

Program Guidance – Annual Forest Tax Law Program Harvest Tax Rates Summary of Changes Based on Public Comments

Thank you to the individuals that provided feedback on the Department of Natural Resources proposed program guidance titled “Annual Forest Tax Law Program Harvest Tax Rates”.

Nine individuals provided twenty-one specific comments. Two of the comments were verbal communications, and nineteen were by email. Two of the email comments were not related to the harvest tax rate process and are not included in the responses.

Included in this document are all of the public comments related to the proposed harvest tax rates, along with indication of changes made. Seven changes were made to the proposed rates as a result of the comments received.

The final guidance was issued on November 1, 2015, as described in administrative code.

If you have any questions, please contact Jerry Crow at (715) 453-2188 ext 1260, or Gerald.Crow@wisconsin.gov .

Annual Forest Tax Law Program Harvest Rate Calculation Public Comments and Responses for 2016

<u>Comment</u>	<u>Change Made?</u>	<u>Response</u>
1. The statute states “reasonable stumpage values.” How do we define this? If we use sold sales, and that implies the high bid, and if we assume the other bids are legitimate, then the high bid is not the average price and probably not “reasonable”. Unless we define reasonable as an average of the high bids for species, I don’t know if our system comes up with a “reasonable stumpage value.”	No	Assessment of yield taxes is authorized in s. 77.87(1) Wis. Statutes, and in ch. NR 46.30 (1) Wis. Admin. Code, and the process is described in Chapter 20 in the Forest Tax Law Handbook.
2. For several years the weight and cord values for pulpwood and comingled species have not agreed correctly with DNR-approved conversion factors. This opens the potential for anyone filing a cutting report to choose to convert the harvested volume to the lower value product and minimize their harvest taxes due for municipality benefit.	Yes	For 2016 tax rate calculations, stumpage values for cord and weight measures have been standardized to agree with DNR authorized conversion factors found in ch. NR 46.30 (1) Wis. Admin. Code.
3. <u>Comments specific to Zone 1 (Waukesha):</u>		
a) Black Walnut log price at \$2,020. I’d be curious to know whom is reporting walnut prices this high. I don’t see a lot of walnut sold I’ll admit, but what I do see isn’t sold for anything close to this. I’d support the 2015 price more.	No	Data reported by Cooperating Foresters support this value. Stumpage values used in annual tax rate calculations are three-year weighted averages based on data reported by Cooperating Foresters from actual timber sales sold in each separate geographical timber tax zone.
b) The Other Maple price doesn’t make any sense at all. This is probably Silver Maple oftentimes, and occasionally Norway Maple, but neither of these brings that good of a price normally. I’d have it about equal with Red Maple.	No	Data reported by Cooperating Foresters support this value. Stumpage values used in annual tax rate calculations are three-year weighted averages based on data reported by Cooperating Foresters from actual timber sales sold in each separate geographical timber tax zone.
c) Other Hardwoods to me is meaning species not often sold as logs, or are low grade logs (boxelder, black locust, cottonwood, or others). These are typically bringing very low prices. I’d equate this category with the elm price, as elm is often lumped in with them.	No	Data reported by Cooperating Foresters support this value. Stumpage values used in annual tax rate calculations are three-year weighted averages based on data reported by Cooperating Foresters from actual timber sales sold in each separate geographical timber tax zone.

d) I'm puzzled as to why the stick-scaled prices for red and white pine cordwood are the same, but the price by weight has white pine only half of the red pine price. I think these two (stick-scaled vs. weight) need to equate.	Yes	For 2016 tax rate calculations, stumpage values for cord and weight measures have been standardized to agree with DNR authorized conversion factors found in ch. NR 46.30 (1) Wis. Admin. Code.
e) Generally I see white pine running \$2 to \$4 behind red pine. I'd encourage \$29 for PR and \$26 for PW, with comparable weight prices.	No	Data reported by Cooperating Foresters support this value. Stumpage values used in annual tax rate calculations are three-year weighted averages based on data reported by Cooperating Foresters from actual timber sales sold in each separate geographical timber tax zone.
f) The prices for red pine and white pine mixed products are too far apart. For stick-scaled wood, PW should be maybe \$5 to no more \$7 below red pine, and then spruce about the same as PW, not well over it. And for private wood, \$41 is awfully high. My thoughts: \$35 for PR, \$29 for PW, \$25 for spruce (stick-scaled), and with weight prices a comparable difference.	No	Data reported by Cooperating Foresters support this value. Stumpage values used in annual tax rate calculations are three-year weighted averages based on data reported by Cooperating Foresters from actual timber sales sold in each separate geographical timber tax zone.
g) Regarding mixed product weight prices, I've never seen PW more than \$2 lower than PR, sometimes less than that. Those are my thoughts. I can't offer "proof", only what I'm used to seeing.	No	For 2016 tax rate calculations, stumpage values for cord and weight measures have been standardized to agree with DNR authorized conversion factors found in ch. NR 46.30 (1) Wis. Admin. Code.
4. <u>Comment specific to Zone 11 (Eau Claire):</u> The commentor felt that the Red Oak log price was much too high at \$1,531 per MFL. Thought maybe it was a typographical error, and should have been \$531 per MBF.	Yes	Reported Stumpage Values were reviewed, corrections made, and three-year weighted average calculations were re-run. Result was lower Stumpage Value.
5. <u>Comments specific to Zone 7 (Rhineland):</u> I have a few thoughts and suggested changes. Unfortunately I do not have hard data from true sales to support my thoughts.		
a) I think the log prices for white birch, hard maple, and red oak are way too high. The prices listed are comparable to the price for #1 logs being delivered to a mill. I think the 2015 rates for these 3 species is a better reflection of the price. Those prices may still be too high?	No	Data reported by Cooperating Foresters support this value. Stumpage values used in annual tax rate calculations are three-year weighted averages based on data reported by Cooperating Foresters from actual timber sales sold in each separate geographical timber tax zone.

<p>b) As for the cord products-I think the prices per cord based on 128ft(3) are pretty relevant. However, I think the price per ton is off for most species. When you compare our cordwood weight conversion factors (listed in the Timber Sale Handbook) and multiply the rate per cord and convert it to the rate for tons – the prices are, in many cases, substantially different, then maybe we should change the price per cord. I know nearly all of the mills differ on what they use for conversion factors, but we have our own and I think we should strike a better pricing balance between cords and tons. In the attached spreadsheet, I tried to list what I think is a more reasonable price per ton for most species. If we have better data on ton prices, then maybe we should change the price per cord.</p>	Yes	<p>For 2016 tax rate calculations, stumpage values for cord and weight measures have been standardized to agree with DNR authorized conversion factors found in ch. NR 46.30 (1) Wis. Admin. Code.</p>
<p>c) Commentor provided suggested list of cordwood prices converted to values based on his opinion in using the DNR approved conversion factors found in ch. NR 46.30 (g) Wis. Admin. Codes.</p>	Yes	<p>For 2016 tax rate calculations, stumpage values for cord and weight measures have been standardized to agree with DNR authorized conversion factors found in ch. NR 46.30 (1) Wis. Admin. Code.</p>
<p>6. Comment specific to <u>Zone 4 (Wausau):</u> “Looks good for Wausau this year. I didn’t look at every species, but the main ones look good. I specifically wanted to see the mixed rate for Wausau this year. It looks fine. Last year the ton price for hardwood was really high in comparison with the cordwood price.”</p>	No	<p>For 2016 tax rate calculations, stumpage values for cord and weight measures have been standardized to agree with DNR authorized conversion factors found in ch. NR 46.30 (1) Wis. Admin. Code</p>
<p>7. Comments specific to <u>Zone 13 (Sparta):</u> a) Other Hardwood logs seems too high at \$216.00/MBF when in 2015 the rate was \$42.11/MBF. Plus Other Oak logs for 2016 stumpage rates is \$57.00/MBF. In my opinion, Other Oak logs and Other Hardwood logs should have very similar stumpage rates.</p>	No	<p>Data reported by Cooperating Foresters support this value. Stumpage values used in annual tax rate calculations are three-year weighted averages based on data reported by Cooperating Foresters from actual timber sales sold in each separate geographical timber tax zone.</p>
<p>b) The other log rate for 2016 I thought was too high was White Pine logs at \$199.00/MBF. White Pine logs in the Monroe County area have never been a high commodity item. In 2015 the stumpage rate for White Pine logs was \$109.73/MBF.</p>	No	

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| c) The pulpwood rates I thought were high in the Sparta area were the Aspen and Hardwood. For 2016 – Aspen pulpwood is \$25.00 per cord when in 2015 the stumpage rate was \$14.62/cord. For 2016 – Hardwood pulpwood is \$32.00 per cord when it was \$22.60 per cord in 2015. | No | Data reported by Cooperating Foresters support this value. Stumpage values used in annual tax rate calculations are three-year weighted averages based on data reported by Cooperating Foresters from actual timber sales sold in each separate geographical timber tax zone. |
| d) These comments will probably be considered anecdotal. I do not have any factual data to submit to support my concerns. Could you please just check/verify the calculations for these 5 rates I consider to be too high? | Yes | The calculations were checked and the preliminary weighted three-year averages were correct based on the reported data. |
| e) The other request I have concerns the final stumpage rates. Once the rates are finalized and published, I would like to receive the spreadsheets with the actual rates per unit and not the 5% rate per unit. | Yes | A copy of the final stumpage rate tables will be forwarded to the commentor after November 1, 2015. |