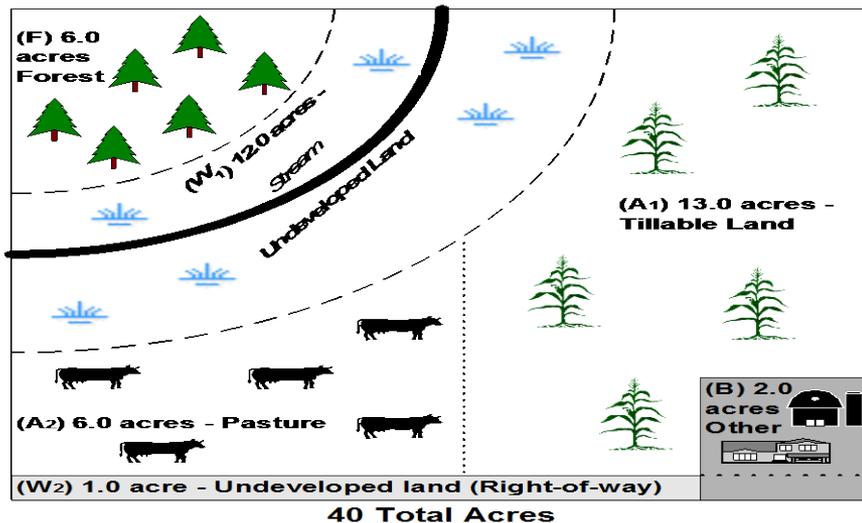
(Assessed at full fair market value)

(W) Undeveloped 13.0 acres

Lowland 12.0 acres

Right-of-way 1.0 acres

(Assessed at 50% of full value)



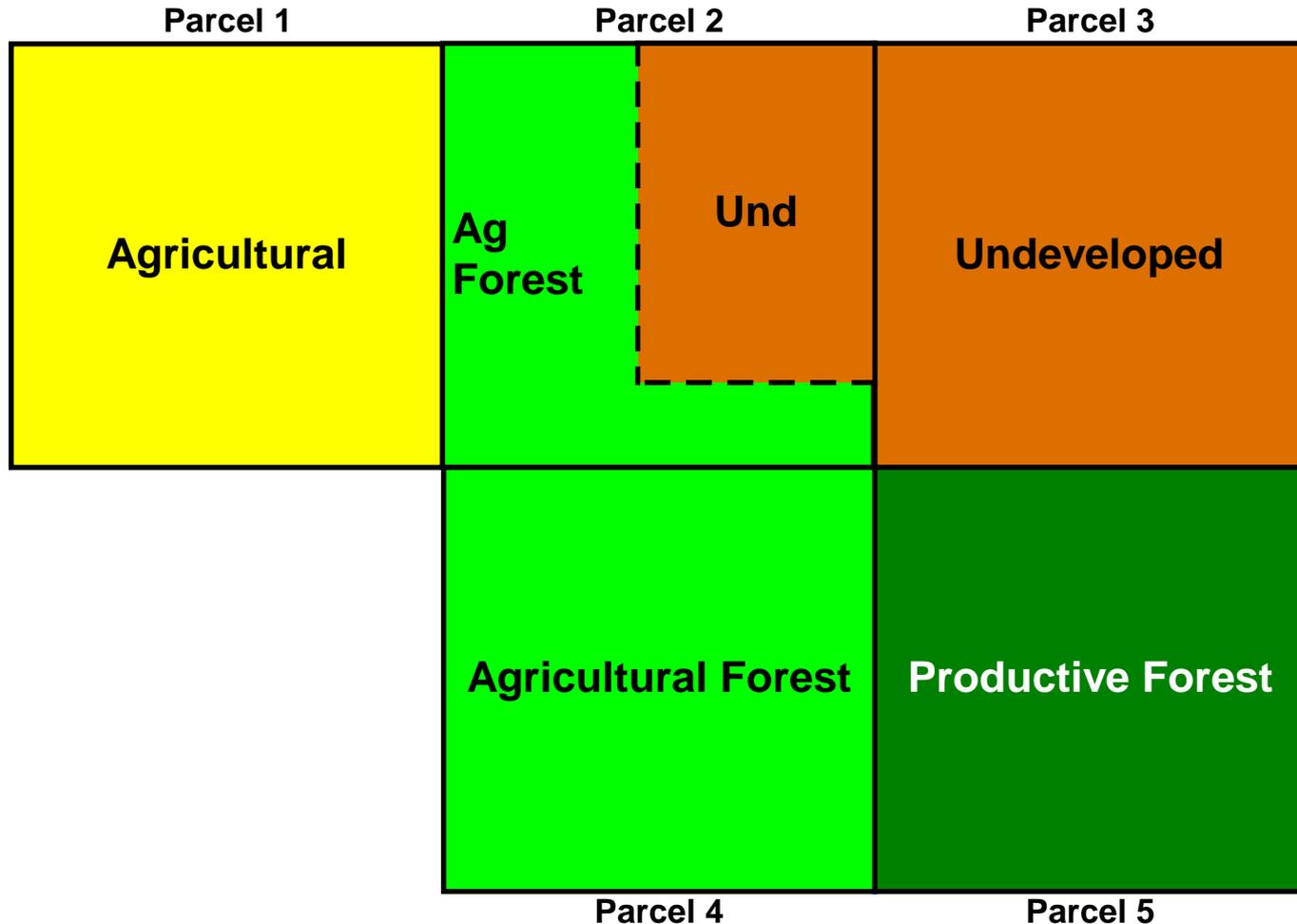


What is Agricultural Forest Land?

- Forest land that is contiguous to a **parcel** that has been classified in whole as agricultural land. The forest land and the contiguous agricultural parcel must have the same owner.
- Forest land that is located on a **parcel** that contains agricultural land for the January 1, 2004 assessment, and on January 1 of the current assessment year.
- Forest land that is located on a **parcel** where at least 50 percent of the acreage was converted to agricultural land for the January 1, 2005, assessment year or thereafter.

AG – Forest Example, Scenario 6 of 19

DOR's Ag Assessment Guide for Property Owners





Planting Trees on Marginal Crop Land ?

Current system penalizes tree planting, encourages forest conversion to other agricultural uses.



The Managed Forest Law

It was a great program but it is no longer competitive with other land use options.

