



Forest Property Tax Policy in the United States

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Outline

1. National view of forest property tax programs.
2. Regional view of forest property tax programs.
3. Research on forest property tax program enrollees.
4. Data on Wisconsin family forest owners.
5. Examples of unique forest property tax programs.

Motivating Private Forest Landowners

**Ways of
Influencing
Private Forest
Landowners**

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graph TD; A[Ways of Influencing Private Forest Landowners] --- B[Taxation]; A --- C[Financial Incentives]; A --- D[Technical Assistance]; A --- E[Education]; A --- F[Regulation];
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Taxation

**Financial
Incentives**

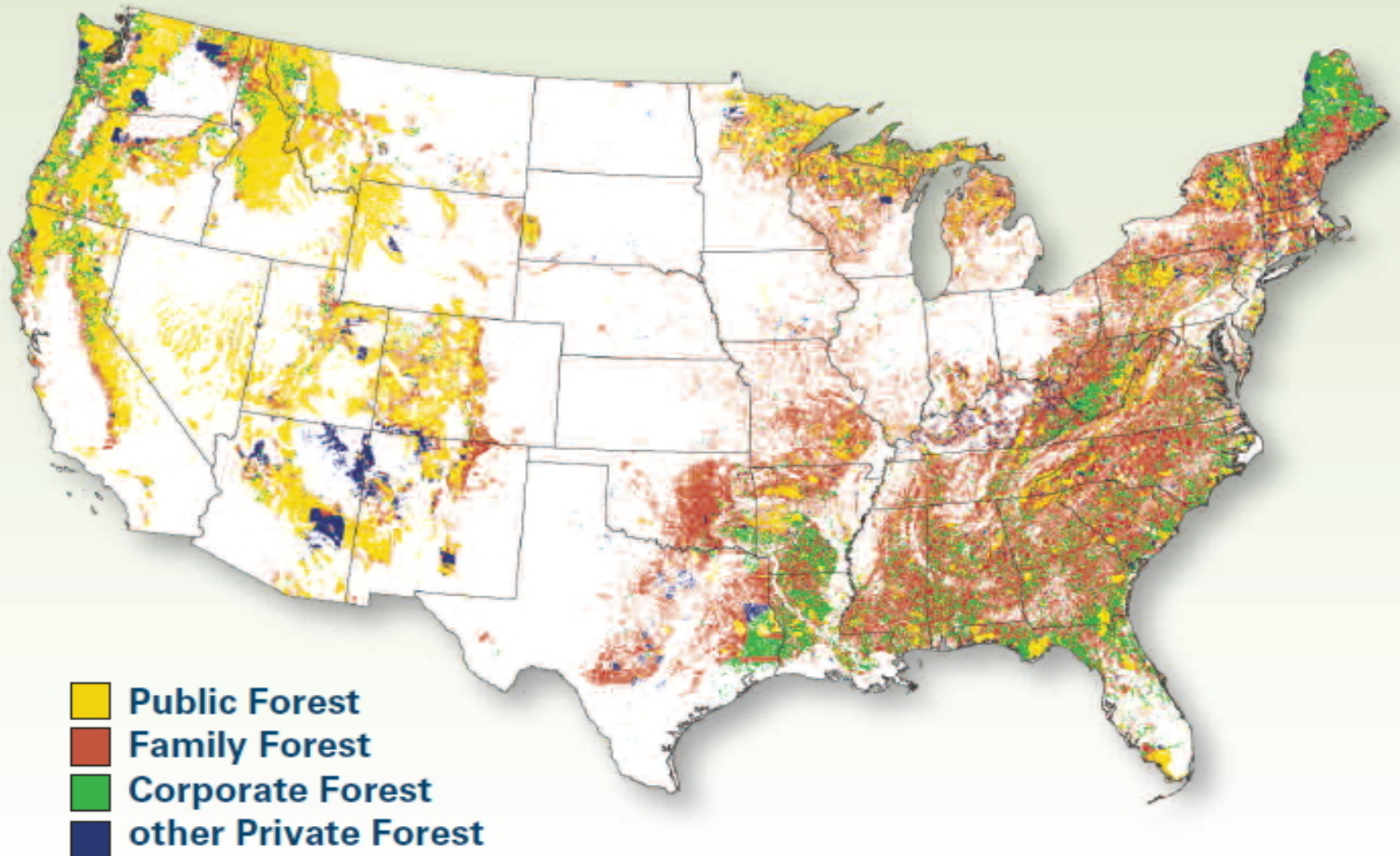
**Technical
Assistance**

Education

Regulation

National View of Forest Property Tax Programs

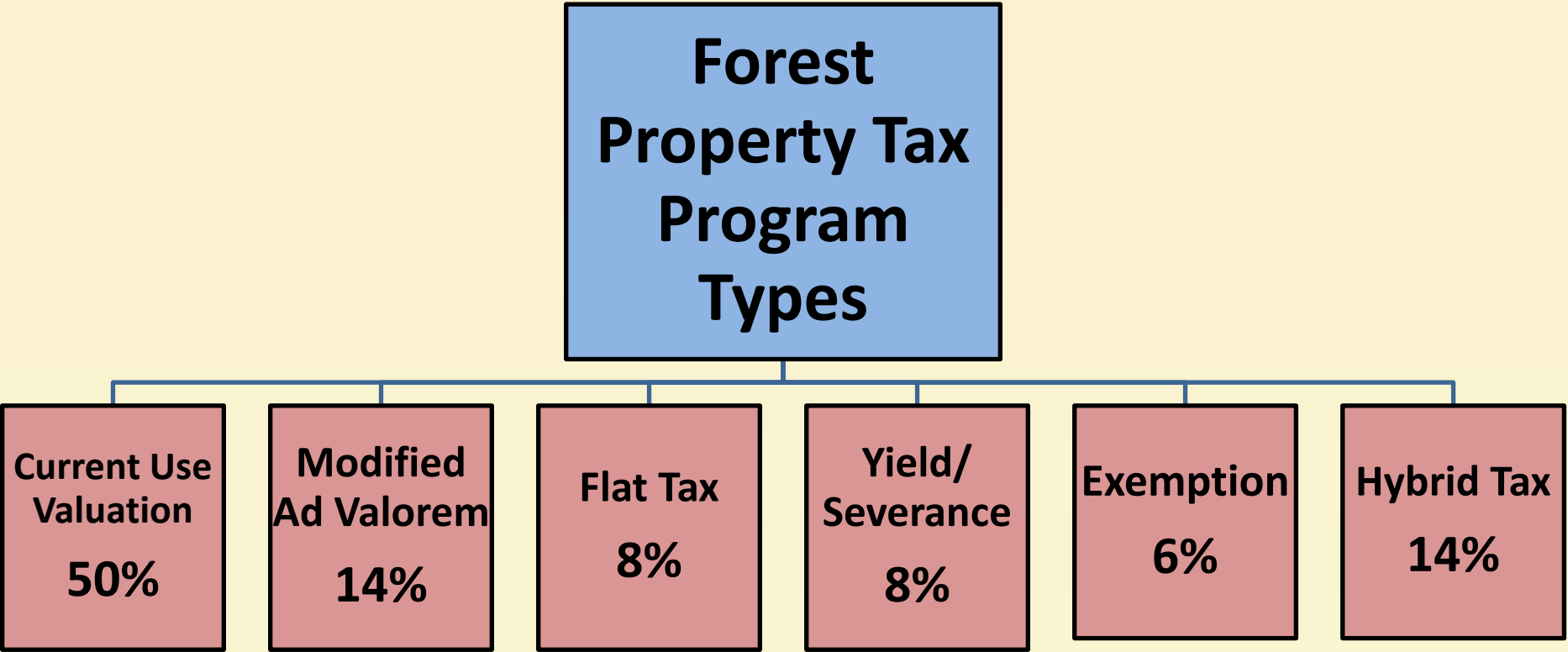
FOREST OWNERSHIP IN THE UNITED STATES



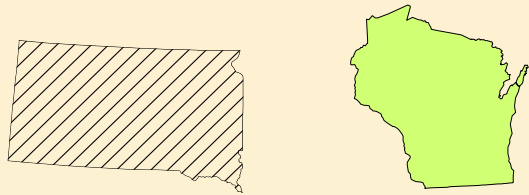
National Data on Forest Property Tax Enrollment

Number of forest landowners enrolled	990,000
Acres enrolled	179 million
Average benefit to enrollees (\$ / acre / year)	\$9.52
Total tax benefit provided annually	\$1.7 billion

Types of Forest Property Tax Programs in the United States - 2014



Source: Ellefson, Funk, Kilgore (forthcoming)⁷

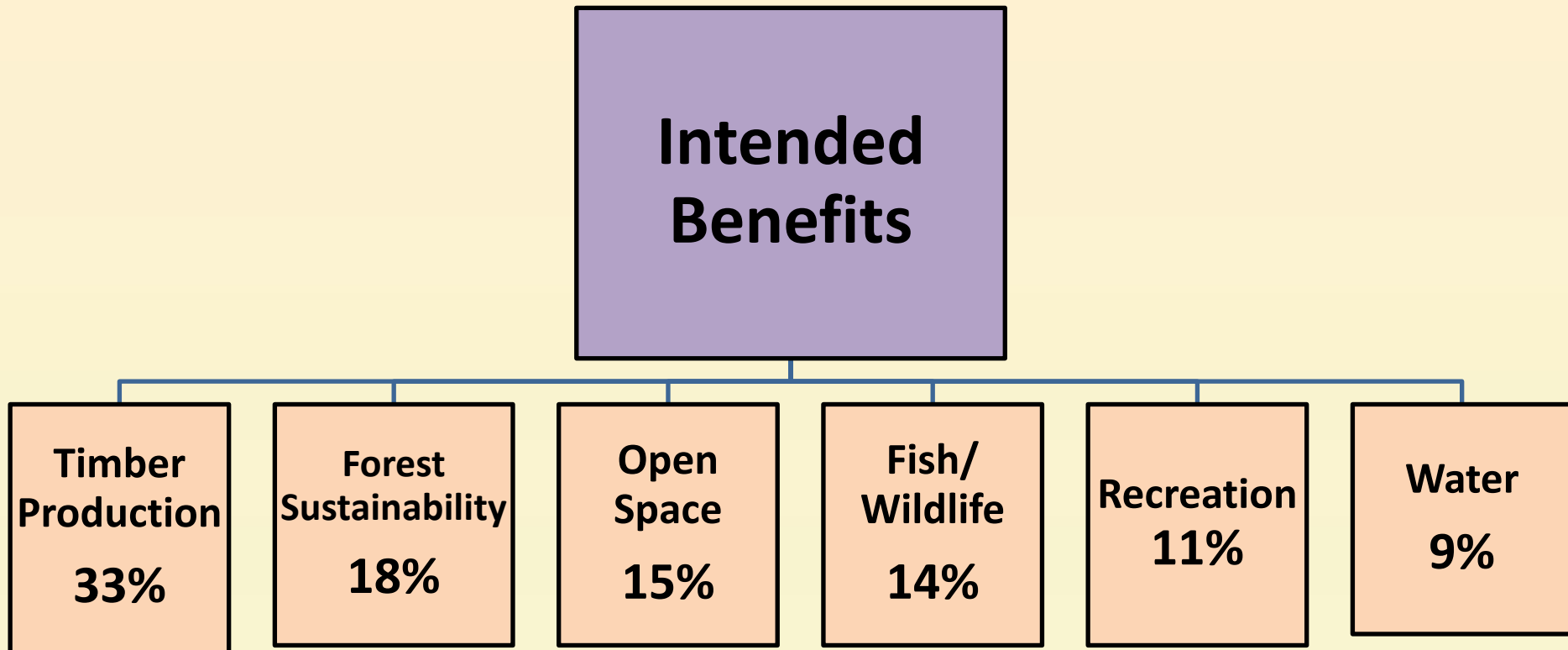


%

 No Estimate Given



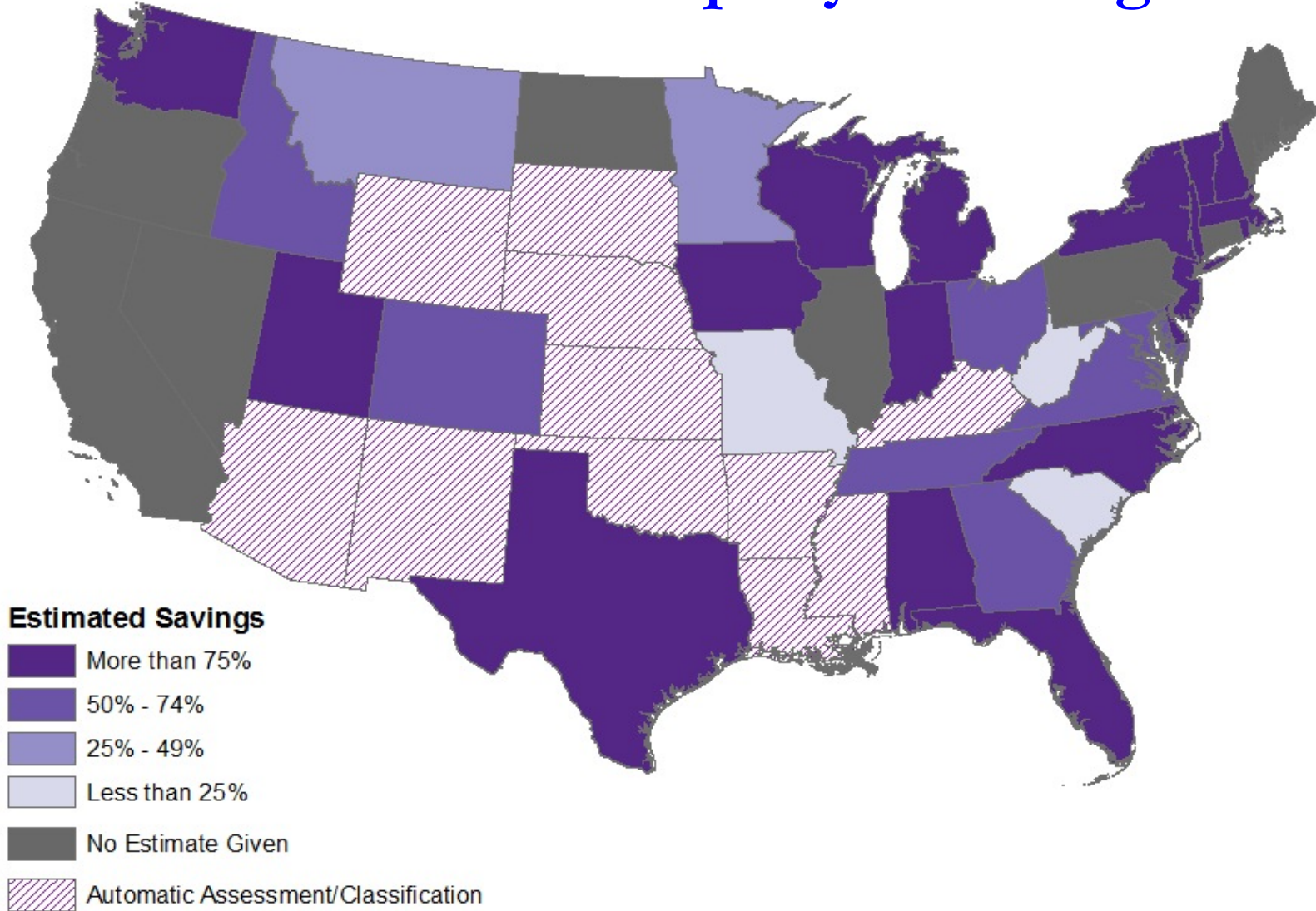
Intended Benefits: Forest Property Tax Programs - 2014



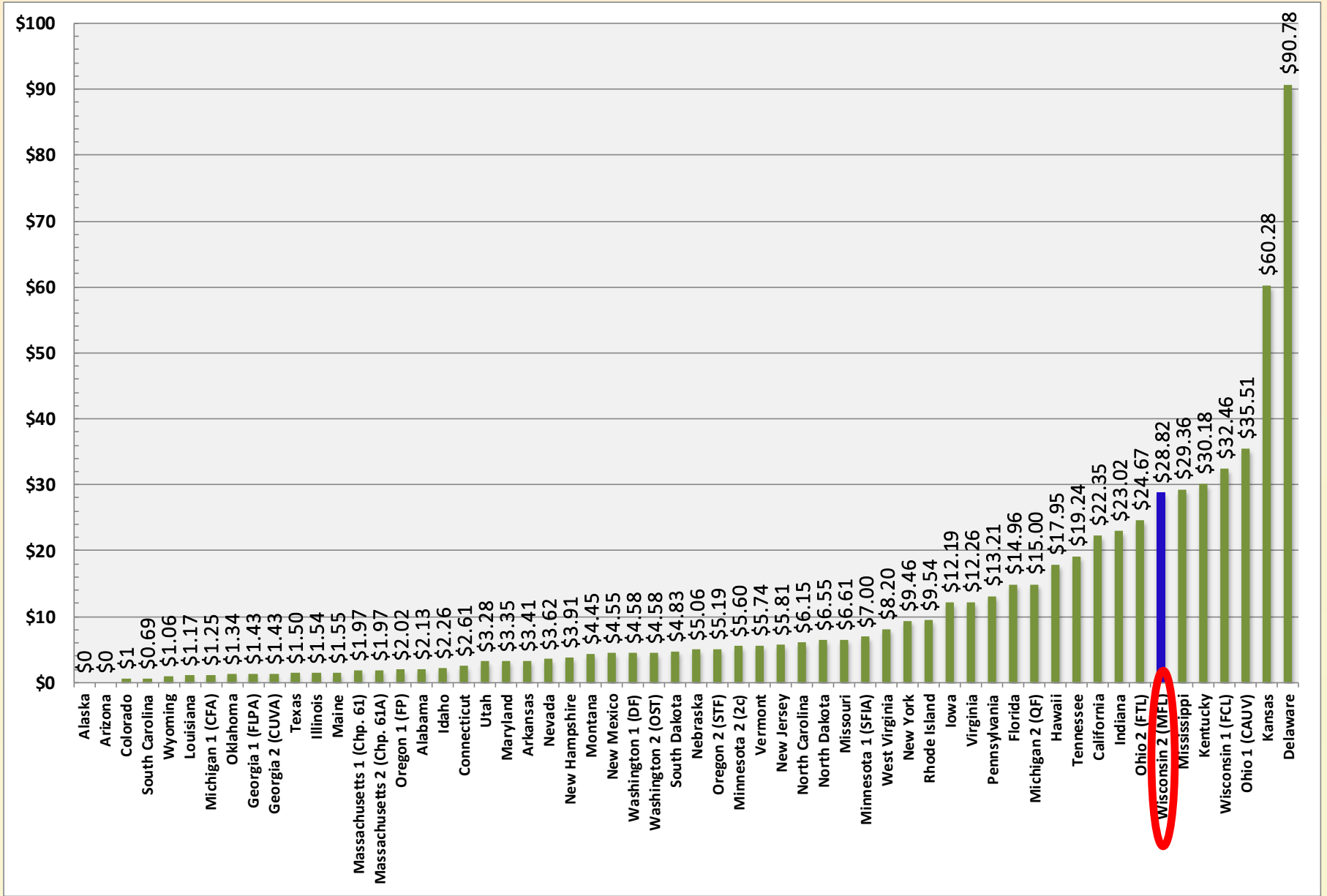
Forest Property Tax Programs Requirements

<u>Attribute</u>	<u>% of Programs</u>
Requires a forest management plan	53
Requires minimum enrollment period (range is 0-50 years, 6 years is average)	55
Imposes a withdrawal penalty	85

Estimated Tax Savings Preferential Forest Property Tax Programs



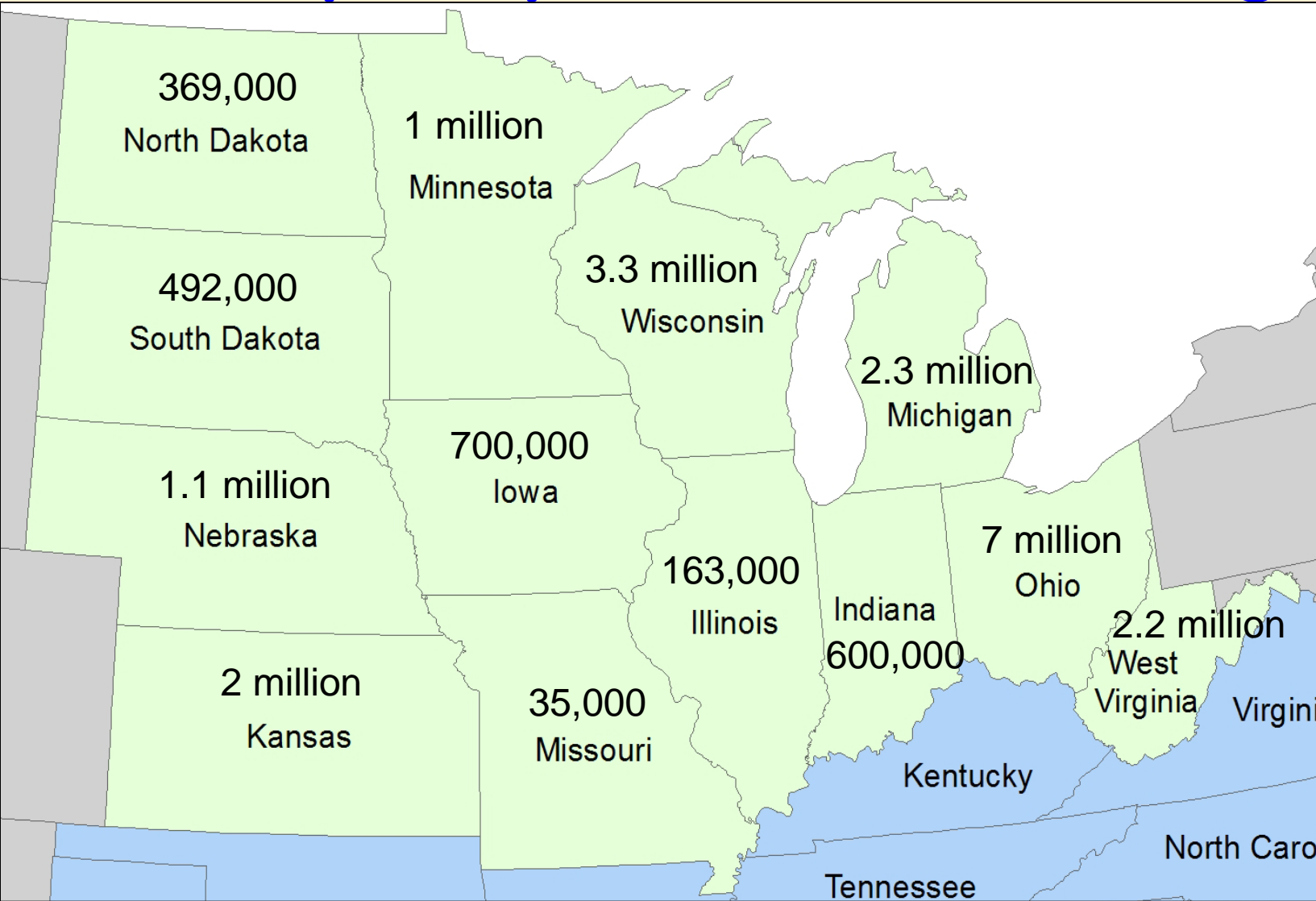
Source: Butler et al. 2010



Source: Ellefson, Funk, Kilgore (forthcoming)

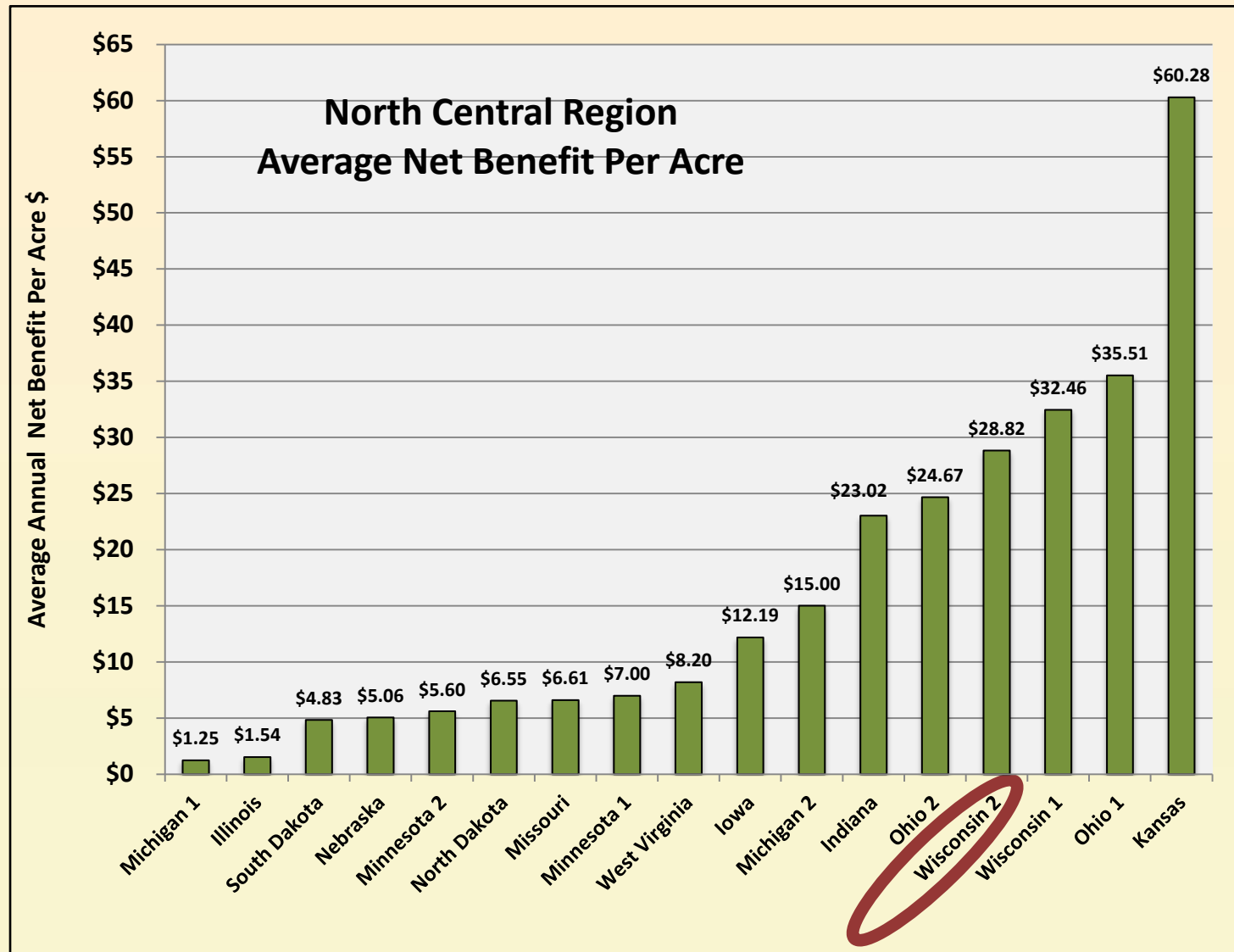
Regional View of Forest Property Tax Programs

Estimated Forest Property Tax Program Enrollment (acres) -- North Central Region



Source: Ellefson, Funk, Kilgore (forthcoming)

Average Annual Net Benefit (per acre) of Forest Property Tax Program Enrollees (2013)



Source: Ellefson, Funk, Kilgore (forthcoming)

Forest Property Tax Program Type North Central Region

Type	Number of Programs
Value-Based Amount (Ad Valorem, Current Use)	8
Standard Amount (Fixed, Flat Rate)	8
Exemption or Exclusion	1

Forest Property Tax Program Attributes North Central Region

Tax Program Attribute	Number (17 Total)
Application Requirement	14
Minimum Conditions	16
Parcel Size (min, max)	15, 2
Program Commitment	12
Withdrawal Penalty	14
Forest Mgmt Plan Required	11
Non-Timber Benefits	6
Public Access Requirement	5
Evidence of Compliance	9

Recent Research on Forest Property Tax Program Enrollees

- Tax burden and forest land turnover
- Impact of multi-year development restrictions
- Value of landowner hunting rights
- Forest landowner perspectives on forest tax laws

High Property Tax Burden and Forest Land Retention

- Studies have repeatedly documented high property taxes as a major determinant of a landowner's reason to sell forest land.
- No statistically-significant positive relationship between tax burden and likelihood of selling forest land in MN.
- Forest land sales activity actually **decreases** with increasing property tax burden.

Value Forest Landowners Place on Multiyear Development Restrictions

- MN has two forest property tax programs that are nearly identical, but one requires an 8-yr development restriction.
- Most tax program enrollees opted for substantially less property tax benefit (**\$425/year**, on average) to avoid the 8 year development restriction.
- The study estimated **\$1,279/year** tax savings is needed to get 50% enrollment in each program

Value Forest Landowners Place on Exclusive Hunting Rights

MN study estimates that **\$50/acre/year** is needed for half of all family forest landowners to keep their land open to non-motorized public hunting.

Owners more likely to sell their hunting rights:

- Concerned about property damage or littering
- Hunting is their primary ownership objective
- Don't post their forest land
- Absentee owners
- Forest land has low market value

Family Forest Owner Perceptions

Obstacles to greater program participation

- Lack of program awareness.
- Difficulties obtaining program information.
- Negative word of mouth about the program.
- Back taxes penalty – landowners want flexibility.
- Giving “control” to the government.
- Strict adherence to program requirements.
- Don’t qualify for the program (e.g. min. acreage).
- Insignificant tax savings relative to commitment.
- Lower land sale value if enrolled.

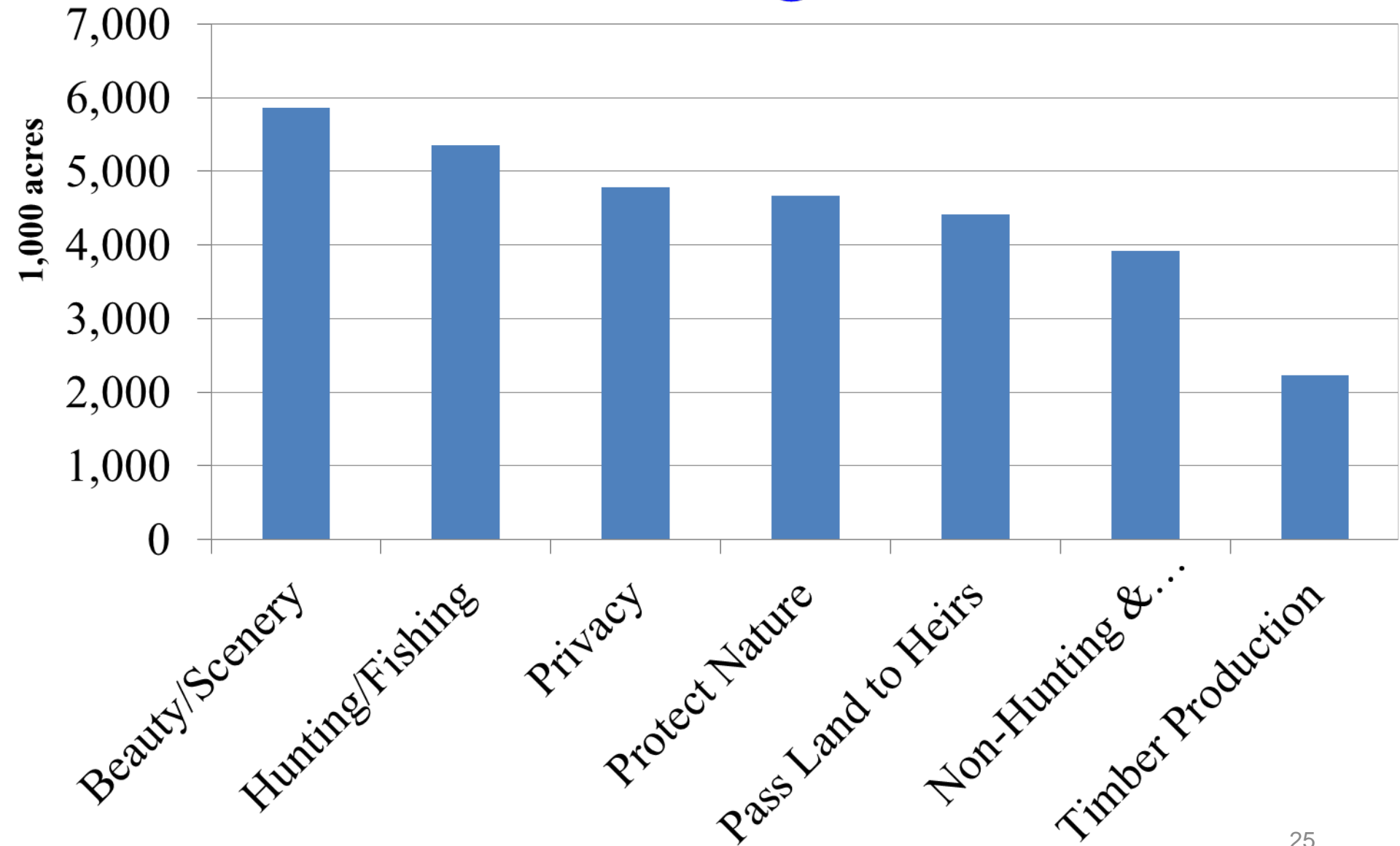
Wisconsin Family Forest Owners

National Woodland Owner Survey Data

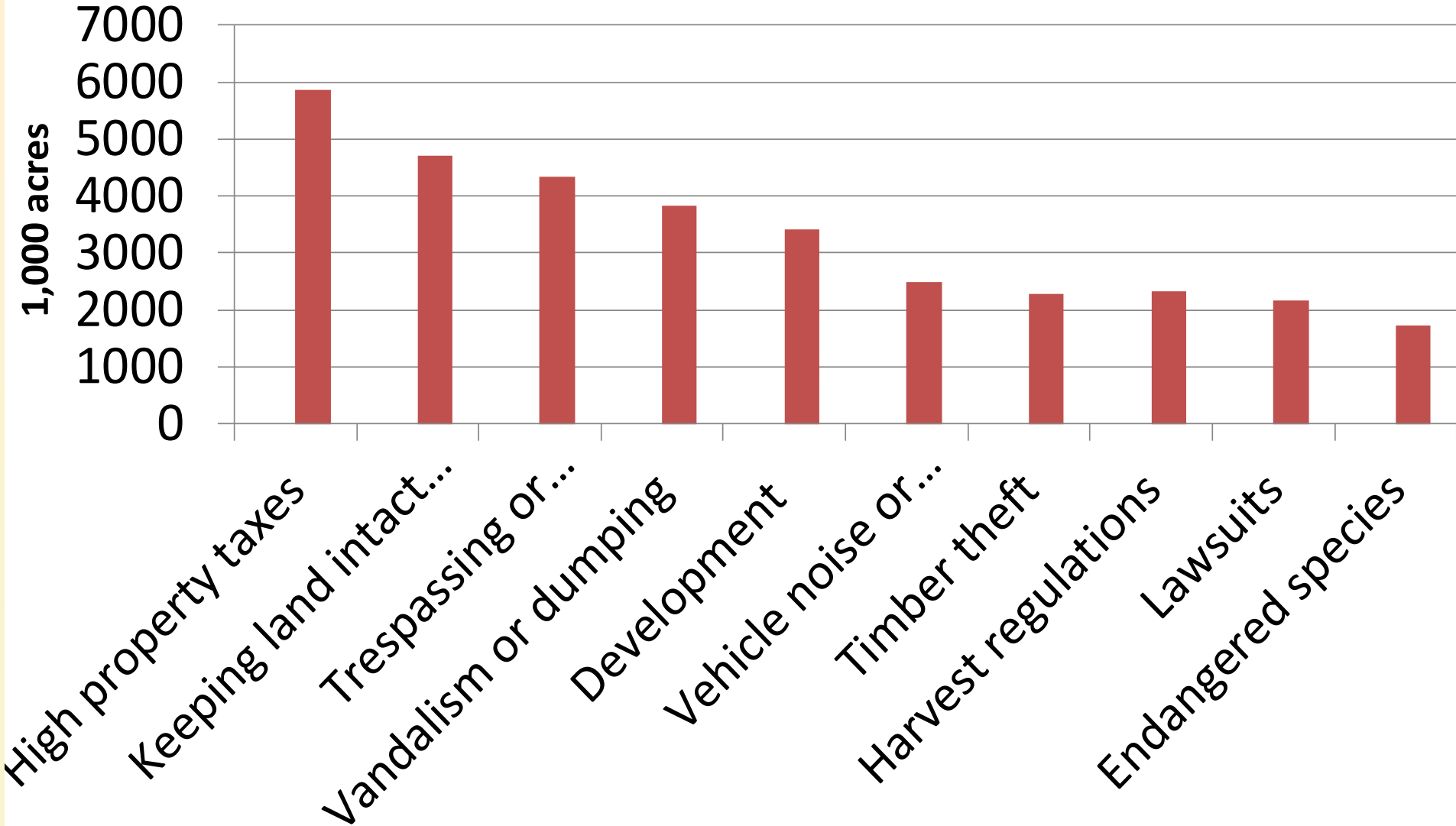
- A Profile of WI's Family Forest Owners -

- Random, systematic sample of the nation's private forest owners.
- Data collected: 2002-2006.
- WI data screened: only ownerships of 10+ acres included.
- 340 records in the WI sample.

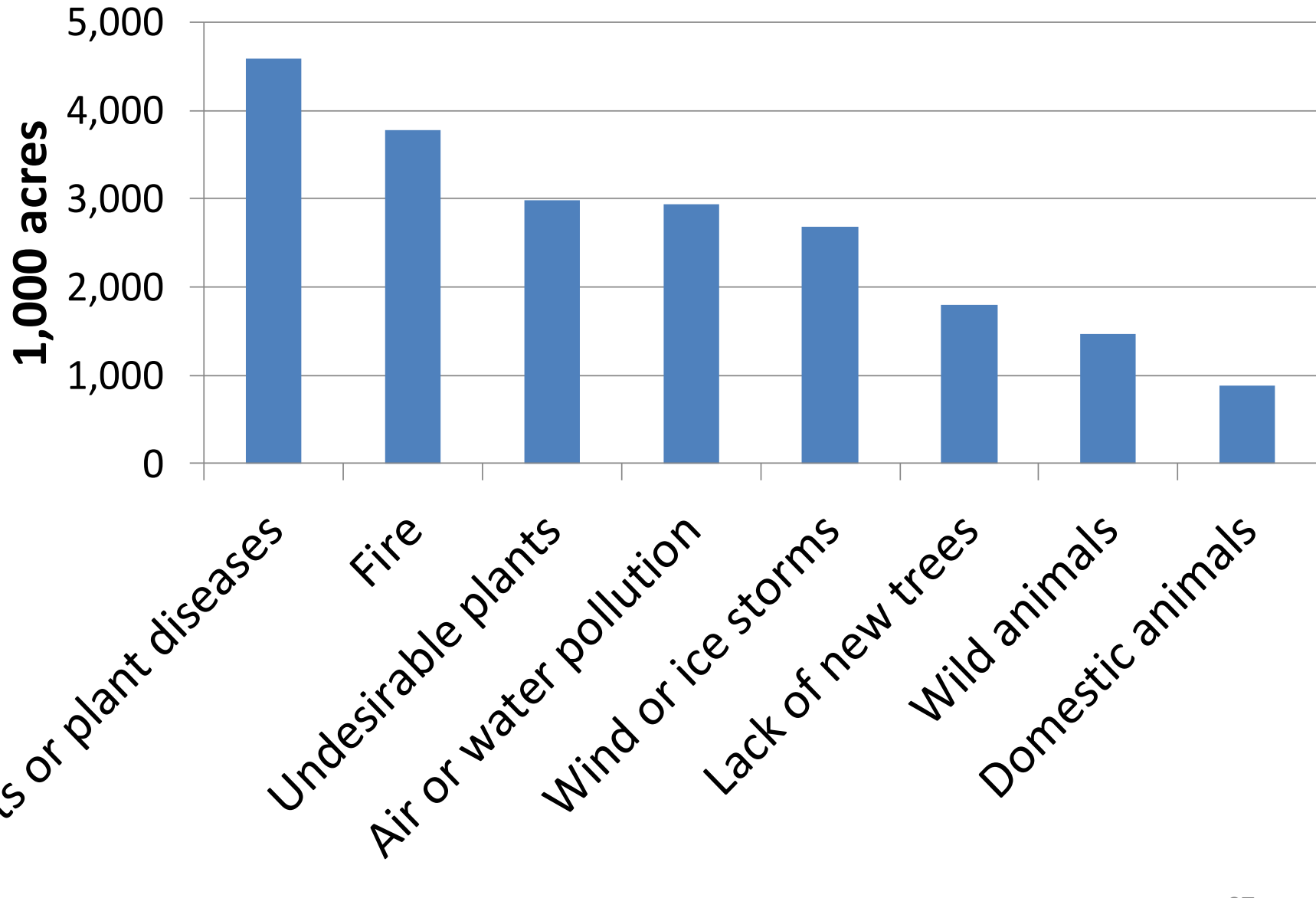
WI Family Forest Owners Reasons for Owning Forest Land



WI Family Forest Owner Socio-Economic Concerns



WI FFO Ecological Concerns



Comparing MFL and Non-MFL Participants

No statistical differences:

- Concern over property taxes
- Importance of hunting as ownership reason
- Likely to transfer forest land in 5 yrs.
- Concerned over keeping forest land intact

Differences:

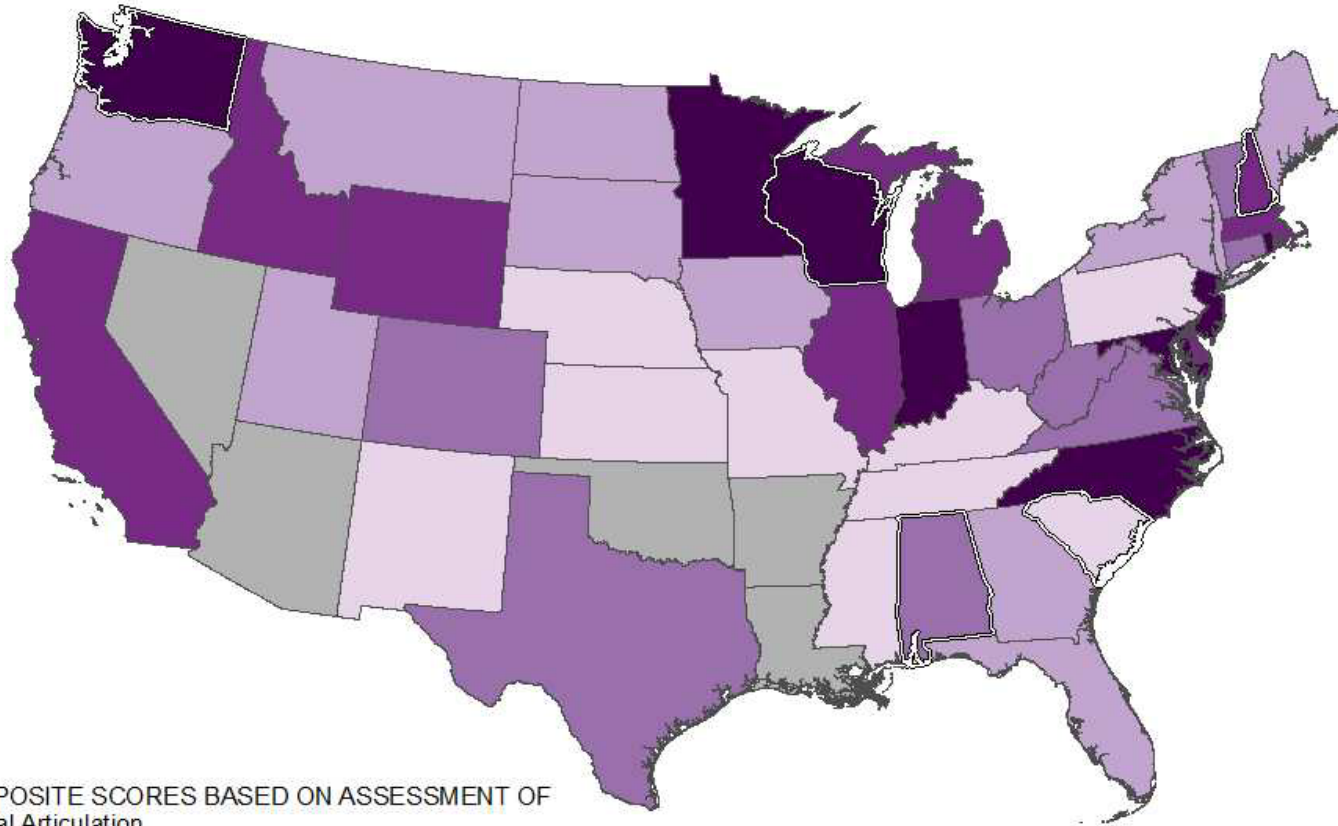
- MFL more interested in timber management
- MFL more interested in improving wildlife habitat

Forest Property Tax Program Effectiveness and Examples of Unique Programs

Qualities of “Effective” Tax Programs

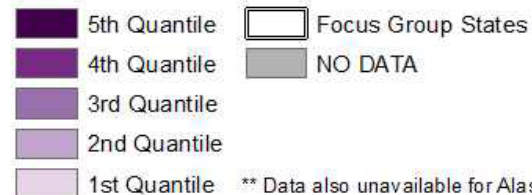
- Clearly articulated tax program goals
- Program requirements help achieve program goals
- Significant tax break
- Complimentary of other state programs
- Consistent administration / landowner treatment
- Stable program funding
- Periodic program reviews conducted
- Application process not cumbersome/help available

Ranking of Property Tax Program by Effectiveness Criteria



COMPOSITE SCORES BASED ON ASSESSMENT OF

- > Goal Articulation
- > Magnitude of Tax Break
- > Complementarity With Other Programs
- > Consistency in Administration
- > How Well Requirements Achieve Goals
- > Stability of Funding
- > Periodic Review
- > Availability of Application Assistance



** Data also unavailable for Alaska & Hawaii

Examples of Different Forest Property Laws

Minnesota Sustainable Forest Incentive Program

- Annual “Incentive” payment made by state directly to landowner (\$7/acre in 2015)
- Normal property taxes levied (no break)
- Forest management plan required
- Covenant (8 year minimum) recorded on deed prohibiting development
 - 4 year advance withdrawal notice

Examples of Different Forest Property Laws

Maine Tree Growth Tax Law

- Land value is value of annual tree growth (annual tree growth x stumpage price)
- Land value schedules for each county:
 - Softwood forests
 - Mixed wood forests
 - Hardwood forests

Summary of Forest Property Tax Policy

- State forest tax laws vary considerably.
- Tax laws are increasingly requiring landowner commitments to participate.
- Landowner participation is influenced by:
 - Owner awareness of the program
 - Tax benefit provided
 - Program eligibility requirements
 - Program requirements of landowner

Summary of Forest Property Tax Policy (continued)

- Major barriers to participation include distrust of government, fear of losing control of land, and insufficient tax benefit relative to requirements.
- Linkages between landowner tax savings and benefits produced is tenuous at best.

A tracked forestry machine, possibly a skid steer loader or a similar piece of equipment, is positioned in a forest. The machine is silver and black, with a large hydraulic arm extending upwards. The forest consists of tall, thin trees, some of which are bare, suggesting a late autumn or winter setting. The ground is covered with fallen branches and logs. The word "Questions?" is overlaid in large, bold, yellow text across the center of the image.

Questions?

Discussion

Process

- What did you take away from Mike's presentation, and what can we learn from that?
- 3 rounds each with one question, 12 minutes each round
- 1-2-4-All

Question 1: What?

- What did you notice about the various other forest management incentive programs?

Question 2: So What?

- How does this influence your thinking about what an incentive program can provide?

Question 3

- What is the #1 take-away you have from today's discussion that you thinking important as the CoF thinks about forest management incentive programs in Wisconsin?