

Modifications From Agency

ORDER OF THE STATE OF WISCONSIN NATURAL RESOURCES BOARD REPEALING AND RECREATING RULES

The Wisconsin Natural Resources Board proposes an order to repeal and recreate NR 46.30 (2) (a) to (d) relating to the administration of the Forest Crop Law and Managed Forest Law.

FR-03-08

Analysis Prepared by the Department of Natural Resources

Statutes interpreted: Section 77.06 (2) and subch. VI Ch. 77, Stats .

Statutory authority: Sections 77.06 (2), 77.91 (1), Stats., and 227.11(2)(a), Stats. Sections 77.06 (2) and 77.91 (1), Stats. directs the department to establish stumpage rates on an annual basis for use in determining the severance and yield taxes assessed when timber is harvested from lands designated as forest crop land and managed forest land. New rates shall take effect on November 1 each year.

Analysis of proposed rules. : For purposes of the Forest Crop Law (FCL) and the Managed Forest Law (MFL), this rule repeals and recreates s. NR 46.30(2)(a) to (d) to revise annual stumpage values used to calculate severance and yield taxes due on timber cut during the period from November 1, 2008 through October 31, 2009. Thirteen separate zones reflect varying stumpage values for different species and products across the state.

Timber prices have been stable from 2006 through 2007. The average prices for sawlogs have decreased 0.51% and prices for cords have decreased 1.37%. Prices for mixed products (mixture of sawlogs and cords for red pine, white pine and spruce) have dropped 0.14% when compared to the current year's rates. While the statewide averages remain constant, there are fluctuations between market zones and individual prices. Of all total 629 prices calculated, 212 (34%) increased, 134 (21%) decreased and 283 (45%) stayed the same.

The severance and yield tax collected in CY 2006 was \$2,078,390.00. Of this, 46% of the gross revenue was from sawtimber harvests. Fifty-four (54%) percent of the revenue was from cordwood harvests. There were no recorded mixed product sales in CY 2006. Based on the statewide decrease in timber prices an estimated \$20,260 less will be collected for municipalities.

Estimates are based on the average change in rates for private land timber sales across species and zone for each product type (cordwood, sawtimber and mixed), the volumes reported and paid for in CY 2006, and the assumption that the volume and the ratio of the cordwood and sawtimber will remain the same. Actual impact for a county and municipality will vary by the number of harvests completed and the actual species and products cut.

Comparison of Federal Regulations: There are no known federal rules which apply to stumpage rates or Managed Forest Law petitions.

Comparison of Adjacent States: Checks with the surrounding states of Minnesota, Michigan, Iowa and Illinois indicate that while they offer some type of incentive program to forest landowners, none of the states have similar forestry practice requirements nor do they calculate annual stumpage rates for severance and yield taxes in conjunction with their programs.

Anticipated cost by private sector: For owners of land designated as MFL or FCL. There is an anticipated decrease in cost associated with the decrease in yield tax on MFL and severance tax on FCL.

based on the average increase in stumpage rates proposed for both pulpwood (1.37% decrease) and saw timber (0.51% decrease). Actual cost could be an increase or decrease depending on the specific species, product and zone. Private landowners statewide would pay a collective total of \$ 20,252.00 less when timber is harvested under these programs compared to one year ago.

Summary of factual data and analytical methodologies: Stumpage rate data is collected from Department Foresters and Cooperating Foresters annually. This data is used to calculate a three year weighted average for each species and product by zone. Only data obtained from private timber sales was used in the stumpage rate calculation.

$$\frac{\left[\begin{array}{c} \text{wtd avg} \\ \text{current year minus 3} \\ \text{selling price} \end{array} + \begin{array}{c} \text{wtd avg} \\ \text{current year minus 2} \\ \text{selling price} \end{array} + \begin{array}{c} \text{wtd avg} \\ \text{current year minus 1} \\ \text{selling price} \end{array} \right] + \begin{array}{c} \text{wtd avg} \\ \text{current year minus 1} \\ \text{selling price} \end{array}}{3} \div 2 = \text{Base Rate}$$

The current rates in NR 46.30 are compared to the proposed rates to determine the average change in rates by product.

Historical data on severance and yield tax invoices including catastrophic loss awards were reviewed to determine trends and anticipated impacts.

Analysis to determine effect on small business: A review of the law shows the impact on small business. The actual impact is dependant on the amount of timber (if any) is scheduled to be harvested on their specific land during this stumpage rate year.

Effect on Small Business: This rule will impact small businesses (i.e., farmers, landowners) that have land designated as managed forest land or forest crop land. Those involved in this voluntary program pay a reduced tax in place of the regular property tax in exchange for sound forest management on the land. When timber is harvested they pay a 5% yield tax or 10% severance tax which is calculated using the stumpage rates established in NR 46.30.

Agency Contact Person: Kathryn J. Nelson, Forest Tax Section Chief
 Ph: 608/266-3545
 e-mail: Kathryn.Nelson@Wisconsin.gov

Section 5. NR 46.30 (2) (a) to (d) are repealed and recreated to read:

NR 46.30(2)(a) Logs (stumpage value per thousand board feet measurement by the Scribner Decimal C log rule).

2009 Rates - Effective Nov. 1, 2008

	ZONES												
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Wau-kesha	Green Bay	Crivitz	Wausau	Wau-toma	Dodge-Ville	Rhine-lander	Adams	Richland Center	Hay-ward	Eau Claire	River Falls	Sparta
Cedar	80.00	132.00	79.00	110.00	60.00	61.00	80.00	80.00	NA	80.00	80.00	80.00	80.00
Fir	NA	50.00	50.00	94.00	NA	50.00	90.00	NA	NA	28.00	110.00	100.00	100.00
Hemlock	NA	56.00	53.00	89.00	NA	NA	70.00	NA	NA	300.00	100.00	57.00	57.00
Pine													
Jack	72.00	72.00	72.00	72.00	141.00	72.00	100.00	45.00	62.00	135.00	70.00	60.00	70.00
Red	57.00	96.00	68.00	110.00	114.00	63.00	126.00	114.00	114.00	105.00	110.00	116.00	140.00
White	165.00	74.00	129.00	128.00	120.00	114.00	130.00	163.00	105.00	100.00	127.00	104.00	196.00
Spruce	90.00	105.00	70.00	154.00	78.00	99.00	120.00	80.00	62.00	73.00	150.00	49.00	80.00
Tamarack	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Aspen	70.00	62.00	109.00	42.00	56.00	59.00	119.00	63.00	65.00	133.00	107.00	58.00	57.00
Ash	113.00	166.00	103.00	144.00	182.00	128.00	133.00	144.00	141.00	131.00	128.00	116.00	80.00
Basswood	145.00	136.00	165.00	150.00	99.00	153.00	166.00	153.00	128.00	130.00	111.00	131.00	112.00
Birch													
White	110.00	108.00	136.00	148.00	53.00	68.00	186.00	64.00	56.00	196.00	74.00	118.00	104.00
Yellow	200.00	263.00	146.00	96.00	229.00	229.00	157.00	99.00	252.00	156.00	116.00	69.00	112.00
Elm	50.00	65.00	117.00	41.00	96.00	68.00	85.00	125.00	51.00	89.00	39.00	51.00	60.00
Maple													
Sugar	436.00	450.00	491.00	488.00	328.00	400.00	422.00	434.00	407.00	360.00	342.00	380.00	480.00
Other	142.00	234.00	165.00	213.00	240.00	170.00	189.00	228.00	82.00	129.00	138.00	167.00	167.00
Oak													
Red	378.00	357.00	332.00	356.00	362.00	300.00	356.00	356.00	369.00	287.00	364.00	342.00	333.00
White	212.00	233.00	174.00	138.00	164.00	224.00	133.00	166.00	197.00	97.00	118.00	146.00	164.00
Other	164.00	240.00	122.00	147.00	154.00	171.00	123.00	128.00	161.00	139.00	129.00	173.00	137.00
Other Hardwood	238.00	74.00	84.00	117.00	158.00	234.00	231.00	137.00	183.00	153.00	115.00	131.00	109.00
Black Walnut	1,633.00	NA	NA	242.00	NA	1512.00	252.00	NA	1534.00	NA	400.00	873.00	1395.00
Cherry	687.00	524.00	400.00	583.00	482.00	729.00	350.00	413.00	827.00	432.00	520.00	367.00	1000.00

NA - Not Applicable - This species/product is not normally harvested within this zone.

Note: Stumpage values used to calculate severance and yield taxes during any specific period are intended for the purposes of the Forest Crop Law and Managed Forest Law. They are not a guarantee of actual market prices. Actual market prices can fluctuate, both up and down, and are the product of macro and micro-economic conditions reflecting specific factors of each individual sale.

NR 46.30(2)(b) Cord Products - 128 cubic feet of wood, air and bark assuming careful piling.

2009 Rates - Effective Nov. 1, 2008

	ZONES												
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Wau- kesha	Green Bay	Crivitz	Wausau	Wau- toma	Dodge- ville	Rhine- Lander	Adams	Richland Center	Hay- ward	Eau Claire	River Falls	Sparta
Cedar	6.00	14.00	35.00	10.00	20.00	10.00	16.00	10.00	NA	10.00	10.00	10.00	10.00
Fir	NA	5.00	22.00	15.00	21.00	NA	16.00	22.00	NA	20.00	16.00	20.00	15.00
Hemlock	NA	9.00	11.00	10.00	NA	NA	18.00	13.00	8.00	21.00	13.00	13.00	13.00
Pine													
Jack	20.00	27.00	40.00	28.00	29.00	18.00	36.00	31.00	30.00	37.00	29.00	40.00	31.00
Red	20.00	22.00	56.00	39.00	41.00	15.00	43.00	39.00	21.00	42.00	45.00	37.00	39.00
White	18.00	18.00	23.00	20.00	27.00	18.00	13.00	22.00	17.00	18.00	24.00	20.00	22.00
Spruce	20.00	20.00	37.00	29.00	37.00	42.00	33.00	30.00	25.00	30.00	24.00	31.00	26.00
Tamarack	18.00	21.00	23.00	12.00	18.00	13.00	12.00	15.00	19.00	19.00	38.00	43.00	15.00
Aspen	12.00	17.00	31.00	20.00	17.00	13.00	23.00	25.00	15.00	25.00	25.00	27.00	22.00
Birch	12.00	14.00	34.00	24.00	24.00	10.00	26.00	21.00	8.00	28.00	22.00	21.00	13.00
Basswood	12.00	7.00	12.00	9.00	6.00	6.00	12.00	10.00	5.00	11.00	9.00	9.00	5.00
Oak	10.00	15.00	19.00	15.00	17.00	5.00	16.00	20.00	11.00	13.00	16.00	12.00	15.00
Other Hardwood	12.00	15.00	27.00	23.00	19.00	6.00	24.00	26.00	9.00	26.00	23.00	21.00	22.00
Fuelwood	10.00	11.00	14.00	10.00	7.00	5.00	15.00	14.00	10.00	8.00	6.00	10.00	9.00

NA - Not Applicable - This species/product is not normally harvested within this zone.

Note: Stumpage values used to calculate severance and yield taxes during any specific period are intended for the purposes of the Forest Crop Law and Managed Forest Law. They are not a guarantee of actual market prices. Actual market prices can fluctuate, both up and down, and are the product of macro and micro-economic conditions reflecting specific factors of each individual sale.

NR 46.30(2)(c) Mixed products (stumpage value per cord). Only for use with red pine, white pine and spruce.

2009 Rates - Effective Nov. 1, 2008

	ZONES												
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Wau- kesha	Green Bay	Crivitz	Wausau	Wau- toma	Dodge- ville	Rhine- lander	Adams	Richland Center	Hay- ward	Eau Claire	River Falls	Sparta
Pine													
Red	35.00	28.00	58.00	41.00	60.00	36.00	48.00	56.00	37.00	63.00	48.00	40.00	44.00
White	25.00	24.00	40.00	45.00	36.00	15.00	22.00	34.00	20.00	25.00	26.00	22.00	38.00
Spruce	31.00	31.00	39.00	34.00	42.00	15.00	39.00	35.00	26.00	35.00	29.00	34.00	38.00

Note: Stumpage values used to calculate severance and yield taxes during any specific period are intended for the purposes of the Forest Crop Law and Managed Forest Law. They are not a guarantee of actual market prices. Actual market prices can fluctuate, both up and down, and are the product of macro and micro-economic conditions reflecting specific factors of each individual sale.

NR 46.30(2)(d) Piece products (stumpage value per piece).

2009 Rates - Effective Nov. 1, 2008

	ZONES												
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Wau- kesha	Green Bay	Crivitz	Wausau	Wau- toma	Dodge- ville	Rhine- lander	Adams	Richland Center	Hay- ward	Eau Claire	River Falls	Sparta
Posts & Poles													
7 and 8 ft.	0.70	0.60	0.50	0.70	0.60	0.70	0.60	0.80	0.70	0.80	0.70	0.60	0.60
10 and 12 ft.	2.10	1.90	1.60	2.10	1.90	2.10	1.80	2.30	2.10	2.30	2.10	1.90	1.90
14 and 16 ft.	3.50	3.10	3.10	3.60	3.30	3.50	2.90	3.90	3.50	3.83	3.50	3.10	3.10
18 and 20 ft.	7.00	6.20	5.30	7.10	6.50	7.00	5.90	7.70	7.00	7.60	7.00	6.20	6.20
21 and 30 ft.	10.10	8.90	7.60	10.20	9.30	10.10	8.40	11.00	10.00	10.90	10.00	8.90	8.90
31 and 40 ft.	17.40	15.40	13.20	20.00	16.00	17.40	20.00	19.10	17.40	20.00	17.30	15.30	15.40
41 and 50 ft.	26.00	23.00	19.70	25.00	24.00	26.00	25.00	28.50	26.00	28.20	25.90	22.90	23.00
51 and 60 ft.	35.90	31.80	27.30	36.50	33.10	35.90	30.10	49.50	45.00	39.00	35.80	31.60	31.80
61 and 70 ft.	47.00	41.60	73.00	47.70	43.30	47.00	39.30	51.50	47.00	51.00	46.80	41.40	41.60
Christmas Trees													
Unsheared	2.00	2.00	2.00	2.00	2.00	2.00	3.80	2.00	2.00	2.84	2.00	4.00	3.00
Sheared	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70

Note: Stumpage values used to calculate severance and yield taxes during any specific period are intended for the purposes of the Forest Crop Law and Managed Forest Law. They are not a guarantee of actual market prices. Actual market prices can fluctuate, both up and down, and are the product of macro and micro-economic conditions reflecting specific factors of each individual sale.

SECTION 6. EFFECTIVE DATE. This rule shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22 (2) (intro), Stats.

SECTION 7. BOARD ADOPTION. This rule was approved and adopted by the State of Wisconsin Natural Resources Board on June 25, 2008.

Dated at Madison, Wisconsin _____

STATE OF WISCONSIN
DEPARTMENT OF NATURAL RESOURCES

By _____
Matthew J. Frank, Secretary

(SEAL)