

Fiscal Estimate Narratives

DNR 4/29/2010

LRB Number	09-4319/1	Introduction Number	AB-0959	Estimate Type	Original
Description The due date for payment of yield taxes on merchantable timber cut on damaged managed forest land and the assessment of payments per acre for damaged managed forest land					

Assumptions Used in Arriving at Fiscal Estimate

The bill allows the owner of managed forest land (MFL) to extend the due date for payment of yield taxes by an additional ten years from the date on which those taxes would ordinarily be due if certain circumstances are met. The bill also allows the owner of managed forest land who qualifies for the extension of the yield tax due date to also pay the same tax rates for the first 10 years of a new MFL order if they re-enroll their expiring MFL lands back into the MFL program.

Lands that qualify for the extension must have had (1) a catastrophic event (fire, ice, snow, wind, flood, insect or disease damage) that caused a 50% or more reduction in the total stumpage value of the merchantable timber on all of the tracts for which the extension petition is filed, and (2) the tracts must constitute at least 15% of the land under the owner's MFL order.

Lands that qualify to pay the tax rate at the time the catastrophic event occurred if the landowner re-enrolls lands back into the MFL program must have had a catastrophic event that occurred within the 15 years immediately preceding the expiration of the MFL order.

Assumptions/Methodology

The estimated state and local fiscal impact of this bill is based on the number of catastrophic loss claims submitted in the years 2000-2008 -- the years in which the Department's Forest Tax Program tracked catastrophic loss cutting reports separately from regular cutting reports. From the years 2000 through 2008 landowners made a total of 681 catastrophic loss claims. The number of claims ranged from year to year, from a high of 171 to a low of 33. Of the 681 claims made from 2000 through 2008, roughly 15,640 acres of land would meet the criteria included in the bill.

State Fiscal Impacts

Closed Acreage Fee Revenue: The Department estimates that the bill will reduce closed acreage fee revenues, which are deposited into the Forestry Account. For the first 10 years following passage of the bill, the amount of fee revenue that will be lost will climb; however, the full impact will not be realized until 10 years after passage of the bill and every year thereafter.

It is assumed that only small private landowners will close lands to public access and that large landowners will continue to keep lands open. Therefore, the Department estimates that a total of 15,640 acres of lands would be subject to the closed acreage fee as a result of the MFL extension that would be permitted under the bill. Landowners who qualify for an extension will continue to pay the closed acreage fee of \$0.90/acre for MFL land entered before 2005 instead of the current rate of \$6.67/acre, for a net savings of \$5.77 per acre.

The fiscal effect of the bill, in terms of reduced closed acreage fee revenue, is summarized below:

FY 2012--1,150 acres affected for a total fiscal effect of \$6,635.50 (1,150 acres x \$5.77 net savings per acre)

FY 2013--2,430 acres affected for a total fiscal effect of \$14,021.10

FY 2014--3,640 acres affected for a total fiscal effect of \$21,002.80

FY 2015--4,240 acres affected for a total fiscal effect of \$24,464.80

FY 2016--5,140 acres affected for a total fiscal effect of \$29,657.80

FY 2017--6,780 acres affected for a total fiscal effect of \$39,120.60

FY 2018--7,710 acres affected for a total fiscal effect of \$44,486.70

FY 2019--10,490 acres affected for a total fiscal effect of \$60,527.30

FY 2020--12,110 acres affected for a total fiscal effect of \$69,874.70

FY 2021--15,640 acres affected for a total fiscal effect of \$90,242.80

Costs to Update Literature, Applications, and Websites: The Department assumes that it will incur one-time costs for updating all literature and websites associated with the MFL program. The Department estimates the costs associated with updating this information to be \$2,500 [(8,000 applications x \$ 0.1356 per application = \$1,100) + (40 hours staff time x \$34.27/hour salary and fringe = \$1,400)].

Local Government Fiscal Impact

Loss of Acreage Share Revenue: The Department estimates that the bill will reduce acreage share tax revenues for local municipalities. For the first 10 years following passage of the bill, the amount of tax revenue that will be lost will climb; however, the full impact will not be realized until 10 years after passage of the bill and every year thereafter.

Landowners with MFL orders entered before 2005 pay an acreage share tax of 67¢/acre; while landowners with MFL orders entered 2005 and later pay an acreage share tax of \$1.67/acre. Since the MFL extensions allowed under the bill would be taxed at the lower rate, local municipalities would receive \$1.00/acre less in annual acreage share tax revenue.

The fiscal effect of the bill, in terms of reduced acreage share tax revenues, is summarized below:

FY 2012--1,150 acres affected for a total fiscal effect of \$1,150 (1,150 acres x \$1.00 net savings per acre)
FY 2013--2,430 acres affected for a total fiscal effect of \$2,430
FY 2014--3,640 acres affected for a total fiscal effect of \$3,640
FY 2015--4,240 acres affected for a total fiscal effect of \$4,240
FY 2016--5,140 acres affected for a total fiscal effect of \$5,140
FY 2017--6,780 acres affected for a total fiscal effect of \$6,780
FY 2018--7,710 acres affected for a total fiscal effect of \$7,710
FY 2019--10,490 acres affected for a total fiscal effect of \$10,490
FY 2020--12,110 acres affected for a total fiscal effect of \$12,110
FY 2021--15,640 acres affected for a total fiscal effect of \$15,640

Long-Range Fiscal Implications

It is assumed that after 10 years of implementation the fiscal effect of the bill will remain constant.

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Estimated one-time costs of \$2,500 to update literature and web sites.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			-90,200
TOTAL State Revenues	\$		-\$90,200
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	-\$90,200		-\$15,600
Agency/Prepared By		Authorized Signature	Date
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