



## Fiscal Estimate Narratives

DOR 11/17/2003

LRB Number	03-3521/4	Introduction Number	AB-650	Estimate Type	Original
<b>Subject</b>					
Agricultural forest land definition					

### Assumptions Used in Arriving at Fiscal Estimate

Beginning in 2004, certain woodlands will be classified as agricultural forest land. These woodlands must be capable of producing commercial forest products, be contiguous to a wholly agricultural parcel and be owned by the same person as the owner of the agricultural parcel. Agricultural forest land will be assessed at 50% of full value.

The bill changes the definition of agricultural forest land to include woodlands that are part of a parcel that includes agricultural land or are contiguous to a parcel that is classified as wholly agricultural land or contiguous to a parcel that is classified agricultural land and other. The "other" classification refers to farm improvements and the land under the improvements.

According to the most recent U.S. Census of Agriculture (1997), there are approximately 2.8 million acres of woodlands located on Wisconsin farms. Of this amount, 707,500 acres are pastured. If it is assumed that all pastured woodland are currently classified as agriculture, there are 2.1 million acres of land that could be classified as woodlands (2.8 million - 0.7 million). According to Department of Revenue data, the number of forest acres enrolled in special forest tax programs equals approximately one third of the total number of taxable forest acres. It is assumed that a third of the woodlands on farms are enrolled in such programs; as a result it is estimated that there are 1.4 million taxable woodland acres on farms [2.1 million acres x (1-.3333)].

Of this 1.4 million acres of farm woodlands, it is estimated that 20%, or 280,000 acres, meet the current law definition of agricultural forest. It is estimated that the remaining 1.12 million woodland acres on farms would be classified agricultural forest under the bill.

Assuming that a) the 2004/05 full value of forest acres is approximately \$1,600 per acre; b) the 2004/05 statewide net property tax rate under current law would be \$20.022 per \$1,000 of taxable value, and c) the 2004/05 statewide net property tax rate under the bill would be \$20.068 per \$1,000, the bill would result in an estimated property tax shift of \$17.6 million from woodland acres on farms to other taxable property [((1.12 million acres x \$1,600) + (280,000 acres x (\$1,600 x .5)) x .02022) - ((1.4 million acres x (\$1,600 acres x .5)) x .02068)].

The bill would require revisions to the Wisconsin Property Assessment Manual and assessor training materials, the cost of which can be absorbed.

The bill would result in an estimated decrease of \$180,000 in state forestry tax collections.

### Long-Range Fiscal Implications

It is likely that, over time, many woodland owners will clear and cultivate sufficient acreage to meet the definition of agricultural forest land under the bill. It is estimated that, over time, roughly 60% of forestland, or 5.3 million acres, could be affected under the bill. Based on estimates for 2004/05, this would result in a property tax shift of approximately \$56 million from woodland owners to other taxable property and a \$725,000 decrease in annual state forestry tax collections.

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 03-3521/4		<b>Introduction Number</b> AB-650	
<b>Subject</b>			
Agricultural forest land definition			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S (State forestry)		-180,000
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-180,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-180,000	\$See text of fiscal note.
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Rebecca Boldt (608) 266-6785		Dennis Collier (608) 266-5773	11/17/2003