

TESTIMONY TO THE
INTERIM TAXATION COMMITTEE

Prepared November 5, 2013 by
Terry Traynor, NDACo Assistant Director
North Dakota Association of Counties

REGARDING THE FOREST STEWARDSHIP TAX

Chairman Cook and members of the Interim Taxation Committee, thank you for the request that our Association provide input into the study of the forest stewardship tax.

As explained in Mr. Walstad's background memorandum, this alternate tax has been in-place since 1967, and that it has been statutorily set at fifty cents per acre since 1991. In 1991, NDSU pegged the average value of agricultural land in (as an example) Pembina County at \$446/ acre and landowners paid taxes averaging \$6.82/acre. For 2012, NDSU has the average value at \$922/acre, producing an average tax rate of \$12.02/acre.

As has been explained, this special tax treatment became an issue when agricultural land valuation by soil type was fully implemented in some counties where forested land was being taxed strictly as agricultural property. The quality of soils under many forested parcels, particularly those along waterways, results in some of the highest valued agricultural land, even when modifiers are used to mitigate the straight soils-based value.

Due to the tax shifting effect of the forest stewardship tax, some commissions have been quite reluctant to authorize its use in their counties. Legislation was proposed last session to provide some level of increase to the alternative tax, with the goal of encouraging more county commissions to authorize it, while still incentivizing forest preservation. Recognizing that insufficient information on the possible effects of the proposed changes, the Legislature wisely opted for a study of the issue.

The table included in this testimony contrasts the alternative tax rate and revenue in the counties where it has been authorized, with the estimated per-acre rate and total tax revenue that would be generated at 30%, 50% and 100% of the average non-cropland and the cropland average values – using the countywide average mill levies. The 50% level is essentially what was proposed last session in SB2279.

It is very important to understand that these are estimates based on the countywide average mill rate. Depending upon the school district and township in which a parcel was located, the actual tax rate would vary somewhat

Forest Stewardship Tax Analysis - Based on 2012 Tax Data

	Acres Acres	Current Tax \$0.50/Acre	30% of Non-Cropland Value		50% of Non-Cropland Value*		100% of Non-Cropland Value	
			Est. Tax Rate	Est. Tax	Est. Tax Rate	Est. Tax	Est. Tax Rate	Est. Tax
Cavalier	21,606.1	\$10,803	\$ 0.63 /Acre	\$13,575	\$1.05 /Acre	\$22,625	\$ 2.09 /Acre	\$45,249
Pembina	5,862.5	\$2,931	\$ 0.68 /Acre	\$4,004	\$1.14 /Acre	\$6,674	\$ 2.28 /Acre	\$13,348
Grand Forks	4,603.8	\$2,302	\$ 0.94 /Acre	\$4,332	\$1.57 /Acre	\$7,220	\$ 3.14 /Acre	\$14,440
Walsh	3,685.2	\$1,843	\$ 0.75 /Acre	\$2,765	\$1.25 /Acre	\$4,608	\$ 2.50 /Acre	\$9,217
Benson	169.6	\$85	\$ 0.51 /Acre	\$86	\$0.85 /Acre	\$144	\$ 1.70 /Acre	\$288
Nelson	145.2	\$73	\$ 0.61 /Acre	\$89	\$1.02 /Acre	\$149	\$ 2.05 /Acre	\$297
Wells	124.2	\$62	\$ 0.53 /Acre	\$66	\$0.88 /Acre	\$110	\$ 1.77 /Acre	\$220
Ramsey	81.6	\$41	\$ 0.73 /Acre	\$60	\$1.22 /Acre	\$99	\$ 2.43 /Acre	\$199
Total	36,278.2	\$18,139		\$24,977		\$41,628		\$83,256

* SB2279 Proposal

County auditors and tax equalization directors were queried about the current program and any changes to the program that they would recommend. They generally understood and appreciated the value of the program but felt that the current fifty cent figure may be too low and participation by additional counties was unlikely at this rate. Some suggested increasing and then indexing how the alternative tax is calculated so that it doesn't become so outdated – something that SB2279 proposed to accomplish.

It was also suggested that the value of forested lands, and therefore the responsibility for supporting preservation, extends beyond the borders of the county. Several suggested that state funding for this program could spread the responsibility from just those landowners that don't have forested lands in a particular county but must pay for the shifted tax burden to everyone in the State.