

Wisconsin's Threatened Forest Lands

A commentary

According to Keith Argow, President of the National Woodland Owners Association, Wisconsin is likely to earn the unfortunate honor of being one of the worst timber tax states in the U.S.

He says preliminary data strongly indicate that "Wisconsin might be the 'Top Terrible Timber Tax Titleist' in America."

Mr. Argow goes on to say "When property taxes start exceeding \$3 per acre, the economics of growing this long term crop become difficult." Recently released figures from the Wisconsin Department of Natural Resources (DNR) show that property taxes on productive forest lands currently average \$42.70/acre.

Even though Wisconsin has a forest tax law program, that program no longer provides tree farmers with a tax rate which makes production of timber, the raw material needed by Wisconsin's forest products industry, economically viable. Most recently, the DNR announced that, effective in 2013, land enrolled post 2004 in the Managed Forest Law (MFL) will incur a \$10.68 per acre tax, a 27% increase over the current rate of \$8.37/acre. Of this, local governments receive \$2.14/acre. The remaining \$8.54/acre is a special state tax on lands entered as closed.

Forest Land Being Converted to Other Uses, Fewer Trees Being Planted

As landowners struggle with how to deal with increased property taxes, an option they might have considered – the planting of trees – can now often become a financial liability. If trees are planted on former agricultural land, assessors are required to change the land classification from agricultural use to productive forestland. With this classification change comes a statewide average tax rate increase of 1400%. In some parts of the state (by no means rare), landowners see much larger disincentives. For example, in the Town of Dodgeville, located in southwestern Wisconsin, a landowner who plants trees on his eroding, previously pastured hillsides, will see his tax bill multiplied 50 times, from \$1.45/acre to \$72.33/acre.

Today, forest land continues to be further subdivided and sold as landowners struggle to keep their family woodlands. Some look to return the land to other agricultural uses, such as the growing of corn, beans or as pasture land for livestock. Others are forced to sell them for development.

Resource Values Suffering

The many benefits provided by a forested landscape are similarly being threatened by current property tax policy and a lack of any viable alternative options.

Oak, walnut, cherry, maple and other valuable hardwoods now growing on sustainably managed woodlands will not be regenerated if they continue to be subjected to taxes higher than can be supported by the growing of timber. These tax policies lead woodland owners to seek other sources of income to support the paying of their taxes. The largest tax incentive has forests being subject to heavy grazing by cattle. Heavy grazing results in vegetation being replaced by invasive or other undesirable species. Environmental benefits, such as the reduction of flooding that result from re-forestation of the hillsides, will be lost. Soils will be compacted and the duff layer destroyed, preventing water from being absorbed, allowing it to run off rapidly following rain events. The state's trout streams, which have rebounded since the 1920s, will see their stream's critical base flow decreased, greatly reducing their ability to support trout. Air, water and land-based wildlife habitat also suffer as a result.

Forest Tax Laws not Updated to Address Changes

Differential taxation of forest land has been allowed in Wisconsin since Wisconsin's Constitution was amended in 1927. In 1985, the Managed Forest Lands law (MFL) was passed to replace previous forest tax programs. Since then, 3 million of Wisconsin's 9 million acres of privately owned forestland has been enrolled.

Although there have been initiatives to update the MFL to make it a more viable option for landowners, proposed legislative changes have not yet been adopted.

Many point to the MFL and the Forest Crop Law as having been great successes. Participating landowners have maintained their forest lands for periods of 25 or 50 years while implementing sustainable management practices. The timber harvested on these lands has provided a steady source of the raw materials needed for Wisconsin's forest products industry, an industry that provides thousands of jobs for Wisconsin residents. But changing demographics, along with significant changes in property and state income tax policies, have lead to these special tax programs no longer being the attractive option it once was for private woodland owners.

Bottom Line

Farmers who grow trees are farmers, too. Their crop is no different from others with the exception of its requiring a longer rotation. Land devoted to growing trees needs to be treated equitably with other farm uses.

Without changes, Wisconsin's privately owned woodlands will slowly disappear. Lost will be the diverse and beautiful wooded landscape that powers our tourism industry, protects wildlife habitat, and provides the clean air and clear water that adds to every state resident's quality of life.

Some Forestry Facts – Wisconsin has nearly 15 million acres of forestland, covering half of the state. Over 9 million acres of Wisconsin's forestland are owned by 352,000 family forest owners, 155,000 who own 10 or more acres. Privately owned forests produce 64% of the wood used in Wisconsin's forest product industries. The forest industry employs over 89,000 people and ranks first in state economic impact. Wisconsin's forests provide extensive wildlife habitat, protect ground and surface water resources, and provide a base for the 697,000 licensed hunters in Wisconsin who benefit from well-managed forests. (Source: American Tree Farm System)

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