

What Affects Local Property Tax Revenue the Most? Is it Managed Forest Law Lands or is it Agricultural Lands? A Look at Buffalo County.

Believing the Managed Forest Law (MFL) negatively affects the county's tax base, the Buffalo County Board recently voted to ask the Wisconsin Legislature and the Governor to make changes to the law. The Board asked that "in the interest of making real estate taxes fair and equitable," enrollment be limited to 160 acres, that land enrolled be on Homestead property¹ and that only owners who did not have their lands titled in Trusts, LLCs or Corporations be eligible.

What was missed by this resolution is that lands enrolled in the MFL are not the only ones that receive local property tax breaks. Forest lands located on tax parcels that contain agricultural land are taxed at 50% of fair market value (FMV). "Undeveloped" lands (swamp, waste or fallow lands) are also taxed at 50% of FMV. Only lands that are classified as "Productive Forest," "Residential," "Commercial," "Industrial" and "Other" are taxed at FMV.²

The biggest tax breaks are given to lands classified as "Agricultural," which are taxed at an average of only 3.7% of FMV.

Taxation of Agricultural Lands.

Recognizing that the taxation of agricultural lands was unfair because of the lower demands they placed on local services, along with a desire to see agricultural land kept as agricultural lands, the law was changed in 1995 with passage of Act 27, the Use-Value Assessment Law. Under Wisconsin statute 70.32(2r), the law now states,



"Agricultural land shall be assessed according to the income that could be generated from its rental for agricultural use." More detail on the law was developed with passage of TAX 18, a Wisconsin Department of Revenue administrative code that defines what qualifies and how it should be valued for taxation purposes. Prior to implementation of this law, which shifted taxes from agricultural land to Residential, Forest and Other property, taxes on agricultural land averaged about \$12.90 per acre. In 1995, taxes on forest lands averaged \$6.81 per acre.

Today in Buffalo County, where agricultural rental rates are about \$122 per acre and cropland is worth about \$4200/acre, agricultural land is valued at \$139 per acre for taxation purposes. To

put this into perspective, if the 202,705 acres of agricultural lands were fully taxed at FMV, they would contribute an additional \$15 million in tax revenue to local governments.

Table 1. Value and Taxation of Buffalo County Lands as Reported by the Wisconsin Department of Revenue for the Year 2020

Shows the amount of open lands and how these tax breaks are applied in Buffalo County

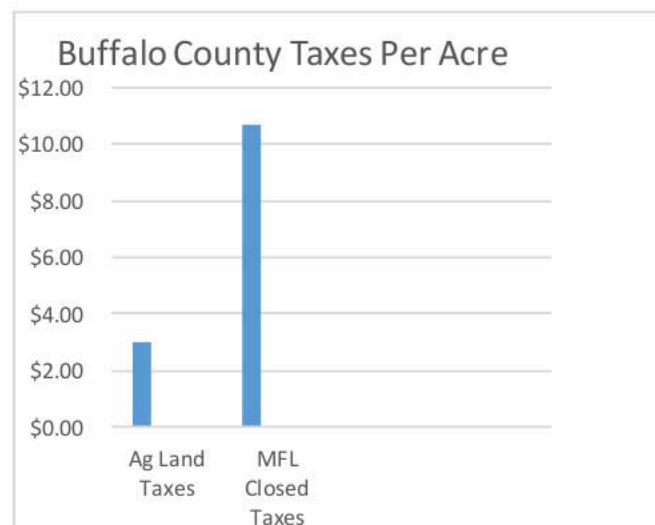
Classification	Acres	Assessed Value	Average Taxes
Agricultural	202,705 acres	\$150/acre use value (FMV = \$4200/acre)	\$3/acre
Productive Forest	17,558 acres	\$3700/acre	\$66/acre
Agricultural Forest (Woodland located on parcels with Ag use)	63,704 acres	\$1900/acre valued at 50% of FMV	\$34/acre
Managed Forest Law lands	88,599 acres	N/A	48,362 acres @ \$1.75/acre; 40,193 acres @ \$10.20/acre
Undeveloped (swamp/waste/open)	27,444 acres	\$760/acre valued at 50% of FMV	\$15/acre

Requirements to Receive Use Value Assessment Taxation. There are no special requirements to receive this tax break. It automatically applies to all agricultural lands. There are no limits on the number of acres that can be enrolled, no provisions for providing public access, and no ownership requirements nor is there a need to follow sound conservation practices. There is a penalty that applies if agricultural lands are converted to a residential or other development use, although it is minimal. Currently this conversion penalty is \$202 per acre in Buffalo County. However, if the land is left fallow for a year and the land is taxed at the “Undeveloped” rate, there is no conversion penalty, even if these lands are subsequently developed.

Taxation of Lands Enrolled in the Managed Forest Law.

The Managed Forest Law was enacted in 1985, replacing the Woodland Tax Law and the Forest Crop Law. Taxation rates applied to these lands are adjusted every five years and are based upon a percentage of the average statewide tax on forest lands. As a result of these periodic changes, the 48,362 acres of land that were enrolled prior to 2005 are taxed at \$1.75/acre. The 40,193 acres enrolled after 2005 are taxed at a rate of \$10.20/acre. Landowners can opt to

Figure 1. MFL Land Taxes Compared to Ag Land Taxes



open their lands to public hunting and other recreational uses. If they do that, their tax would be \$2.04 per acre, but very few choose to do so. To put it in perspective with other lands, if MFL lands in Buffalo County were taxed at FMV, they would provide an additional \$5 million in tax revenue.

Requirements to be in the Managed Forest Law. To enroll land in the program, a landowner must first hire a Certified Plan Writer to develop a plan. These plans describe various mandatory practices a landowner must follow. They often require periodic harvesting of



timber, thinning or releasing trees, planting of trees to maintain forest density and use of best management practices to control soil erosion.

Once a plan is approved, the landowner must agree to follow prescribed practices and make a 25-year commitment to maintain the land as forest. Penalties for withdrawing lands from the MFL are significant. For example, if a landowner wanted to withdraw land that had been in the program for 10 years, the penalty in Buffalo County would be \$658 per acre along with a processing fee of \$300.

The Value of Forests to Buffalo Counties Economy. Forests are an important component of Buffalo County's economy. In 2018, Buffalo County's forest products industry directly employed 117 individuals, paid \$5.64 million in labor income, and produced over \$25 million of forest products. This forest products industry also supports other non-forestry related industries through inter-industry transaction and household spending, contributing an additional 255 jobs. In total, Buffalo County's forest products industry contributes 372 jobs and produces over \$34 million of gross output (sales).

From a commercial hunting and trapping perspective, Buffalo County also generated over \$16 thousand gross output in 2018. From a tourism economic contribution, Buffalo County supported 200 total jobs and made over \$21 million of output.

Summary

Many other counties would be thrilled to have the "big buck draw" that brings in significant revenue from non-resident visitors. They also would be happy to have more of their forest land protected rather than seeing larger parcels being carved up and converted to rural residential use which demands the most local services. Importantly, they'd also value the wildlife, water quality, clean air, and recreational opportunities that well-managed forests provide.

Wisconsin needs healthy, productive, privately owned forests to provide the raw material needed to keep Wisconsin's important forestry industry strong. It also needs a thriving and economically viable agricultural industry. Perhaps the Buffalo County Board would like to consider making a resolution that took a more comprehensive look at what taxes are being paid on lands receiving a tax break to make them more "fair and equitable."

Current taxation of forest lands is not fair and equitable based upon the demands they place on local governments. Studies have shown they cost local governments only \$1 to \$2 per acre to provide for roads and some minimal police and fire needs. Even at the current MFL taxation rate of \$10 per acre, it is often economically difficult to generate enough revenue from timber harvesting and leasing to pay property taxes. And tree farmers do not receive the substantial farm subsidies that owners of other agricultural lands do.

Singling out MFL as being responsible for Buffalo County's tax woes only tells part of the story.

¹In Wisconsin, a Homestead is defined as the home you occupy and up to 120 acres of adjoining land if it is a farm.

²Details on how lands are classified and taxed can be found in Wisconsin Department of Revenues "Agricultural Assessment Guide for Wisconsin Property Owners."