



Indiana Division of Forestry Cooperative Forest Management Section **Private Lands Fees Proposal**

The Division of Forestry is exploring options to fund our Cooperative Forest Management (CFM) section, which administers the Classified Forest & Wildlands Program and provide management guidance to private woodland owners. Public demand for CFM services, in particular Classified Forest & Wildlands Program enrollment and management plan requests, have increased significantly due to property tax changes. CFM section is currently funded through state general funds and federal grants. State and federal funding has not increased. In Indiana Code, the Division is directed to charge for services. This has only been done sporadically since the law was put in place 1919.

Background:

Law: Indiana law directs the Division of Forestry to charge landowners for services related to forest management. IC 14-23-1-1 has been in place since 1919, but has not been frequently implemented.

IC 14-23-1-1

Duties of Department

Sec. 1. The department shall do the following:

...

(12) Examine private forest land:

(A) upon the request of; and

(B) at the expense of;

the owner for the purposes of advising the owner on the proper methods of forest management.

Budget: The Division of Forestry, Cooperative Forest Management Section's budget is \$2.1 million (81% salaries/fringe; 11% supplies & technology). Primary funding comes from state appropriations and revenue generated on State Forests. Additional funding comes from grants from the US Forest Service. Funds received from grants is decreasing.

Approved Fee: In Spring 2015 the Natural Resources Commission (NRC), an independent board that addressed issues related to the Department of Natural Resources, approved a \$10/acre fee for services provided to private forestland. The Division of Forestry requested time to further consider fee options and then return to the NRC with a new proposal.

Classified Forest & Wildlands Program: The Classified Forest & Wildlands Program provides a property tax incentive to landowners who agree to manage their land for timber, wildlife habitat and water quality. The program began in 1921 and now has over 780,000 acres enrolled. In the last 10 years, the Classified Forest & Wildlands Program has grown by over 200,000 acres.

The enrollment in the program reduces that assessed value for tax purposes to \$1/acre. Taxes are then calculated based on that assessment: \$1 x number of acres x tax rate. For a 40 acre classified tract at a 2% tax rate the taxes would be \$0.80 (landowner would receive minimum tax bill of \$5).

40 Acres X \$1 Classified Program Assessment X 2% Tax Rate = \$0.80 Tax

Compare this to tax on forestland not enrolled in the program. Tax on forest is based either on an agricultural woodland assessment or excess residential assessment. Agricultural forest assessments are determined by multiplying the agricultural base rate (\$2,050/ acre for 2015) by the soil productivity factor (range from 1.28 for good soils to 0.5 for poor soils). This amount is then reduced by woodland influence factor of 0.8. Below is tax calculation for 40 acre woods with very poor soils (soil productivity fact 0.5) and a tax rate of 2%. The property tax would be \$164 or \$4.10 per acre. On the best soils, the tax would be \$10.50/acre.

40 Acres X \$2,500 Ag Base Assessment X 0.5 Soil Productivity Factor = \$41,000 Extended Value

\$41,000 Extended Value – (\$41,000 x 0.8) Woodland Deduction) = \$8,200 Assessed Value

\$8,200 Assessed Value X 2% Tax Rate = \$164 Tax

Woodlands not used to produce timber (an agricultural crop) can be assessed as excess residential. The county determines the assessment based on sales of similar properties in the area. The property tax on 40 acres with excess assessment of \$5000 per acre and a 2% tax rate would be \$4,000 or \$100/acre.

40 Acres X \$5,000 Excess Residential Assessment X 2% Tax Rate = \$4,000 Tax

Fee Proposal:

Lands enrolled in the Classified Forest and Wildlands Program

- Annual administration fee of \$2/enrolled acre
- Fee to be collected by county and forwarded to state. County receives 10% for collection.
- All services provided by district foresters are free for classified lands
- Current minimum tax savings for classified land is around \$4/acre

Lands not enrolled in the Classified Forest & Wildlands Program

Fees for services provided by District Foresters:

- Stewardship Plan: \$200
- Revision of Existing Stewardship Plan for Cost Share (non- CRP only): \$100
- Practice Plans for Invasive Species, Tree Planting (CRP plans not included): \$100
- Timber Stand Improvement (TSI) Marking: \$100 for up to 5 acres; \$200 up to 10 acres (maximum 10 acres per year per landowner)
- District Forester First Visit to Property: Free

Opportunities to Comment on Fee Proposal:

The Division of Forestry will continue working with landowners and interest groups throughout 2016 to come up with a final fee proposal. Comments can be submitted online at <http://www.in.gov/dnr/forestry/2856.htm>. Please put **Private Lands Fees** in the subject box.