



Testimony on SB343

Wisconsin Alliance of Forest Owners
December 9, 2015

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 Wisconsin's private woodland owners, including over 40,000 landowners who have MFL orders. We are tree farmers who manage 59% of Wisconsin's forest land and who provide 67% of the raw material needed to support Wisconsin's \$20 billion forest industry. Additionally, our woodlands are directly tied to two of the State's other biggest economic engines: our woods provide the beautiful backdrop for the Wisconsin tourism economy and also the wildlife habitat and hunting grounds for our State's hunting economy and heritage. No other rural land type offers more to Wisconsin's diverse economy, legacy and future than private woodlands.

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

THE MANAGED FOREST LAW IS NO LONGER COMPETITIVE WITH OTHER LAND USES

Since its inception almost 30 years ago, tree farmers have embraced the MFL 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. But, as we can all agree, revisions to the program are needed. This bill takes some good steps in that direction.

WAFO POSITIONS ON THIS BILL

First, WAFO wants to acknowledge the work done on MFL 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 language which would once again allow landowners to receive consideration in exchange for allowing others to recreate on their land before we could support its passage.

Elements of SB434 WAFO Supports

- **Eliminating the severance and yield tax.** No other harvested agricultural crop is subject to this special tax that costs timber producers approximately \$1.5 M every year.
- A provision that provides greater clarity to private property owners that they are **signing a contract** when they enroll in the MFL. If significant statutory changes are made, landowners must be given an option on whether or not they wish to continue to be in the program, similar to a process used by the USDA with CRP and other contracts.
- **Return closed acreage fees back to the counties and municipalities** where the parcel is located rather than have it being directed back to state government. (Currently closed acreage fees generate about \$6 M/yr.)
- Revising the archaic regulations on the **transfers and splitting of lands** enrolled in MFL.
- **Reduction in the withdrawal penalty**, although penalties proposed still greatly exceed those applied to other rural 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 for construction purposes.**
- Allowing **additions of 3 or more acres of land to existing agreements.**
- Expanding the ability for some landowners to **close more than 160 acres** within any one municipality.

What WAFO Does Not Support

- **This bill DOES NOT include language which would allow landowners to receive consideration for allowing others use of their land.** There is language in this bill (Section 36) that says “An owner of land designated as closed may permit a person who performs land management activities on the land to access the land for recreational activities” but this **is meaningless.** Landowners can permit access now, whether or not someone performs land management activities on their land. Importantly, this bill does not change **language under 77.83(2)(am) which still clearly states landowners CANNOT receive any consideration for use of their land.**

Where SB434 Falls Short

- **No reduction of the special state closed tax landowners must pay.** WAFO strongly recommends that the growing of timber be recognized as an agricultural crop. MFL 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 in a profitable manner. While we support directing closed acreage fees to local governments, the current \$10.68/acre rate is excessive, greatly exceeding the average \$3.17/acre property tax paid on other agricultural lands. The \$10.68/acre rate will often prevent tree farmers from managing their crop as a viable business venture.
- **Limiting the amount of acreage “businesses” can close.** It would appear the intent of the authors was to limit the ability of large, industrial, landowners from being able to close significant amounts of their land. However, the definition of business owner includes trusts and LLCs, organizations many family landowners utilize for titling their land for tax and other family purposes. Consideration should be given to more specifically define who is an industrial land owner, whether it is a REIT, TIMO or other large business.
- **Clarification of contract language.** WAFO supports having MFL agreements being a contract. Proposed language refers to changes that affect the “order” or “management plan.” If broader statutory changes are made which do not directly change the order or plan but materially affect the contract, they also should be included as part of the contract.
- **Withdrawal penalty** has been limited to a maximum of 10 years with the penalty based upon the current forest tax rate times the number of years the land has been in the program. Unlike current law, landowners would not be given credit for taxes paid, i.e. they would not receive credit for the \$10.68/acre tax they paid which would be fairer. Although this is a positive change, it comes nowhere close to the 3 year penalty associated with taking other agricultural land out of production.

Thank you for this opportunity to testify. Please know we very much want to work with you and other stakeholders to make the MFL an improved and sustainable program.

Respectfully submitted,

Douglas J Duren
Wisconsin Alliance of Forest Owners