

FORESTRY FACTS



UW
Extension

COLLEGE OF
AGRICULTURAL
& LIFE SCIENCES
UNIVERSITY OF WISCONSIN-MADISON

Department of Forest and Wildlife Ecology

No. 104

March 2009 (v2)

The Managed Forest Law and Property Tax Revenues to Townships Summary of Study Findings

Mark Rickenbach, Luke Saunders, William Klase, and Kris Tiles

The Managed Forest Law (MFL) is a deferred property tax program that provides an incentive to private landowners to sustainably manage their forests and woodlands. When land is enrolled in the MFL, annual property taxes are reduced. Until the freezing of shared revenues for counties and municipalities in 2004, these aids essentially made up any differences in local revenues

that might occur due to increasing enrollment in the MFL. This Forestry Fact summarizes the findings of a recent study that investigated the effects of increasing or decreasing MFL enrollments on township-purpose property tax revenues. While not estimates of real change, this analysis provides a general sense of how enrollments might alter property tax revenues.

QUICK SUMMARY

- *Due to capping of share revenues, changing MFL enrollments affect township-purpose property tax revenues.*
- *On average, the mill rate change for a 20% increase in MFL enrollment was +0.019 mills—or \$ 1.90 per \$100,000 of assessed value—with most townships between 0 and 0.1 mills.*
- *Townships with greater proportional area in "Ag-Forest" and lower tax base per capita tended to see greater impacts when MFL enrollments changed.*
- *Impacts are varied and relatively small, but will be compounded over time. Solutions might blend existing approaches and/or entail more comprehensive property tax reform.*

Mill rate is calculated by dividing the township purpose levy (i.e., dollars needed for the functioning of the town government) by the total equalized value of real property in the township (i.e., tax base). MFL enrollments affect both the levy and the tax base. For example, increasing MFL enrollment reduces both the levy and the tax base, but not necessarily in a proportional way. The levy is decreased because the DNR pays certain program receipts to municipalities and counties (e.g., yield tax and resource aid payments). The tax base is reduced because enrolled lands are removed from the tax rolls.

The study utilized property tax information from over 1,200 Wisconsin townships and looked at how the mill rate would change with a MFL enrollment increase of 10% and 20% and a decrease of 10% and 20% (Table 1). On average, the mill rate change for a 20% increase in MFL enrollment was +0.019 mills—or \$ 1.90 per \$100,000 of assessed value—with most townships between 0 and 0.1 mills. Additionally, Townships with greater area in Agricultural Forest Use Classification (“Ag-Forest”) and lower tax base per capita tended to see greater impacts when MFL enrollments changed.

Our findings indicate that changing MFL enrollments are related to mill rate change, but for most townships the change is relatively small. Its presence now, but not in the past reflects the capping of state aids to counties

Table 1. Descriptive statistics for change in mill rates (in mills) for the four MFL enrollment scenarios considered in this study

Scenario	Mean change in mill rate	Standard deviation	Minimum	Maximum
- 20%	- 0.022	0.044	- 0.364	0.122
- 10%	- 0.011	0.022	- 0.188	0.066
+ 10%	+ 0.009	0.023	- 0.109	0.19
+ 20%	+ 0.019	0.046	- 0.249	0.395

and municipalities. School districts, on the other hand, should not be affected given that the calculation of state school equalization aids ("school aids") remains dynamic.

Overall, forestland is a small portion (<2.5%) of Wisconsin's total equalized value (i.e., property tax base). However, at the local level, recent changes related to property taxes and shared revenues can have an impact. Without dynamic revenue sharing, some municipalities and counties will see tax shifts from forest and agricultural classifications to other land use classes (e.g., commercial, residential), greater reliance on other revenue sources (e.g., fees, local sale taxes), and/or commensurate reductions in services.

Full study results are available. Please download a pdf version at <http://fwe.wisc.edu/extension/GWQ52.pdf>, or if you do not have access to the Internet, contact the DNR Division of Forestry (608 267 7494) to request a copy of *The Managed Forest Law & Property Tax Revenues for Townships: A Study of Enrollment Shifts & Local Impacts* (DNR PUB FR-432 2009 & UWEX GWQ52).

Mark Rickenbach is an Associate Professor and Extension Specialist in the Department of Forest and Wildlife Ecology, University of Wisconsin-Madison (608-262-0134, mgrickenbach@wisc.edu).

Luke Saunders is a Forest Economist in the Division of Forestry, Wisconsin Department of Natural Resources. Luke was a graduate research assistant in the Department of Forest and Wildlife Ecology at the University of Wisconsin-Madison when this study was conducted.

William Klase and **Kris Tiles** are both Basin Educators with University of Wisconsin-Extension Cooperative Extension Service.

An EEO/AA employer, the University of Wisconsin-Extension, Cooperative Extension provides equal opportunities in employment and programming, including Title IX and Americans with Disabilities (ADA) requirements.