

FORESTRY FACTS



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The Managed Forest Law Property Tax Program

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The Managed Forest Law program (MFL) can ease the property tax burden for landowners who wish to manage their woodlands. The MFL, administered by the Department of Natural Resources (DNR), is intended to foster timber production on private forests and woodlands, while recognizing other values. MFL participants pay property taxes at a reduced rate. A portion of the foregone taxes is recouped at the time when timber is harvested. Depending on your local property tax rates, the MFL can reduce property taxes substantially (50-80%) after paying harvest taxes. Moreover, most of the land in the MFL is green certified by both the American Tree Farm System and the Forest Stewardship Council. The MFL can be a good deal for some landowners, but is it a good deal for you?

This Forestry Fact only introduces the MFL—primarily for those with little or no knowledge of it. If you'd like to learn more, contact your local DNR Service Center (check your phone book) or link to their forest tax on-line resources at <http://dnr.wi.gov/forestry/ftax/>.

Conditions

The MFL is open to private landowners (e.g., individual, family, LLP, etc.) with at least 10 acres of woodlands meeting three requirements:

1. Forests must cover 80% of the land. This can include both standing trees and areas that will soon be returned to trees.
2. That forest must be productive (i.e., capable of meeting a minimum growth potential)
3. The minimum average width must exceed 120 feet.

If you decide to enroll some or all of your land, you must choose an enrollment length of either 25 or 50 years, and follow an approved management plan. If you decide to withdraw land from the MFL before the

To enroll in the MFL, completed application must be postmarked by June 1. Entry will be effective 18 months later. For example, an application postmarked on or before June 1, 2011 would become effective on January 1, 2012. The tax benefits would first appear on your 2012 tax bill, which typically would be sent in December of 2012.

enrollment ends, you will pay a penalty. If you sell or transfer the enrolled land to someone else before enrollment expires, you must inform her/him that the land is enrolled. The MFL follows the land, so the next landowner is obligated to continue in the MFL, which could affect the terms of the sale or transfer.

There is no penalty if you choose not to renew when the enrollment expires.

Forest Management Plan

Enrollment requires an approved, written forest management plan and an application fee of \$20. In nearly all cases, you'll need to hire a DNR-Certified Plan Writer to prepare the plan. The plan must be based on sustainable forestry principles, and the DNR must approve it.

In writing the plan, it is important to remember that the MFL is primarily focused on timber production. You are expected to manage your land to meet that objective, with other objectives, such as wildlife or recreation, being secondary. Many forestry goals are

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compatible, but if a conflict arises, the law requires deference to timber production.

The plan will list both mandatory and recommended forestry practices. For example, tree planting or timber harvesting may be required, while a thinning may be recommended. To stay in the MFL, you must complete the mandatory practices. Livestock grazing on enrolled woodlands is forbidden.

Property Tax and Public Access

To get the lowest annual property tax rate, you must allow public access. Access on these *open* lands is limited to hunting, fishing, hiking, sightseeing, and cross-country skiing.

You may also choose not to allow public access. New entries may close no more than 160 acres per municipality (i.e., town, village, city, etc.). So, if you own land in two different towns, each parcel may close 160 acres. The tax rates on these *closed* acres are higher.

You can restrict access to areas that are within 300 feet of any building or active timber harvesting operation. You are also allowed to prohibit snowmobiles and other motorized vehicles on enrolled lands that are otherwise open to the public.

You must allow periodic site visits by DNR foresters.

Current Annual Property Tax Rates

1987 – 2004 Entries

Open enrolled lands \$0.67 per acre

Closed enrolled lands \$1.57 per acre

2005 and Later Entries

Open enrolled lands \$1.67 per acre

Closed enrolled lands \$8.34 per acre

Rates will be recalculated in 2012 and every 5th year thereafter.

Timber Harvests and Yield Tax

As mentioned above, you must follow the approved management plan and pay a yield tax on any timber harvested. You'll also have to file a cutting notice with the DNR prior to harvesting timber. Failure to do so can result in a fine of up to \$1,000.

After a timber harvest, you're expected to file a cutting report with the DNR that accurately details the volume of the timber removed. This report forms the basis for calculating the yield tax.

Many people assume that the yield tax is based on the actual amount they receive for their timber. This is NOT true! The yield tax is based on the amount of

timber harvested and the average stumpage prices for similar wood products in your area. These average stumpage prices may or may not reflect what you actually receive from your sale.

Lands enrolled after 2004 are exempt from the yield tax during the first 5 years, but the cutting notice and report for timber harvested must still be filed.

For all timber harvests, you will need to complete any required post-harvest activities that were identified in your management plan. These might include retiring skid trails, seeding the landing, or controlling runoff.

Professional Assistance

A DNR Certified Plan Writer (CPW) can help you write your plan. S/he can help you define your objectives and plan what your land might look like in the future. They can also navigate your relationship with the DNR.

Depending on your situation and the local supply of CPWs, your local DNR forester also may be able to assist with developing a plan.

A Good Deal?

The primary benefits of the MFL program for the landowner are reduced annual property taxes and tax deferment. You also receive the benefit of a professional forester's advice in crafting the management plan and the potential to sell your wood into green certified markets.

For some, potential drawbacks include public access, emphasis on timber production, or participation in government program. There is also the likely up-front cost of preparing a written management plan.

If you are interested in enrolling, consider discussing the pros and cons with a neighbor or friend who is enrolled in the program. In addition, your local DNR forester can explain the details and help you weigh your options. A public or private forester can also provide practical advice based on his or her experience with other landowners and the MFL.

If you decide that the MFL program makes sense, you should contact a CPW. You can get a list from your local DNR Service Center or on-line at <http://dnr.wi.gov/forestry/ftax/CPW.htm>.

more forestry information at <http://www.woodlandinfo.org>