

**63rd INTERIM LEGISLATIVE ASSEMBLY
Taxation Committee
Senator Dwight Cook, Chair**

**Senate Bill 2279 - "Study the benefits and implications on tax policy of the forestry
stewardship tax"**

**1:00 p.m., November 6, 2013
Roughrider Room, State Capitol
Bismarck, North Dakota**

**Presentation by: Larry Kotchman, State Forester
North Dakota Forest Service**

Purpose

The State Forester supports the intent of Senate Bill 2279 to provide for a legislative management study of the benefits and implications on tax policy of the forestry stewardship tax. The original intent of SB 2279 was to make the Forestry Stewardship Tax program available statewide. However, there were questions about how amendments to sections 57-57-02 and 57-57-06 of the North Dakota Century Code would have impacted real estate taxes paid by the 658 landowners already enrolled in the program in eight counties. Information will be presented to committee members highlighting potential benefits of the forestry stewardship tax.

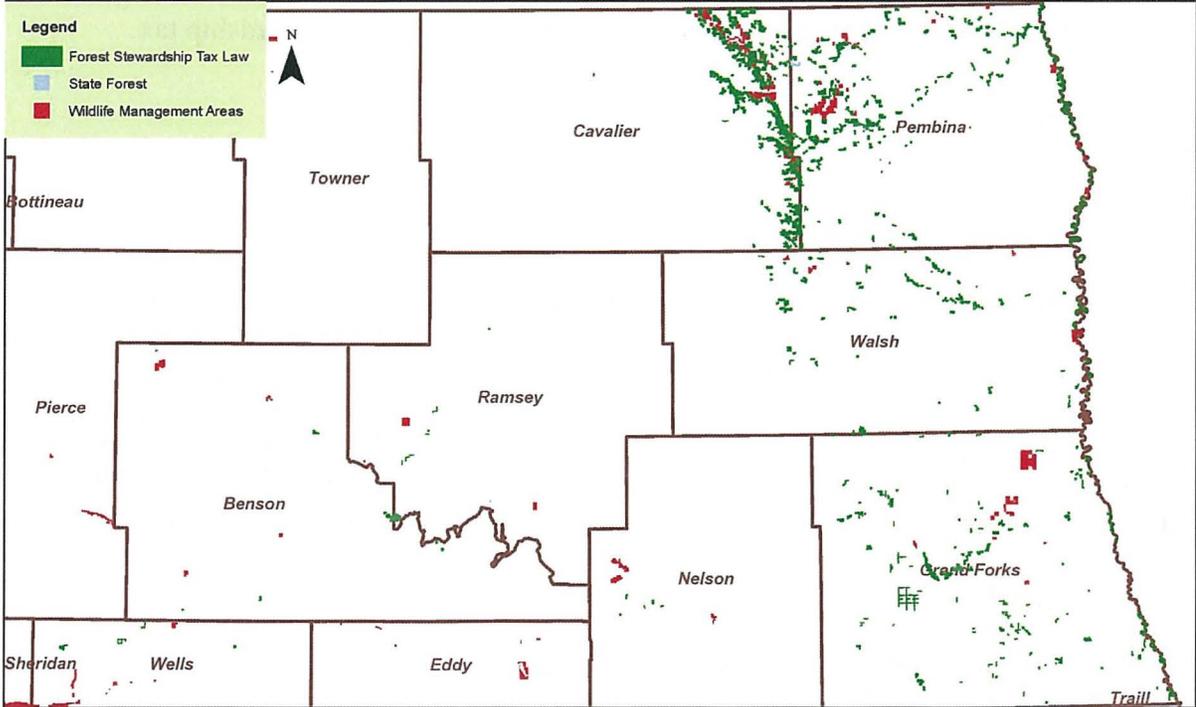
Background

Enacted in 1991, the Forest Stewardship Tax Law (NDCC Chapter 57-57), provides a financial incentive to owners to manage and conserve this limited forest resource. This chapter applies in any county in which the county commission has approved by resolution the application of this chapter to all qualifying property within the county. The owner, having any tract of contiguous forest which consists of: 1) natural forest cover ten acres or larger in size; 2) planted forest cover five acres or larger in size and not less than sixty feet in width; or 3) any combination of natural and planted forest cover ten acres or larger in size, may file an application with the county commission of the county in which the lands are located. The State Forester is responsible for determining whether property qualifies for taxation under this law. The State Forester examines the land and reports to the county commission whether the landowner is eligible for forest stewardship tax benefits. My objective today is to provide information to your committee members regarding how the program is administered to protect forest lands.

In the 2012 tax year, 658 landowners were enrolled in the program in Benson, Cavalier, Grand Forks, Nelson, Pembina, Ramsey, Walsh and Wells Counties. By resolution, the County Commissioners in these eight counties have approved the application of this chapter to all qualifying forestlands within these counties. There are 42,140 acres enrolled in the program. The law currently provides for landowners enrolled to pay a tax rate of fifty cents per acre in lieu of all ad valorem taxes.

NORTH DAKOTA FOREST SERVICE Forest Stewardship Tax Law 2012 Annual Report			
County	Acreage	Cooperators	Active Applications
Benson	169.6	8	8
Cavalier	21,606.1	189	218
Grand Forks	4,603.8	143	159
Nelson	145.2	4	5
Pembina	11,725.2	224	244
Ramsey	81.6	4	4
Walsh	3,685.2	81	88
Wells	124.2	5	5
Totals	42,140.9	658	731

Forest Stewardship Tax Law
November 1, 2013



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The purpose for the study is to address concerns raised by landowners in Steele and Rolette Counties about increasing property taxes on forest lands. Although I supported the beneficial intent of the original legislation to make the program available statewide, I had questions about how the proposed amendments to Chapter 57-57 would impact real estate taxes paid by 658 landowners already enrolled in the program in Benson, Cavalier, Grand Forks, Nelson, Pembina, Ramsey, Walsh and Wells Counties.

Section 57-57-06 would have been amended to change the “fifty cents per acre” language to “fifty percent of the county average agricultural value per acre for non-cropland.” Although these changes would have had a very positive benefit for new landowners desiring to apply for the program, the new formula may have had unintended consequences for the 658 landowners who are already enrolled in the program. When we applied this amended rate language to typical enrollments in participating counties, the calculations indicate the taxes paid by these enrolled landowners would increase by 100 to 150 percent per acre. Understandably, the Legislature determined more study was needed on the benefits and implications on tax policy.

A possible resolution for the 50 percent rate language may be to reduce it to 30 percent of the noncropland average agricultural value for the county. The current 50 cents per acre tax is in the range of 24-27% of the noncropland value. The 30 percent would be a reasonable increase and provide a long-term mechanism to ensure the rate follows adjustments in the county’s noncropland average agriculture value.

Additional financial incentives to encourage county and landowner participation in the forest stewardship tax would be beneficial. An idea may include establishing a long-term state funding source to reimburse counties for tax revenue when forest lands are enrolled under the forest stewardship tax. Reimbursing the county for the difference in revenue using the estimated noncropland average agricultural value should be evaluated. For example, in Pembina County the current taxation formulas would require a county revenue reimbursement of \$1.88 per acre for enrolled woodlands. The North Dakota Outdoor Heritage Fund may be a possible funding source.

Forest resources in North Dakota include upland forests and riparian (streamside) forests. In total, these resources encompass 772,400 acres or 1.73 percent of the total land area of North Dakota. Forest resources provide important public benefits, including clean air and water; soil protection; additional food and cover for wildlife; support a tremendous amount of biodiversity; and enhance outdoor recreation experiences. The majority of forest lands, 68 percent, are privately owned. Unlike agricultural lands, forests provide little if any annual income.

North Dakota’s forest resources face tremendous threats, including flooding; drought; invasive insects and diseases (such as emerald ash borer); a lack of species diversity; and deterioration associated with old age. Over maturity and limited natural regeneration; conversion to non-forest uses; wildfire; and limited wood utilization opportunities threaten forests in the Turtle Mountains, Pembina Gorge, Devils Lake hills, Killdeer Mountains and the Badlands.

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North Dakota's most forested counties currently not participating in the Forest Stewardship Tax Law include McKenzie, Dunn, Rolette, Billings, McHenry, Bottineau, Ransom, Morton and Richland, respectively. We welcome the opportunity to strengthen the intended benefits the Forest Stewardship Tax Law for all of North Dakota's forestland owners. Dedicated landowners who wish to manage and conserve their forest resources to provide important public benefits, such as clean air, clean water, wildlife habitat and recreational opportunities, deserve our full support.

Chairman Cook, thank you for the opportunity to address the Taxation Committee.

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