



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Jim Doyle, Governor
Scott Hassett, Secretary

101 S. Webster St.
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Assembly Bill 650
Senate Agriculture, Financial and Insurance Committee

Department of Natural Resources Testimony
Richard Wedepohl
Dam Safety/Floodplain/Shoreland Section Chief
March 3, 2004

Mr. Chairman and Committee Members:

Good morning. My name is Richard Wedepohl and I am the Chief of the Department of Natural Resource's Dam Safety/Floodplain/Shoreland Section. We appreciate the opportunity to provide informational testimony on Assembly Bill 650.

In previously testimony on this bill we expressed concern related to the ease by which landowners could qualify their woodlands as agricultural forest and to the fact this tax program has no conservation components associated with it. With adoption of Assembly Substitute Amendment 1, which DNR supports, most of our concerns related to unlimited expansion of lands qualifying for designation as agricultural forest are addressed. DNR still desires, however, that a conservation component be incorporated into use value assessment. We encourage that consideration be given to language such as that being promoted by the Wisconsin Land and Water Conservation Association.

Wisconsin is best served by using tax incentives as a means of promoting use of sound conservation practices. Programs like the Managed Forest Law and Farmland Preservation are examples where the public accrues substantial benefits in exchange for tax incentives that reward landowners who commit to long term, sustainable land management.

The Department of Natural Resources has empathy for rural landowners who feel their property taxes are too high because of shifts in taxes to their woodlands. Tax laws, however, also need to be equitable, fair, and protective of our natural resources. Simply shifting the tax burden onto others within a local taxation district without giving them clear conservation benefits for agricultural use taxes they are subsidizing is not a complete answer.

We continue to urge the Legislature to initiate a comprehensive evaluation of rural property taxation issues — one that recognizes existing programs such as Use Value Assessment, Farmland Preservation and the Managed Forest Law and

understands how they interact with each other. The Department stands ready to work with the agricultural community, local governments, DATCP, DOR and other affected and interested parties to discuss how we might address the concerns that have led to this bill.

March 2nd, 2004

**WISCONSIN ASSOCIATION OF ASSESSING OFFICERS
(WAAO)**

POSITION ON ASSEMBLY BILL 650

Assembly Bill 650 would expand the definition of Agricultural Forest Land. While WAAO is not against the idea of lowering taxes paid by owners of wooded and undeveloped land so that those taxes are closer to the actual value of services received, we are concerned about the way the taxes would be reduced in AB 650 for the following reasons:

1. Since there is no sign up procedure, it is difficult and time consuming for the assessors to determine which lands would annually qualify.
 - a. Not all counties have GIS mapping available to assist in identifying qualifying parcels.
 - b. A large percentage of rural assessors are not computerized.
2. The implementation of this proposal will be an added expense for local governments at a time of tight budgets and decreasing land values.
3. There are no requirements in AB 650 to encourage good conservation or management practices of the land in exchange for the reduced taxes. It presently encourages poor conservation practices for marginal lands.
4. There is no penalty provision in AB 650, which would deter property owners from taking advantage of the lower taxes and then later selling the land off for development.
5. The stated goal of lower taxation of wooded, agricultural and undeveloped lands is to protect Wisconsin's farm economy and curb urban sprawl. While AB 650 will no doubt help agricultural landowners by reducing property taxes, there will be a shift in taxes to others, including those that support agricultural activities. In addition, the bill will not effectively decrease or slow down the transition of wooded areas to residential or commercial development to curb urban sprawl.
6. Future qualification of land as agricultural forest will depend on the classification of adjacent land in the year 2004. As time passes, it will be difficult for assessors to obtain the necessary information to reclassify lands that are sold, split into smaller parcels or have changed uses without any required reporting.
7. Qualifying land is limited to land that is only adjacent to agricultural land. This seems inequitable to those that own wooded land not adjacent to agricultural land. This requirement eliminates some land that would be deserving of special taxation as an incentive for preserving open space.

8. If agricultural land changes use, for example, if it is left fallow, then the wooded land adjacent to it would no longer qualify for the lower assessment. This change of use could cause hardship to a farmer as the assessment increases at a time of stress in the farm community.

WAAO is working on an alternative proposal that we would like to present to the legislature that is modeled after the Managed Forest Law. We believe that our approach to taxation of all agricultural, undeveloped and wooded lands in the state would better meet the goal of preservation of open space and would also encourage better management and conservation practices of those lands. It would also provide a more efficient assessment procedure for local governments to administer, in this time of tight local budgets. At the same time our proposal would offer greater tax savings to owners of wooded lands than this proposal offers without sacrificing the current savings enjoyed by as use assessment and lower assessments of undeveloped lands.

Respectfully submitted,



Melvin G. Raatz
R & R Assessing Services

WAAO – Vice President
WAAO - Rural Concerns Chairman
Member of the Farmland Advisory Council



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DATE: February 16, 2003
TO: Members of Joint Finance
FROM: Scott Hassett
SUBJECT: AB 650 (Agricultural Forests Property Tax Classification)

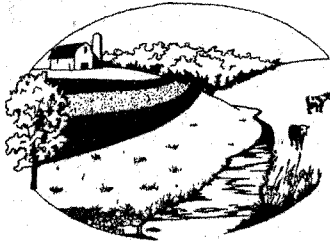
As you may know from our December testimony on AB 650 before the Ways and Means Committee, the Department of Natural Resources is very interested in development of rural land taxation policies that promote agriculture *and* conservation. Although we firmly believe that rural tax policies should have conservation inducements in them, we do appreciate the amendment to AB 650 that focuses the eligibility for the agricultural forest classification and thereby reduces the likelihood of abuse.

Programs such as the Managed Forest Law and the Farmland Preservation Program are effective as a means to provide property tax relief while simultaneously promoting the stewardship and wise use of Wisconsin's forest, farmland and other natural resources. In exchange for property tax reductions, landowners agree to maintain their land in either agricultural or forested use and to implement and maintain certain conservation practices. I would like to see us take a look at our other rural tax programs to see if conservation components such as compliance with soil loss standards and generally accepted forest management guidelines should be included there as well.

Please know we are committed to working with you and all of our legislators to ensure that revisions to our tax laws are equitable, fair, and protective of our natural resources.

Again, the Department supports the amendment to AB 650 made in the Ways and Means Committee and looks forward to a broader discussion about tax policy and conservation.

Cc: Rod Nilsestuen, DATCP
Michael Morgan, DOR



Vernon County
Land & Water Conservation Department

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<http://wi.nacdnet.org/vernon>

Assembly Bill 650
Senate Agriculture, Financial and Insurance Committee

Jeff Hastings, County Conservationist
Vernon County Land and Water Conservation Department
March 2, 2004

Mr. Chairman and Committee Members:

Good morning and thank you for this opportunity to provide you with informational testimony on Assembly Bill 650. My name is Jeff Hastings and I have been a County Conservationist for the past 23 years, the past 19 years in Vernon County.

Although I would usually support whole-heartedly anything that would provide tax relief for our farmers, I have a hard time supporting AB 650 as it is currently written. To simply shift this large a tax burden to others without some sort of benefits doesn't seem right.

I would propose that a conservation benefit be added to AB 650

ADD TO 92.07 THE FOLLOWING:

(16) Determination of Compliance With Minimum Soil Loss Standards and Prohibitions. If a land conservation committee determines that any land classified as agricultural under 70.32(2)(a) 4 does not comply with applicable minimum soil loss standards established under 92.105(1) or violates the prohibitions under 281.16(3)(a), it may notify the assessor of the town in which the land is located of that finding.

When notified by the land conservation committee that lands are not in compliance, the assessor, under 70.32, shall value the parcel that contains the land found not to be in compliance, at fair market value for the year following notification. These lands shall continue to be valued at fair market value until such time as the land conservation committee determines that the land is in compliance.

How this would work is quite simple...you start off by giving all eligible landowners the benefit of the doubt and provide them with these additional tax benefits. Then a

Conservation Department (through spot checks or through a complaints process) determines if someone is out of compliance. The next step is meet with the landowner and help them come back into compliance with the standards. If a landowner refuses to implement the standards then the department would simply contact the assessor and the landowner's land would be reassessed at fair market value.

As of October 2002 all farmers in Wisconsin are to be following the State Nonpoint Performance Standards. Many counties have been stumbling to implement these rules due to lack of staff and funding. This amendment could help counties implement the State Nonpoint Performance Standards.

I'll conclude my testimony by stating that I don't really see the urgency for AB 650 as long as there is a Managed Forest Law program out there that will already reduce a landowner's woodland property taxes and provide benefits to all of Wisconsin.



WISCONSIN FARM BUREAU FEDERATION®

P.O. Box 5550 • 1212 Deming Way • Madison, WI 53705 • 608-836-5575

TO: SENATE AGRICULTURE, FINANCIAL INSTITUTIONS AND
INSURANCE COMMITTEE

FROM: ROGER CLIFF
PAUL ZIMMERMAN
SABRINA GENTILE

SUBJECT: SUPPORT AB 650

DATE: MARCH 1, 2004

Members of the Wisconsin Farm Bureau Federation (WFBF®) respectfully request your support for AB 650. AB 650, introduced by Representative Kestell, expands the eligibility for woodlots to be classified as agricultural forestland. Woodlots that are classified as agricultural forestland are taxed at 50% of assessed value for property tax purposes.

Specifically, AB 650 would classify all land currently classified as productive forestland as of January 1, 2004, as agricultural forestland if the woodlot is on a parcel that also contains land classified as agricultural land. In addition, in order to prevent the future conversion of one or two acres of forestland to agricultural land in order to qualify for the prorated assessment, at least 50% of the total acreage of the parcel must be converted to agricultural land after January 1, 2004. These provisions would begin with the January 1, 2005, assessment year.

In the state budget, language similar to AB 650 was included by the Joint Finance Committee, but it was partially vetoed. The Governor expressed concern about creating an incentive to convert forestland to agricultural land in order to achieve reduced assessment on other forestland. AB 650 addresses the Governor's concerns. The Governor in his speech to farmers attending Ag Day at the Capitol, indicated his support for AB 650.

Attached for your review are diagrams illustrating current law regarding agricultural forestland eligibility and the issue AB 650 is addressing.

Again, WFBF requests your support for AB 650. If you have any questions or comments, please do not hesitate to contact Roger at 608-828-5703, Paul at 608-828-5708 or Sabrina at 608-828-5711. Thank you for your time and consideration.

Agriculture forest eligibility - current law

Tax Parcel #1	Tax Parcel #2
All ag land Use value assessment	Ag forest 50% of assessed value

This example show the only productive forest land on farms that eligible for the reduced tax assessment.

Tax parcels containing the woodlot (productive forest) would be reclassified as "ag forest" because the parcel is contiguous to a tax parcel that is entirely ag land. The "ag forest" tax parcel would be taxed at 50% of the assessed value.

Tax Parcel #1	Tax Parcel #2		
All ag land Use value assessment	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; vertical-align: middle;"> Partial ag land Use value assessment </td> </tr> <tr> <td style="text-align: center; vertical-align: middle;"> Partial ag forest 50% of assessed value </td> </tr> </table>	Partial ag land Use value assessment	Partial ag forest 50% of assessed value
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Because the tax parcel containing the woodlot (productive forest) is contiguous to a tax parcel that is entirely cropland or pasture, it would be reclassified as "ag forest" and would be taxed at 50% of the assessed value.

Agriculture forest eligibility comparisons - Current law and AB 650

Current law

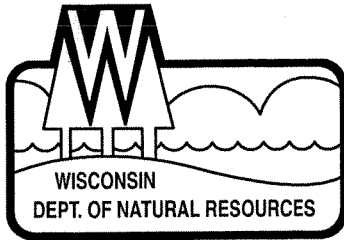
One Tax Parcel	
Partial ag land Use value assessment	Partial Productive forest 100% of assessed value

Because the woodlot (productive forest) is in a tax parcel that is not contiguous to a tax parcel that is entirely cropland or pasture, the woodlot would not be reclassified as "ag forest." Because the woodlot does not get reclassified, the woodlot would be taxed at 100% of the assessed value.

AB 650

One Tax Parcel	
Partial ag land Use value assessment	Partial Ag forest 50% of assessed value

Because the woodlot (productive forest) is in a tax parcel that also contains ag land, the wood lot would be reclassified as "ag forest," and would be taxed at 50% of the assessed value.



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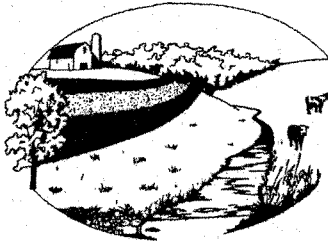
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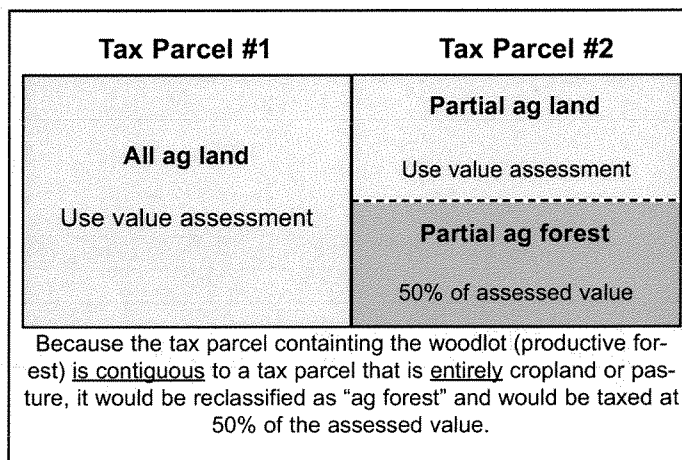
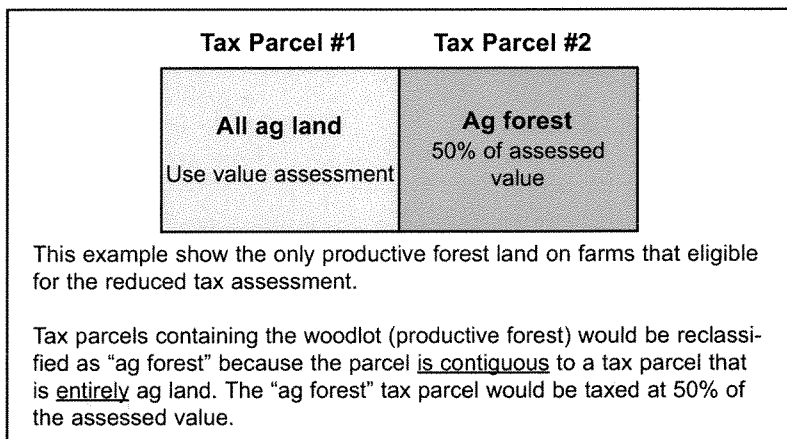
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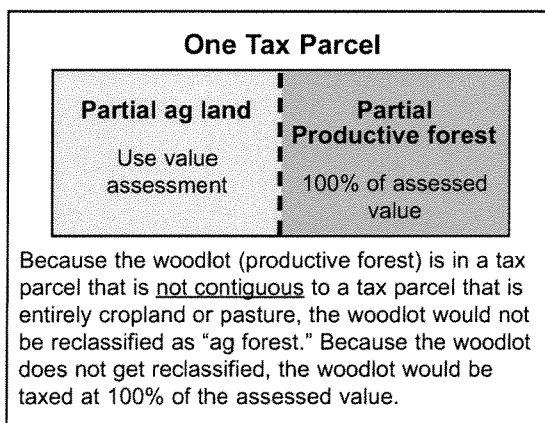
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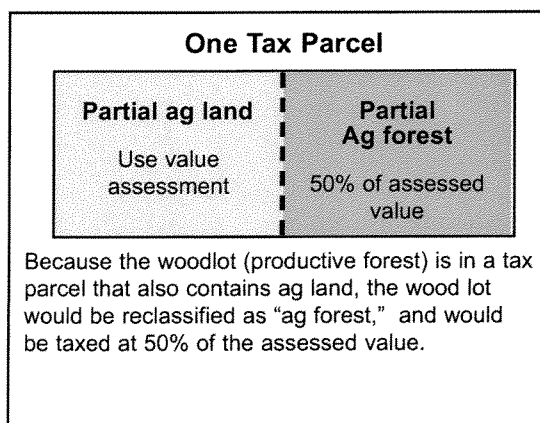


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Current law



AB 650



March 2nd, 2004

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(WAAO)**

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