



THE MANAGED FOREST LAW: DO I WANT TO ENROLL MY PROPERTY?

The program has changed and the decision on whether or not to commit to another 25 years should be made carefully.

This guide is designed to help landowners make an informed decision on whether the MFL is for them, to help them understand what they are committing to, and importantly, to help them understand what their options are as they relate to property taxes.

WAFO, along with Senator Tom Tiffany, and Representatives Jeff Mursau and Mary Czaja, was successful in seeing comprehensive changes made to the MFL in 2016, changes that make the program much more landowner- friendly. Major changes include:

- Elimination of the 5% yield tax paid on timber harvested
- Ability to receive compensation for use of the land by others
- Reduction in premature withdrawal penalties
- The ability to withdraw one small parcel for construction or sale
- Made the MFL agreement a “contract” that would allow landowners to opt out without penalty should future legislatures make substantive changes to the rules

Even with these changes, landowners need to understand the commitment they’re making for the next 25 years before they enter the program. They need to clearly understand that there are costs to enroll and detailed rules and requirements that must be followed once the commitment is made.

HOW MUCH WILL I SAVE ON MY PROPERTY TAXES?

The MFL offers property tax savings for many landowners and depending upon local tax rates, these savings can be substantial. This is the incentive used to encourage woodland owners to enter their land in the MFL. However, in a few situations, the MFL offers no financial incentives.

There are no benefits the program provides that can’t be obtained elsewhere, whether it be getting good technical assistance or being able to receive government cost-sharing for implementing management practices.

The tax rate for those entering the MFL today is \$10.68/acre. Similar to MFL entries made before 2005, the rate is adjusted every 5 years.

MFL Open or Closed – the Rates Differ

You can receive a lower tax rate (currently \$2.14/acre) if you agree to open your land for certain uses, including hunting, to the general public. Years ago that may have made sense but today very few landowners are opting for the open tax rate. Landowners usually want to know who is using their property and when they are using it.



STEP 1: UNDERSTANDING YOUR TAX BILL

This isn't as easy as one might think. Simply looking at the tax bill you received last December will not tell you what you need to know.

Land Classifications. Landowners need to know that state law requires assessors to put every acre of taxable land into one of eight different classifications:

- | | |
|------------------|------------------------|
| 1) Residential | 5) Undeveloped |
| 2) Commercial | 6) Agricultural Forest |
| 3) Manufacturing | 7) Productive Forest |
| 4) Agricultural | 8) Other |

Do you see a classification called "Recreational Land?" No you don't. It's not there. Recreational land is not a classification used for determining property taxes.

When describing property taxes it's still a commonly used term with some assessors freely using it when telling landowners why their tax bill is so high. When asked why he did so, one assessor said he called the land recreational because "It's easier for the landowner to understand why their tax bill is so high."

Tax Parcels. All land in Wisconsin is divided up into variously sized "tax parcels." You receive a tax bill for each one of them. Shown on the bill is a value for the land and another for improvements. These are the "assessed" values upon which your municipality's tax rate is applied. You might also see another number – the fair market value of the property. What's important for taxes is the **assessed valuation**.

What you don't see on your tax bill is how the land in each parcel is classified, and how each of those classifications are valued – and taxed.

Lands classified as Agricultural, Undeveloped, and Agricultural Forest are not assessed and taxed based upon their full fair market value. Lands classified as Undeveloped and Agricultural Forest are taxed at 50% of fair market value. Lands classified as Productive Forest are taxed at full market value. Agricultural lands (cropland, pasture lands, CRP land, etc.), are assessed by a formula under "use-value assessment" and receive the lowest taxes.

Land classifications at-a-glance

Classifications	Taxed Value
Agricultural	Use-value assessment
Undeveloped	50% of fair market value
Agricultural Forest	50% of fair market value
Productive Forest	Full market value

You must first understand how the land in each one of your tax parcels is classified before you can make any other decisions related to your property taxes.

If you need to learn more about how lands are differentially taxed see WAFO's publication "A Landowners Guide to Land Classifications."



STEP 2: COMPARE CURRENT TAX BILLS WITH LOWER TAX OPTIONS

Private woodland owners enter the MFL in order to save money on their property taxes while managing the land according to sound and sustainable forestry. The amount saved by enrolling in the MFL depends, of course, on how much you're now paying or could be paying, by obtaining different land classifications.

Property taxes on land vary greatly across the state. Some landowners would actually see their tax bills go up by enrolling their land in the MFL.

Today, landowners in the Town of Solon Springs, Douglas County, Wisconsin, see a tax rate of \$5.42/acre on their woodlands classified as Agricultural Forest. At the other end of the tax rate, there is a landowner who has 31 acres of land classified as Productive Forest, located in the Village of West Baraboo, who pays \$310/acre in taxes.

Clearly the tax incentive to enter the MFL varies greatly depending on where your land is located.

On average, property taxes on lands classified as Productive Forest in Wisconsin are \$32.39/acre; taxes on Agricultural Forest average \$22.49/acre.

Pastured Woodlands

The lowest property taxes are for lands that receive an agricultural pasture classification. Many landowners, after discovering how much their tax bill will go down, are putting cows back into their woods. In the past, it was common practice to pasture woodlands. **As landowners and the general public became more aware of the damage pasturing caused to tree health, water quality, and wildlife habitat, various state and federal programs were put in place to discourage using woodlands as pasture**, MFL included. When the MFL first came to be in 1985, a key component of the law was a requirement that pasturing be prohibited and financial incentives were provided to do so. Times have changed. Now the incentive is reversed. Landowners who pasture their woodlands see their taxes drop to an average of \$1/acre/year.

To see how your taxes compare and to see how much you might save, use [WAFO's Tax App \(www.wafo.org\)](#) as a starting point. See Table 1 for an example.

TABLE 1. Tax Information on Land in the Town of Wyalusing, Grant County, WI
Tax Rate (\$/\$1000): \$19.69

Land Classification	Acres Assessed	Assessed Value/Acre	Ave. Tax/Acre
Agricultural*	12,438	\$140.00	\$2.85
Agricultural Forest	1,993	\$1,100.00	\$19.41
Productive Forest	1,772	\$2,200.00	\$38.82
Undeveloped	847	\$800.00	\$20.33
*Agricultural Land Breakdown	Tax/Acre	If the landowner's woodland was classified and taxed as Productive Forest before he entered the MFL, his tax bill would drop from \$38.82/acre to \$10.68/acre. A significant tax savings - at first glance.	
Grade 1 Crop	\$5.43	If classified as Agricultural Forest, the tax savings would be much less, dropping from \$19.41/acre to the \$10.68/acre MFL rate.	
Grade 2 Crop	\$4.61		
Grade 3 Crop	\$3.33		
Pasture	\$1.34		

STEP 3: FULL DISCLOSURE – KNOW WHAT YOU ARE COMMITTING TO WITH THE MFL

What are the rules and regulations? Begin by closely reading the DNR publication [Wisconsin's Managed Forest Law, A Program Summary](https://www.wiafo.org/wp-content/uploads/2015/08/FR0295-3.pdf) (<https://www.wiafo.org/wp-content/uploads/2015/08/FR0295-3.pdf>). This summary document provides a good starting point to help landowners understand the program. Please note that this document has not yet been updated to reflect the changes made by Act 358.

Given that the MFL is now a contract with the state, major changes cannot be made. However, the DNR requirements related to what comprises sustainable forestry and the best management practices associated with them can, and often do, change.

To fully understand the laws and how the DNR regulates MFL land, look at [DNR's Tax Law Handbook](http://dnr.wi.gov/topic/ForestManagement/documents/24505.pdf) - <http://dnr.wi.gov/topic/ForestManagement/documents/24505.pdf>. A much larger document, [DNR's Silviculture Manual](http://dnr.wi.gov/topic/ForestManagement/silviculture.html) - <http://dnr.wi.gov/topic/ForestManagement/silviculture.html> - describes the required forestry best management practices that are applied on MFL lands to remain compliant with the law's "sustainable forestry" requirement.

Common MFL Misconceptions

1. Withdrawal penalties are expensive

Many incorrectly believe that if they withdraw land from the MFL, their penalty would be paying back the taxes they have saved by being in the program. Penalties are based upon your most recent tax bill, not on the tax bill you had 10 or 20 years ago. The penalty is your current tax bill differential multiplied by the number of years you've been in the program up to a maximum of 10 years plus a \$300 withdrawal fee.

2. Sale of land in the MFL can be expensive and complicated

There are many legal requirements associated with selling land that's enrolled in the MFL. Both sellers, and potential buyers, need to be aware that if mistakes are made, the land enrolled in the MFL is subject to the withdrawal penalties.

3. Mandatory means mandatory

When a mandatory practice requirement comes due, landowners are required to follow through. If they don't, they may be subject to a forced withdrawal of their property from the program and the associated withdrawal penalty.

STEP 4: GETTING AND UNDERSTANDING A MANAGEMENT PLAN

Practices that will apply to your land are identified in the management plan that is developed for your property when the land is entered. Since 2005 landowners have been required to hire a DNR-approved Certified Plan Writer to write the plan before being eligible to enroll in the program. Although fees vary, you can expect to pay approximately \$500, plus \$7/acre for a new plan.

Virtually all new plans will have mandatory practices associated with them. Mandatory practices are forest management practices that must be carried out at, or near, the time specified in the MFL management plan. Mandatory practices are those practices that are needed to ensure sustainable management of the woodlands. The DNR's program summary identifies practices which may be identified as mandatory, including:

- Harvesting timber according to sound forestry standards.
- Thinning plantations and natural stands for merchantable products.



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- Releasing trees from competing vegetation.
- Tree planting to maintain necessary forest density.
- Treating before and after harvest to ensure adequate forest regeneration.
- Controlling soil erosion.

When implementing mandatory practices, landowners are required to follow best management practices described in the DNR's Silviculture manual and in the Wisconsin Forest Management Guidelines.

When a mandatory harvest comes due, landowners are required to file a special cutting notice with the DNR. This is a notice required, in addition to, the cutting notice any landowner must file with their county before cutting timber. Part of completing the DNR's cutting notice requires that a query be made of the DNR's endangered resources data base. If concerns are found, landowners must take into account considerations to ensure that the harvest will not negatively affect any endangered or threatened resource. The cutting notice also specifically requires that landowners identify how they will meet water quality best management practices so as to minimize soil erosion and prevent water quality degradation.

MAKING YOUR DECISION

Now that you understand your tax bill, know what's in your management plan, and understand the rules and regulations, you can make an informed decision if the MFL is for you. Here's an example of the decision-making process one landowner used when researching tax-saving options:

ONE LANDOWNER'S DECISION-MAKING PROCESS

Current Situation: 40 acres of woodland located in SW Wisconsin; 2014 Fair Market Value of \$2,200/acre; tax rate = \$20/\$1000. *Note: Fair Market Value and Ag-Forest tax rates vary widely across Wisconsin. This example comes from a part of the state where property taxes on Productive Forest are near the statewide average of \$35/acre.*

Tax Options Available:

- Do nothing and pay full taxes on 40 acres of land classified as Productive Forest. Taxes = \$1400/yr. (40 acres x \$35/acre).
- Obtain the Agricultural Forest classification by making changes to tax parcels and land use. (In this case the county required a survey to make this change). Survey costs = \$1500. Taxes with the Ag-Forest classification = \$700/yr. (40 acres x \$17.50/acre)
- Enroll the 40 acres in MFL closed at the \$10.68/acre rate. Taxes = \$427/yr. One time management plan development and application fees = \$1000.
- Return the woodland to pasture*. Property tax = \$54/yr. (40 acres x \$1.36/acre). Fencing cost = \$2000. (This landowner presumes that timber growth and value wouldn't be degraded by pasturing.) Additional tax savings available from the M&A tax credit in year 15 = \$2000.



Landowner Concerns Related to the MFL Restrictions:

- Requirement to implement mandatory practices regardless of market conditions.
- Significant withdrawal penalties and special restrictions on the sale or transfer of property.
- Possible loss of land value when sold if in MFL.

Benefits Still Available Without Being in the MFL:

- Ability to receive free DNR forestry assistance and advice on managing the woods, which may include the development of a management plan.
- Ability to receive state and federal cost-sharing for various forestry practices with a voluntary stewardship plan.
- Sell timber when desired.
- Personal comfort in knowing that state oversight is much more limited.

The Final Decision:

Although he will be paying \$300/year more in property taxes, this landowner has decided that simply getting his land classified as Ag-Forest would be the best option. The reasons for doing so is that he'll not have to pay upfront MFL entry costs, be able to harvest timber based on his own criteria and be able to sell his land without special restrictions.

Pasturing these high quality woods would provide the biggest tax savings but the landowner is concerned about future tree growth rates and possible loss of timber quality when it is sold. He is also concerned about loss of wildlife habitat and other environmental degradation.

A final word of caution: Projecting the future is impossible. In this example the landowner had to make a decision based upon an assumption that the world of property taxes and regulations will be similar to what they are today over the next 25 years. Will they change? Absolutely, but this landowner is comfortable knowing that he made the best decision he could have based upon what he knows today.

THE FUTURE

Most would agree that the Managed Forest Law has served Wisconsin well for over 30 years. It has helped to preserve forest land, forest land that provides a myriad of environmental benefits and provides our forest products industry with the raw material it needs to survive.

With your support WAFO will continue to work with our state's legislators and policy makers to ensure that those of us who grow timber are not the forgotten farmers and that Wisconsin can continue to maintain its healthy and forested landscape. PLEASE CONSIDER MAKING A DONATION TODAY TO HELP US DO SO at www.wafo.org.

WAFO is committed to work for changes that benefit Wisconsin's privately owned forest lands.