

Testimony on Senate Bill 543
Senate Committee on Workforce Development, Forestry, Mining and Revenue

Wisconsin Alliance of Forest Owners
March 19, 2014

Mr. Chairman and Committee Members:

My name is Doug Duren and I'm representing the Wisconsin Alliance of Forest Owners, a newly formed trade association that represents the interests of the private woodland owners, the forgotten tree farmers who manage 59% of Wisconsin's forest land and who provide 67% of the raw material needed to support Wisconsin's forest industry.

Thank you for this opportunity to provide testimony on this bill.

THE MANAGED FOREST LAW (MFL) HAD BEEN A GOOD PROGRAM

Since its inception almost 30 years ago, tree farmers have embraced the program as a means to allow them to sustainably grow trees and keep land in forest. In exchange for committing to keep their land as a productive forest for the next 25 years, they were provided a differential tax rate that recognized that growing a crop of trees requires a long term commitment. These tree farmers also agreed, in return, to follow a management plan that commits them to providing the raw material needed to sustain our forest products industry.

WAFO POSITIONS ON THIS BILL

First, we want to acknowledge the work done by many fine people over the past several years. Awareness has increased on the need to revise the program and some good progress has been made on developing proposed changes. However, this bill, although a step in the right direction, needs additional work.

Elements of SB 543 WAFO Supports

- Reinstating the ability of landowners in the MFL to once again **lease their lands**. Many landowners entered their lands into the MFL with the understanding that they had the ability to lease their lands to obtain supplemental income between harvests. When legislation was passed in 2007 that prevented them from leasing, their business plans which allowed them to grow this long term crop were destroyed.
- Revising the archaic regulations on the **transfers and splitting of lands** enrolled in the MFL.
- **Reduction in the withdrawal penalty**, although penalties proposed still greatly exceed those applied to other agricultural lands.

- Providing **recognition that natural disasters can affect tree production** and allowing landowners more flexibility to restore production or withdraw non-productive lands from the program.
- Provisions related to **small land withdrawals and adding land to existing contracts**

What WAFO Does Not Support

- **Increasing the minimum acreage requirement from 10 to 20 acres.** Many landowners often start with smaller tracts of land. A 20 acre minimum requirement would also cause difficulty with many landowners given the proposed provisions to withdraw a small amount of land for construction of a residence.
- **Preventing landowners who happen to own more than 1000 acres of forest lands from having the ability to lease their properties.**
- **Requiring access for landlocked parcels entered as open that are similar to that which is available to the landowner.** Many landowners, who had been advised they could legally entered their lands as open under previous rules, would now be forced to make changes that could very well be impossible to accomplish. Once again the law is proposed to be changed without landowner recourse.

Where SB 543 Falls Short

- **No reduction of the special state tax added to lands enrolled as closed.** WAFO strongly recommends that the growing of timber be recognized as an agricultural crop. Tax rates need to be compatible with those applied to other agricultural lands if we expect landowners to grow the fiber needed by our forest products industry. We have no problem with supporting the current tax of \$2.14/acre that is directed to local municipalities. However, adding an additional \$8/acre state tax quite simply prevents tree farmers from managing their crop as a business.
- **Recognizing MFL agreements as contracts.** Virtually all the landowners who've enrolled land in the MFL believe they have a contract. As evidenced by past and now proposed law changes, this is clearly not the case. There is no certainty provided to landowners that the rules won't once again change once lands are enrolled in the MFL.
- **Special yield taxes are required to be paid** on timber which is harvested from lands enrolled in the MFL. Yield taxes are not required on other agricultural lands that receive preferential tax treatment and they should not be required on timber sales either.
- Income received from the **sale of timber is excluded from recent changes made to the Manufacturing and Agricultural Tax Credit.** Again, timber is an agricultural crop and should be recognized as such.

Thank you for this opportunity to testify. While we cannot support this bill as currently drafted, please know we very much want to work with the legislature and other stakeholders to make the changes needed to make the MFL once again relevant.