

# The Managed Forest Law: Do I Want to Re-Enroll My Property?



by Richard Wedepohl

Back in 1985, many woodland owners decided to enroll their woodland into the newly-created Managed Forest Law (MFL). In return for signing a 25-year contract, they agreed to keep the land forested, follow certain management practices on their woodlands and pay a yield tax on timber harvested. In return, landowners received a significant break on their property taxes. Now many of those first agreements are expiring and landowners are faced with the decision whether or not to re-enroll in the program—a program that has seen many changes since it began.

Although landowners' decisions will be based on their unique situations, there are two questions every woodland owner should consider before determining whether or not to enroll or re-enroll in the current MFL program.

- How much will I save on my property taxes?
- How will a new management plan affect my woods?

We'll look at how to pursue answers to both of those questions in the following article.

## How Much Will I Save On My Property Taxes?

Paying less property tax is the most important reason woodland owners consider entering their property into the MFL. Several years ago the tax rate on newly enrolled MFL land was significantly increased. It is currently set at a rate of \$8.34/acre (if it is closed to public



**The program has changed and the decision whether or not to commit to another 25 years is not as easy as it once was.**

access) or \$1.67/acre (if it is open), with slight adjustments being made every five years.

How much you would save depends, of course, on how much you are currently paying. Some examples of tax rates in various parts of the state are shown in the table on the facing page, and you can see that they vary considerably across the state. Before you can calculate how much of a tax break you could receive, you'll need to do some research.

## Understanding Your Tax Bill

To get started, spend some time exploring the details of your latest tax bill.

- Do you know how many tax parcels you have?

- Do you know where they are located on your land?
- Do you know what they are assessed at and what your tax is on a per acre basis?

It may be helpful to draw your parcels on an aerial photo of your property.

## Land Classifications

In addition to exploring your tax bill, understand how your land is classified by your assessor. Pay special attention to whether any of your woodlands meet the *agricultural forest* property tax classification. These woodlands, which are associated with agricultural land and which meet certain legal criteria, are required to be assessed at 50 percent of their fair

market value instead of 100 percent as for the *forest* classification. As shown in the table, the property tax land classified as agricultural forest is approximately half of the tax of land classified as *forest*.

The guidelines for how assessors are required to classify land is found in General Property Taxes Law under Chapter 70 of Wisconsin Statutes. Specifically, Sec. 70.32(2)(c)1d of the statutes defines “*agricultural forest*” as:

...land that is producing or is capable of producing commercial forest products, if the land satisfies any of the following conditions:

- a) It is contiguous to a parcel that has been classified in whole as agricultural land under this subsection, if the contiguous parcel is owned by the same person that owns the land that is producing or is capable of producing commercial forest products. In this subdivision, ‘contiguous’ includes separated only by a road.
- b) It is located on a parcel that contains land that is classified as agricultural land in the property tax assessment on January 1, 2004, and on January 1 of the year of assessment.
- c) It is located on a parcel at least 50 percent of which, by acreage, was converted to land that is classified as agricultural land in the property tax assessment on January 1, 2005, or thereafter.

**Classification is Important**

Even if your land is currently in MFL, it pays to know if it is properly classi-

**Property Tax Examples**

Location	Cropland	Pastured Woodland	Ag Forest	Forest	Mill Rate	Land in Various Classes and MFL
Town of Ithaca Richland Co	\$5.42/ac	\$1.62/ac	\$24.08/ac	\$48.16/ac	\$22.28/\$1000	Ag = 13,000 ac Ag-Forest = 3,000 ac Forest = 761 ac MFL = 3,600 ac
Town of Lincoln Vilas Co	\$1.32/ac	\$0.40/ac	\$12.55/ac	\$25.10/ac	\$8.51/\$1000	Ag = 1,100 ac Ag-Forest = 400 ac Forest = 6,800 ac MFL = 1,000 ac
Town of Winter Sawyer Co	\$1.99/ac	\$0.59/ac	\$10.42/ac	\$20.84/ac	\$12.10/\$1000	Ag = 3,500 ac Ag-Forest = 1,600 ac Forest = 21,000 ac MFL = 3,500 ac
Town of Spring Prairie Walworth Co	\$3.76/ac	\$1.14/ac	\$32.78/ac	\$65.56/ac	\$15.14/\$1000	Ag = 14,000 ac Ag-Forest = 800 ac Forest = 800 ac MFL = 200 ac
Town of Summit Langlade Co	\$2.47/ac	\$0.74/ac	\$12.85/ac	\$25.70/ac	\$14.78/\$1000	Ag = 9,300 ac Ag-Forest = 2,700 ac Forest = 3,400 ac MFL = 8,000 ac
Town of LaFollette Burnett Co	\$2.06/ac	\$0.62/ac	\$10.83/ac	\$21.66/ac	\$12.75/\$1000	Ag = 2,900 ac Ag-Forest = 800 ac Forest = 5,300 ac MFL = 2,400 ac
Town of Eagle Point Chippewa Co	\$2.73/ac	\$0.83/ac	\$9.35/ac	\$18.70/ac	\$13.53/\$1000	Ag = 17,000 ac Ag-Forest = 3,400 ac Forest = 11,000 ac MFL = 950 ac
Town of Wyoming Iowa Co	\$4.29/ac	\$1.28/ac	\$24.57/ac	\$49.14/ac	\$17.56/\$1000	Ag = 7,000 ac Ag-Forest = 2,900 ac Forest = 4,800 ac MFL = 6,100 ac
Town of Mt. Morris Waushara Co	\$2.63/ac	\$0.79/ac	\$24.50/ac	\$49.00/ac	\$15.17/\$1000	Ag = 3,800 ac Ag-Forest = 1,400 ac Forest = 5,100 ac MFL = 3,400 ac

Example calculations are based on 2009 Effective Tax Rates, 2009 Published Use Value Cropland and Pasture Values, and Ag Forest being assessed at 50% of the Equalized Fair Market Value Productive Forest Rates.

fied because there are penalties associated with premature withdrawal from the program. If you, or your heirs, ever want to take the property out of the MFL before your commitment is up, the penalties are steep: All past taxes will have to be repaid at the most recent tax rate. If your woods were classified by your assessor as *productive forest* instead of *agricultural forest*, your penalties will be double. Know how your land is classified and think about how it would be—or could be—classified if you were not enrolled in the MFL.

**Agricultural Assessment Guide**

In order to better understand the different classifications and how land is classified, the Wisconsin Department of Revenue has developed a publication called the “Agricultural Assessment Guide for Wisconsin Property Owners.” This excellent resource is only available online. Go to the Department of Revenue’s (DOR) web page (<http://www.revenue.wi.gov/>) and enter “Agricultural Assessment Guide” in the search box. The “Guide for Property Owners” is another good publication from DOR.

With the Agricultural Assessment Guide, you might also discover that besides land you have enrolled in the Conservation Reserve Program, your maple syrup operation or Christmas tree farm can qualify as an agricultural use, which would qualify the land for a lower assessment..

Although assessors are required to classify all rural properties, don’t automatically assume that they know how you’re managing your woods or that some of your land is enrolled in a qualifying state or federal program. Be sure to let your assessor know the exact status of your land as you understand it.

**Land Classifications**

In Wisconsin, all land must be classified in one of eight different categories. There is no such thing as a “recreational” classification. Most woodlands owned for recreational purposes will be placed in the “productive forest” classification.

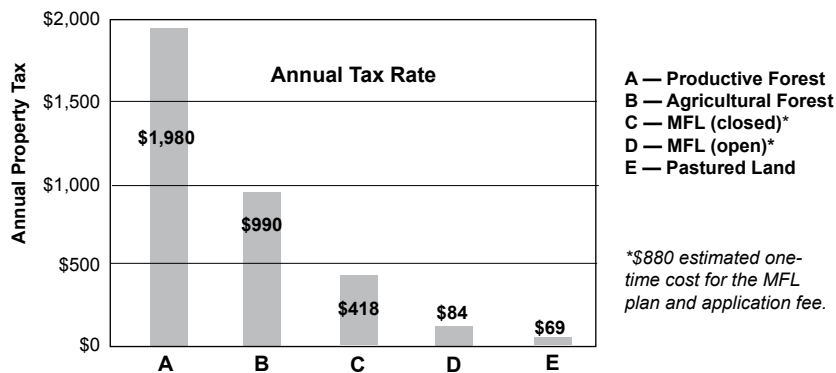
- 1. Residential
- 2. Commercial
- 3. Manufacturing
- 4. Agricultural (taxed at use value)
- 5. Undeveloped (taxed at 50 percent of fair market value)
- 6. Agricultural forest (taxed at 50 percent of fair market value)
- 7. Productive forest
- 8. Other

# Making the Call: One Landowner's Decision

A landowner has 50 acres of woodland in southwest Wisconsin. Its 2009 fair market value and in this case, its assessed value, was \$2,200/acre. The mill rate was \$18/\$1,000.

## Tax options available:

- Don't enroll in the MFL, keep the land classified as *productive forest*, pay taxes based on full fair market value.
- If land is not eligible for the *agricultural forest classification*, consider options available to meet this classification.
- Enroll land in *MFL closed to public access* and pay for management plan development and application fee.
- Enroll land in *MFL open to public access* and pay for management plan development and application fee.
- Obtain the *pasture woodland classification*, allowing your neighbor to pasture your woods (see facing page).



## Exploring the MFL option a bit deeper, the landowner came up with this list of benefits of enrolling land in the MFL program:

- Tax savings of \$573/year compared to taxes paid with an *agricultural forest classification* over 25 years. There would also be a one-time cost of \$880 for plan and fees to enroll in MFL.
- Timber harvested may be more valuable in that it meets national certification criteria.
- Personal comfort and value in knowing that the land will be managed with DNR oversight for the next 25 years.
- Lands are third party certified at no additional cost to the landowner.
- Ability to receive DNR forestry assistance and cost sharing of practices.

## On the flip side, the landowner came up with a list of advantages of not enrolling in the MFL program:

- No application fees, program requirements to track, or required harvests to implement.
- Maintain the ability to lease for hunting at \$750/yr or more.
- Maintain the ability to receive DNR forestry assistance and state cost sharing for various forestry practices (requires development of a voluntary stewardship plan).
- Sell timber when desired with no yield tax and no penalties to pay if certain practices are not maintained.
- No MFL constraints on future sale of the land.
- Personal comfort in knowing that state oversight is much more limited.

## How Will a New Management Plan Affect My Woods?

Don't presume that you can simply update and extend your current management plan under the new MFL program. Earlier plans were much shorter and simpler than the new one. Some of the earlier plans may only have required that you keep cattle out of the woods along with a list of recommended and/or mandatory practices.

## New Plan Fees

In addition to being more extensive than previous plans, a new MFL plan will also probably cost you some money. Whether or not you are renewing your existing MFL plan or enrolling land for the first time, a new management plan is required.

With new plans you now will, most likely, be required to hire a consultant. Although fees vary, you could expect to pay approximately \$500 plus \$7/acre for a new plan. *Note:* Cost sharing for plan development may be available from through USDA's Environmental Quality Incentives Program (EQUIP) or from the Wisconsin Forest Landowner Grant Program.

## "Agreements" Can Change

Be aware that the plan, which must be signed, are now called agreements. Some of the earlier plans used the word "contract" but they're not called that anymore. It pays to bear in mind that what you are signing today may be changed at some point in the future, as new management practice requirements are established to ensure that good (sound) forest management is carried out.

This is nothing new. Since 1985 there have been 16 changes to the statutes. Although most were not retroactive to existing agreements, some were. The most notable law change, which applied retroactively to all MFL land, prohibited the leasing of land enrolled in MFL for hunting or other purposes.

## Do Your Homework

Talk to your DNR forester (for free) before contracting with a consultant to get an idea of what a management plan might look like for your property. Ask to see what a new plan that was written for woodland similar to yours looks like. Be

sure that your most important personal objectives can be incorporated, and understand that changes can be made to your plan as laws and regulations change in the future.

### Decision Time

Now that you have sorted out your

tax bill and know what a plan for your woods might look like, you can make a better decision. The example in the sidebar on page 10 shows how one landowner made her choice.

Each landowner must make his or her own final decision. In this example, the landowner decided not to continue in the

## Pastured Forestland Photograph

# Livestock & Woodlots Don't Mix

by Carol Nielsen

Even though it yields a significant tax break, opening a woodlot to grazing can have a negative impact on otherwise productive forestland. Cattle can cause soil compaction when allowed to trample the soil in forests and woodlots. Damage can be particularly severe when grazing pressure is heavy, soils are wet, and livestock use continues over a long time period. The physical damage to soils begins with the mixing and trampling of the cushioning forest floor layer, which quickly disappears under heavy livestock use. The bare soil is then compacted by repeated trampling—infiltration slows, runoff increases, causing erosion.

As forest health declines, litter inputs are reduced and soil organic matter decreases, impacting site fertility. Tree roots may be directly damaged by hoof impacts that create wounds where insects and diseases can enter trees. Seeds, seedlings, and saplings of many tree species are browsed, reducing or eliminating forest regeneration and recruitment.

Cattle also affect vegetation. In extreme cases, the herbaceous layer may disappear leading to additional loss of infiltration capacity and reductions in soil moisture. Aggressive non-native and sometimes invasive plants, many of which are spread by cattle, easily invade disturbed areas like these. Spiny or thorny plants that cattle do not eat are allowed to grow and may become overabundant, creating an impenetrable bramble. Livestock should be excluded from woodlands that support any quality trees or other desirable vegetation.

*Carol Nielsen is a forester with the WDNR. She worked as a private lands forester in Sawyer and Iowa Counties before transferring to Madison to work as the statewide administration of the MFL program and then to her current position as the Private Forestry Specialist. She owns a tree farm in Richland County and is a WWOA life member.*

## Summer Haiku

by Marie Kolberg

The egret stands among the rushes  
The river at his feet,  
A minnow hides nearby.

Tiny shin leaf rare  
On the forest floor you grow,  
Your beauty shared with me.

White pine your noble head  
Held high of surrounding trees,  
Marks centuries of summers.

*Marie and Cliff Kolberg are Charter and Life Members of WWOA. They own forestland in Vilas County.*

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program.

Since this woodland can meet the *agricultural forest* definition, property tax savings of \$573/yr were not enough incentive to commit the land to the program for another 25 years. However, having gained an understanding of the benefits of sound forestry management, this woodland owner will develop an updated, voluntary, stewardship plan to maintain eligibility for cost share programs and to prioritize future management actions.

Putting cows back into the woods was rejected in this case because of the associated degradation of habitat, soil compaction, and concerns about tree regeneration, growth and injury. However, it still remains an option should there be a need to reduce property taxes in the future. The risks and other downsides of this approach are discussed in the sidebar by Carol Neilsen on page 11.

### What Lies Ahead?

The Managed Forest Law has served Wisconsin well for 25 years by engaging many of the private woodland owners who manage 59 percent of Wisconsin's forest land. In addition to the extensive environmental, flood control, habitat and water quality benefits that resulted from having more and better managed forests on our landscape, Wisconsin's forest industry has also thrived, providing \$20.5 billion each year to Wisconsin's economy and supporting more than 300,000 jobs.

Unfortunately the current property tax system greatly discourages the reforestation of marginal crop lands, encourages the grazing of woodlots and works to expand and intensify the use of Wisconsin's rural lands. Wisconsin's legislature is currently studying how the Managed Forest Law can be improved. Hopefully a way can be found to maintain and expand the many benefits this law has provided the state of Wisconsin for the past 25 years.

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*Richard Wedepohl is a member of WWOA's Government Affairs Committee, and has been spending much of his free time working on various woodland tax issues since retiring from the Department of Natural Resources three years ago. He owns 50 acres in Grant County.*

## Proposed MFL Changes Being Eyed by the Legislature

by Gene Roark

The special MFL study committee appointed by the state legislative council has released seven pieces of draft legislation. The council may tweak these proposals, combine some or all of them, or drop one or more. When the council is finished with them, they will be introduced into the legislative hopper for hearings, committee consideration and final action.

The timetable is uncertain. Legislators are likely to be occupied with budgets during most of the spring and possibly longer. WWOA will monitor the process and the bills, and try to get as much good out of it as possible. In the meantime, it does no harm for WWOA members to talk to their legislators about MFL and any concerns you have about it. Many legislators, especially new ones and those from urban areas, may know very little about MFL. We will try to keep partisanship out of discussion as much as possible.

Here is a brief summary of the drafts so far. The WLC numbers are temporary and legislators probably won't have the language of the bills on their desks for a while yet.

**WLC: 0044/1** – Repeals the ban on recreational leasing of MFL land

**WLC: 0050/1** – Permits MFL landowners to add acreage under the tax rates in effect at the time of the addition without those rates being applied to the existing MFL acreage.

**WLC: 0054/2** – Adjusts the tax rates for new MFL entries and directs that some of the revenue be spent on recreational land acquisitions.

**MLC: 0056/1** – Relates to modification of management plans for landowners of more than 1000 acres and extends such procedures to ownership groups as well.

**MLC: 0061/1** – Directs DNR, when asked by a town or county, to establish forest enterprise areas and sets requirements for payments to such towns and counties with the funds to be used for forestry development and education and technical assistance for MFL landowners.

**MLC: 0062/1** – Makes it possible for groups of MFL landowners to be treated in the same way as large landowners in regard to changes in management plans, requires such plans to set "annual allowable harvests", and directs DNR to allow landowners three years to do mandatory harvests.

**MLC: 0069/1** – Establishes a MFL Review Board and a procedure for MFL landowners for follow if they are dissatisfied with DNR decisions on how they manage their woods. The final decision rests with the chief state forester, but a landowner still can ask for a "contested case hearing" – essentially a trial – if he or she disagrees.

We will try to keep WWOA members informed and to represent your interests as best we can as the legislative session goes on.

*\* For more information, you can download a new publication by Mark Rickenbach, "UW Extension Forestry Facts No. 107" currently available at his blog: <http://notcountingtrees.fwe.wisc.edu/drupal/?q=node/111>*

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Gene Roark bio