



May 26, 2015

To: Joint Finance Committee

Subject: Fiscal Bureau Paper #321, Timber as an Agricultural Product

Dear Members:

We ask that you recognize timber as an agricultural crop for purposes of the Manufacturing and Agricultural Tax Credit and DO NOT delete proposed budget language that would include timber eligibility.

We are dismayed to learn that the Administration now believes they made an error by saying it was not the Administration's intent to recognize timber as an agricultural crop.

When the M&A Tax Credit language was originally passed as part of the 2012 budget, we were informed that timber had "inadvertently" not been included. Now we're being told that this provision does not accurately reflect the Administration's intent?

Currently, a tax credit cannot be taken for timber products, UNLESS they are harvested off of land classified by the assessor as pasture under use-value assessment - a rather bizarre scenario we believe. Is it really the State of Wisconsin's intent to have us first put cattle or goats in our woods before harvesting to be eligible for the tax credit? And how, we ask, would we expect the Department of Revenue to make a determination of eligibility when even most landowners are unaware of how all their land is classified?

Please do not approve the modification in LFB paper #321.

Thank you for considering this request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Doug Duren', is positioned below the word 'Sincerely,'.

Doug Duren, President
Wisconsin Alliance of Forest Owners

CC: Governor Scott Walker; Members, Senate Committee on Sporting Heritage, Mining, and Forestry; Members, Senate Committee on Agriculture, Small Business, and Tourism; Members, Assembly Committee on Agriculture; Members, Assembly Committee on Environment and Forestry



Legislative Fiscal Bureau

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May 27, 2015

Joint Committee on Finance

Paper #321

Manufacturing and Agriculture Tax Credit Modification (General Fund Taxes -- Income and Franchise Taxes)

[LFB 2015-17 Budget Summary: Page 183, #15]

CURRENT LAW

The manufacturing and agriculture tax credit will be equal to 7.5% of eligible production activities income from Wisconsin-based assets once fully phased in in tax year 2016. To determine a claimant's agriculture property factor (which determines the eligible production activities income from Wisconsin-based assets), the claimant's average value of real property and improvements that are assessed and valued under state property tax law as agriculture property used in Wisconsin to produce, grow, or extract qualified production property is divided by the average value of all of the claimant's real property and improvements used to produce, grow, or extract qualified production property.

GOVERNOR

Broaden the class of Wisconsin-based assets that could be used in the numerator of the claimant's agriculture property factor to include real assets and property assessed and valued under state property tax law as undeveloped, agricultural, forest, productive forest land, or other.

MODIFICATION

Delete the Governor's provision.

Explanation: The administration indicates that the provision was inadvertently included in the bill. The modification would maintain current law and more accurately reflect the administration's intent.

Prepared by: Sean Moran