

Wisconsin Alliance of Forest Owners

Growing Trees in Wisconsin? Good Luck.

New MFL Legislation and Understanding Your Property Tax

January 2016



Wisconsin Alliance of Forest Owners

**A lobbying organization established to advocate for
equitable taxes and regulatory treatment of privately
owned forest lands**



The Managed Forest Law

Changes Were Needed to Keep
it Relevant



Reviews of the MFL

***Legislative Study**

***Council on Forestry Report**



WAFO PRIORITIES

#1. RESTORE THE ABILITY FOR
LANDOWNERS TO RECEIVE
COMPENSATION FOR ALLOWING USE
OF THEIR LAND FOR RECREATION



Slide 6

RW1

Richard Wedepohl, 9/7/2015

A Separate Bill Was Drafted to Rescind the Leasing Ban

A public hearing was held Tuesday, December 8th, in Madison.



Rep. Mursau/Sen. Tiffany Introduced MFL BILL

Senate Bill 434 and Assembly Bill 561 were Introduced in December and Hearings were held in front of both the Assembly and Senate Committees



Senate Bill Was Amended Jan 14th to:

Allow landowners to receive consideration for allowing use of their land for recreational purposes!!



WHAT WOULD THE NEW MFL BILL CHANGE?

- 1) Eliminates the 5% yield tax landowners must pay on timber harvested.
- 2) Directs all of the closed acreage fees to local governments. Currently these fees are transferred by local governments to the state where they are deposited in the state's forestry account.



NEW MFL BILL

- 3) Limits the early withdrawal penalty to a maximum of 10 years for small landowners.
- 4) Simplifies sales of land enrolled in the MFL by allowing landowners to sell any part of a parcel of land.
- 5) Allows withdrawal of 1 to 5 acres for construction or sale (withdrawal penalties apply)



NEW MFL BILL

- 6) Allows additions of 3 or more acres of contiguous land to an existing MFL order.
- 7) Allows withdrawal of lands that were damaged by natural disasters or is unsuitable for production of merchantable timber without penalty.



NEW MFL BILL

- 8) Increases the 160 acre closed land limit to 320 acres within any one municipality.
- 9) Allows landowners to receive consideration for allowing use of their land for recreational purposes.
- 10) Makes the MFL a CONTRACT instead of an "agreement".



OTHER CHANGES

- Certification of Foresters
- Definition of large landowners for withdrawal penalty (no 10 year max)
- Foot access required for open acres
- 20 acre minimum entry size
- No structures allowed for new entries



THE BILL DID NOT CONTAIN.....



Changes Still Needed to Make Tree Farming Comparable to Other Agricultural Uses

Reduction in tax rate

Additional reduction in withdrawal penalties

Making timber sales eligible for state M&A tax credit

Agricultural Forest Classification – Why only if you have other ag
land on your tax parcel?



NEXT STEPS ARE.....



Process to Passage of Bill

- New amendments still being drafted
- Assembly Committee passage
- Joint Finance Committee passage
- Full Senate and Assembly passage
- Signing by the Governor



Part 2

HOW YOUR PROPERTY IS TAXED and WHAT A LANDOWNER NEEDS TO KNOW



You need to know...

Taxation of rural Wisconsin
property is not uniform.



and you need to know...

How your land is classified for property tax purposes.



Town of Clyde, Adjacent Lands

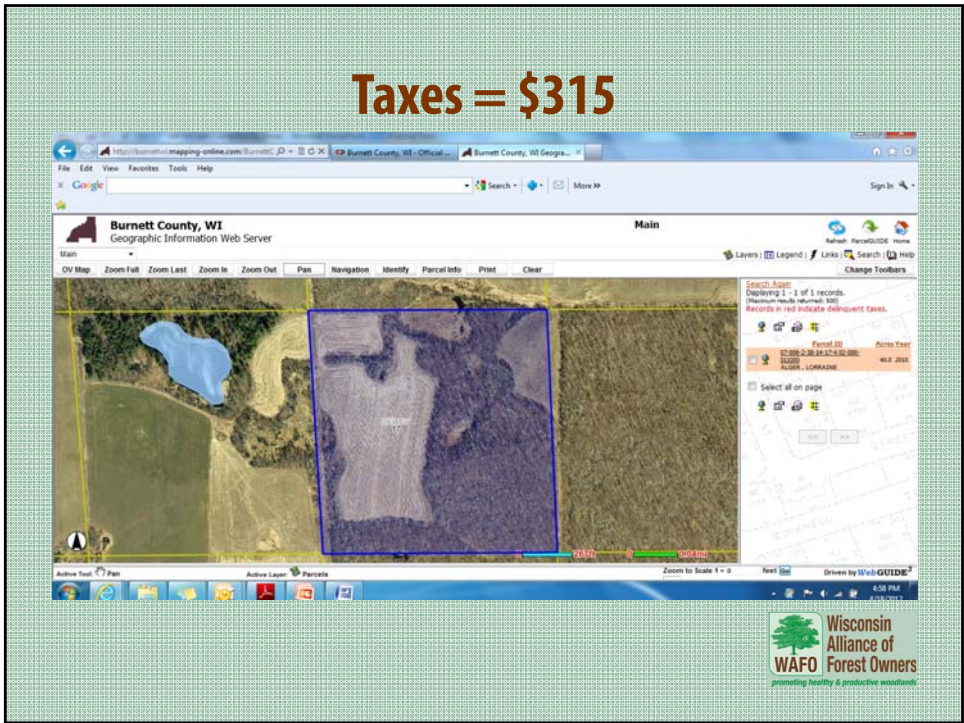
TAX = \$1.26/ACRE



TAX = \$67.31/ACRE



Taxes = \$315



Taxes = \$1,017



Taxes = \$39



So why are the property taxes
so different?

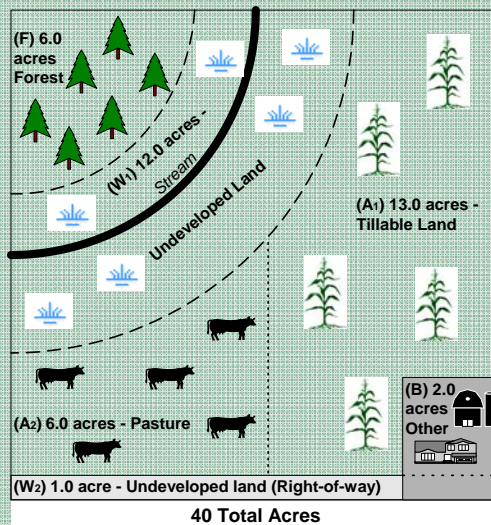


Property Tax Assessment Classifications

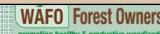
1. Residential
2. Commercial
3. Manufacturing
4. Agricultural -- Use Value
5. Undeveloped -- 50% of Fair Market
6. Agricultural Forest -- 50% of Fair Market
7. Productive Forest Land
8. Other



Example From Assessors Manual



Land Use	Acres
(F) Forest	6.0
(Assessed at full fair market value)	
(A) Agricultural	19.0
Tillable Land	13.0
Pasture	6.0
(Assessed at Use-Value)	
(B) Other	2.0
(Assessed at full fair-market value)	
(W) Undeveloped	13.0
Lowland	12.0
Right-of-Way	1.0
(Assessed at 50% of full value)	



Real Estate Property Tax Bill

**STATE OF WISCONSIN
REAL ESTATE PROPERTY TAX BILL FOR 2010**

BILL NO. 43
Correspondence should refer to parcel number
PARCEL#: 010-00231-0000
ALT. PARCEL #: 690102190902310000

Assessed Value Land	Ass'd Value Improve	Total Assessed Value	Ave. Assmt. Ratio	Est. Fair Mkt. Land	Est. Fair Mkt. Improve	Total Est. Fair Mkt.
PFC/MFL		104,000	1.0004	PFC/MFL		104,000
2009	2010	2009	2010	2009	2010	2009
Est. State Alloc.	Est. State Alloc.	Net Tax	Net Tax	% Tax Change	Gross Property Tax	
Allocated Tax Dist.	Allocated Tax Dist.				First Dollar Credit	
STATE OF WISCONSIN	34,746	35,142	0.00	0.00	Lottery Credit	0.00
WAUSHARA COUNTY	111,159	114,192	0.00	0.00	Net Property Tax	62.80
TOWN OF DEERFIELD	504,179	538,204	0.00	0.00	MFL 2004 - CLOSED	
TRI-COUNTY AREA SCHOOL	16,244	15,011	0.00	0.00		
MID-STATE VTA&E DIST						
Total	666,328	702,549				

TOTAL DUE FOR FULL PAYMENT
PAY BY January 31, 2011
\$ 62.80

Warning: If not paid by due dates, installment option is lost and total tax is delinquent subject to interest and, if applicable, penalty. Failure to pay on time. See reverse.

Property Address: 803/57 446/671 419/97 ACRES: 40.000
 SEC 02, T 19 N, R 09 E
 NE1/4 SW1/4

Net Assessed Value Rate (Does NOT reflect credits): 0.016196615

RETAIN THIS PORTION AS YOUR COPY

SEE REVERSE SIDE FOR



Behind the Scenes: The Property Record

**2010 Property Record
Burnett County, WI**

Assessed values not finalized until after Board of Review
 Years in red have delinquent taxes
 Date was last updated Apr 19 2012 6:15AM

2006 2007 2008 2009 **2010 2011** Page 1 of 1

Owners Lorraine Alger No co-owners listed (Note: Co-owners shown only for latest tax year)	Billing Address LORRAINE ALGER 22953 BANKER RD SHELL LAKE WI 54871
Property Information Parcel ID: 07-008-2-38-14-17-4 02-000-011000 Legacy ID: 008211702500 Tax ID: 3240 Map ID: School Districts: TECH COLLEGE SCHL-SHELL LAKE	Property Description NW SE Property Address: Municipality: TOWN OF D
Tax Information Net Tax Before Lottery and First Dollar Credits: 315.25 Lottery Credit: .00 First Dollar Credit: .00 Net Tax After: 315.25	Deed Information Volume/Page: 2018 556/42 Document #: 595542
Land Valuation Assessment Base Acres MFL Improvement Total 08 20 000 18,000.00 18,000.00 05 7 000 2,100.00 2,100.00 04 13 000 2,000.00 2,000.00 40 000 822,100.00 \$ 00 822,100.00	Land Valuation Total Acres: 40.000 Mill Rate: 0.014264188 Assessment Ratio: 1.0335 Fair Market Value: Use Value Assessment

Property Tax Interest: 47.59



Town of Clyde

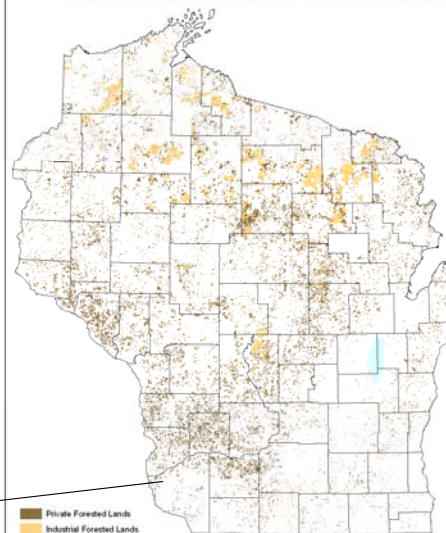
Land Use	Acres	Assessed Value	Tax/Acre
Agricultural Land	11,112	\$143.83	\$2.90
Agricultural Forest	2,804	\$1,900.00	\$33.65
Productive Forest	1,471	\$3,800.00	\$76.31
Undeveloped	889	\$376.60	\$5.81
MFL*	8,210	\$10.68	
Agricultural Land Breakdown			
Grade 1 Cropland		\$5.10	
Grade 2 Cropland		\$4.31	
Grade 3 Cropland		\$3.15	
Pasture		\$1.26	



**MFL is expiring...
What options do
I have?**



Forestland in Property Tax Incentive Programs



The data shown on this map has been obtained from various sources, and use of it is subject to availability and modification. This map is not intended to be used for any specific purpose, and it is not intended to be used as a substitute for professional advice. The user assumes all responsibility for any use of this information. The Wisconsin Department of Natural Resources is not responsible for any use of this information.



Property Tax Situation

Fair Market Value = \$2400/acre, mill rate = \$19/\$1000

Possible Options For Different Classifications:

- 50 acres productive forest = \$2280 total annual tax
- 50 acres ag-forest = \$1140/yr
- 50 acres pasture = \$67/yr
- 50 acres MFL = \$525/yr



PASTURE THE 50 ACRES OF
WOODS AND PAY \$67
EACH YEAR?



Is an Ag-Forest Classification Possible?



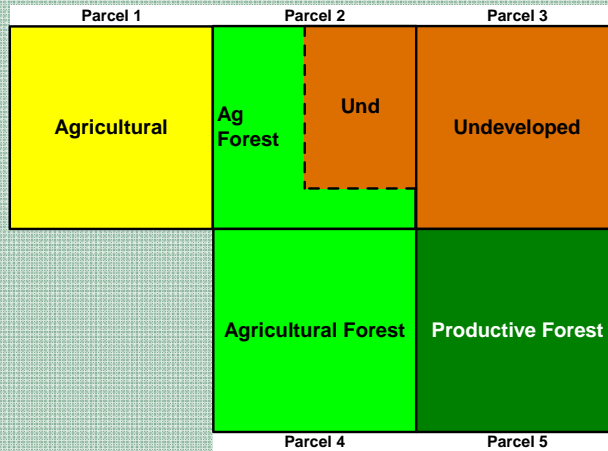
So what is Agricultural Forest Land?

- 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.
- Located on a **parcel** that contains agricultural land for the January 1, 2004 assessment, and on January 1 of the current assessment year.
- 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.

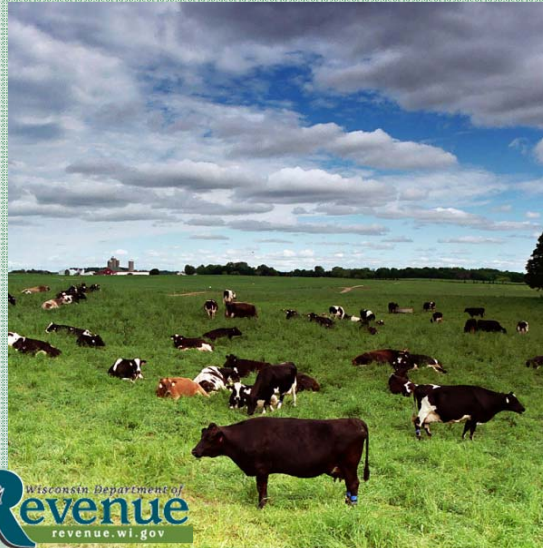


AG – Forest Example, Scenario 6 of 19

DOR's Ag Assessment Guide for Property Owners



Agricultural Assessment Guide For Wisconsin Property Owners



Ag-Forest Option
Taxes = \$1140/yr vs. \$2280/yr

INITIAL COSTS

- One time cost of survey to establish a new (small) tax parcel to qualify as Ag-Forest - \$1200
- Develop a voluntary management plan - \$500

BENEFITS

- Maintain DNR/NRCS forestry assistance and cost sharing with the 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 \$1000/yr.



What About the MFL?

Property Taxes Would Be \$525/yr... today*

***Rates change every 5 years**



MFL -- Additional Considerations

- Hire a consultant forester, develop a plan and pay entry fees
- \$1000+
- No leasing or other income opportunities
- Additional harvest restrictions
- Yield tax on harvest - \$4000 (estimate)
- Loss of land splitting flexibility
- Potential reduction in sale price
- Significant penalty for withdrawal, and
- What will they do next?



A LANDOWNER'S GUIDE TO UNDERSTANDING YOUR PROPERTY TAX BILL

**Learn how your land is taxed and what options
you have to reduce your taxes**

Contact us at www.wafo.org



**THE MANAGED FOREST LAW:
DO I WANT TO ENROLL MY PROPERTY?**

*The program has changed and the decision on whether or not to commit
to another 25 years is not as easy as it once was.*

A Landowners Decision Making Guide on the MFL, Sept. 2015

Contact us at www.wafo.org



TO TAKE YOUR ANALYSIS TO THE NEXT LEVEL

LOOK AT LONG TERM RETURNS FOR VARIOUS
OPTIONS



Wooded Land Management: The Cost of Doing Nothing *or* Getting a Return on Investment

Paul Dietmann, Emerging Markets Specialist
Badgerland Financial
(608) 370-6956
Paul.dietmann@badgerlandfinancial.com

PPT AVAILABLE AT WWW.WAFO.ORG



Landowner scenario:

40 acres of average quality wooded land in Southwestern Wisconsin valued at \$100,000.

OPTIONS AND RETURN ON INVESTMENTS ARE:

- A) Fence & pasture it to lower the property taxes, harvest low-average quality timber in 15 years -- Return on Investment = 3.33%
- B) Clear-cut, fence, and pasture it -- Return on Investment = 2.20%
- C) Do nothing, pay the taxes and in 15 years, harvest 1/3 of the timber at average quality -- Return on Investment = 1.92%
- D) Develop a forest management plan, enroll in MFL, actively manage for timber stand improvement and in 15 years, harvest 1/3 of the timber at good quality -- Return on Investment = 4.87%
- E) Develop & implement a forest management plan, don't enroll in MFL, lease out the hunting rights -- Return on Investment = 4.86%



**Longer Term Goals:
Trees are an Agricultural Crop. Should you be penalized
with higher property taxes?**



THANK YOU!

WISCONSIN ALLIANCE OF FOREST OWNERS

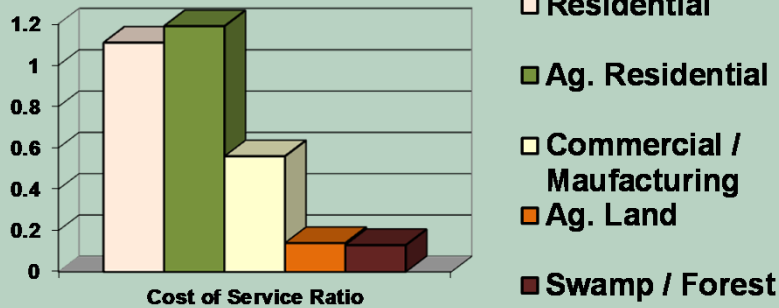
WE NEED YOUR HELP

**TO ACHIEVE EQUITABLE TAX AND REGULATORY TREATMENT OF PRIVATELY
OWNED FOREST LANDS**

WWW.WAFO.ORG



Cost of Community Services (FY96)



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*



Costs to Municipalities to Service Forest Land

- Police – Trespassing response?
- Fire – Yes, but significant state contributions
- Roads – Periodic harvests and access for mgmt.
- COSTS - \$2 per acre?
- MFL - \$11/acre -- A Big Tax Break...or...
Reduction in Subsidy

