

2017 OHIO CONCERNED WOODLAND OWNERS REPORT ON PROPERTY TAXES

SENATE BILL NO. 36

OHIO SENATE WAYS AND MEANS COMMITTEE HEARING, WEDNESDAY, MAY 3, 2017

Presented By: **RON OTT, Harrison County, 380 acre Ohio Award Winning Tree Farm Owner.**

THANK YOU, Chairman John Ekland, Vice Chairman Lou Terhar, Ranking Member Sandra Williams and members of the Senate Ways and Means Committee for the opportunity to testify before you today in support of S.B. 36. My name is Ron Ott, from Akron, Ohio, owner of an award winning woodland, 380 acre Tree Farm in Harrison County, Ohio. We will tell you Woodland Owners **PROBLEM FACTS** and **SOLUTIONS** we need.

1. Fact: This is **"More Than A Property Tax Issue"** for Ohio Woodland Owners. We Woodland Owners have done extensive back up research and have met with Forestry people, County Auditors, Woodland Owners, Legislatures and others for **12 years** now. We have extensive amount of fact information on **severe wrongs** being done to Ohio Woodland Owners and our sincere **Recommended Solutions** to **SAVE OHIO WOODLANDS**, which provide the best Clean Water and Clean Air to Ohio.
2. Fact: Our Woodland Owners CAUV property taxes have gone up over **600%** in seven years.
3. Fact: We Woodland Owners recommend a **Simplified Plan Model, "Ohio Woodland Owners Incentive Plan"** with a **ZERO tax (as in 11 other States)**. This Plan Model management plan would allow **Woodland Owners to have timber cuts to be 1 to 100 years, with "Best Management Practices"**. All other managing on **Timber Stand Improvements and Invasive Plants, would be voluntary, with Educational Programs and Cost Share Programs being available to Woodland Owners. THAT SIMPLE**
4. **FACT: Owning a Woodland is not affordable** in most cases, as we can prove from many reports. The next generations are usually not interested in woodland due to "Forced Management" and no profit.
5. **FACT: Our income on three timber cuts in 33 years of ownership of 380 acres, average \$50.60 per tree.** We have spent multiple times more on expenses and free labor to keep woodland managed in poor hilly woodland soil conditions.
6. **FACT: Trees take 60 to 100 years to grow vs farm land yearly income on crops of corn and grain.** We must to **eliminate the Soil Types on Woodlands** for tax ratings on Woodland, because there is no comparison to the years on income. Most woodland are too wet for any crops, and should be considered in wetland programs. Our Legislatures need to sit down with us and create a **separate Woodland Law**. We need to create a right Woodland Plan which other States would want to follow.
7. **FACT: The State of IOWA has a "FOREST RESERVE LAW** with NO TAX and no "Forced Management" on Woodland and Fruit Orchards of **2 Acres** or more, because Woodlands are not affordable, and IOWA wants to preserve their precious Woodlands every way possible. Ohio Legislatures should adopt this plan. (Copies Available), (Also reference: **'PROPERTY TAXES and the LOSS OF PRIVATE FOREST'**)
8. **FACT: Most Woodland Owners are over 60 years of age.** We are losing our precious Ohio Woodland. Property "Taxes and Fragmentation" are most of the main reasons.
9. **FACT: The best way to make money on a woodland** is to sell trees, divide it up and sell the Woodland in parcels. Many large investors in woodlands and private Woodland Owners must do this, due to **NO profit** in owning a Woodland.
10. **FACT: Ohio Woodland Owners, who are Senior Citizens, Widowed and Disabled, are being discriminated against** on a "Forced Management Plan" for a Tax break. Farmers do not have to manage their woodland, but people who only own woodland have to manage. This program is wrongfully being done by Forestry people, County Auditors, and Soil and Water employees and wrongfully being backed up by Ohio Farm organizations. We have "Law Enforcement Foresters" making us do unaffordable acts for a tax break, like in CAUV and Ohio Forest Tax Law. We need Legislators to listen and help us on severe wrongs now being done to Ohio Woodland Owners, by Ohio Public Employees.
11. **FACT: Ohio can Justify NO TAX for Woodlands.** Woodlands and Farms require very little public services. A 2011 report stated, Farms require **37 cents** for every dollar in public service while residential land requires **\$1.19** in public services for every dollar. Woodland would probably be **15**

cents for every dollar, because of the land being **idle** for years. There are **20% to 30%** more chemicals, and more water plants required where there are less woodlands. There are studies which show **Woodlands give back over \$250 per acre**, per year on Quality Clean Water and Clean Air. Woodland Owners give gifts of environmental and economic benefits, at no cost to the general population.

12. FACT: Some States have exemptions for school taxes for **Senior Citizens, Disabled, and Veterans**.
13. FACT: We have a PowerPoint on **"TAXES AND FRAGMENTATION"** on Woodlands, showing the **FACTS, PROBLEMS**, and the **SOLUTIONS** for Ohio Woodland Owners, which we can present to groups.

SOLUTIONS: (To Be Included In Senate Bill # 36)

1. **We, Woodland Owners, sincerely Recommend a Legislative Bill**, to make it **illegal** for any Ohio Public Servant, Tax Commissioner, County Auditor, Ohio Division of Forestry, Ohio Division Of Natural Resources, Soil and Water and others in public and private service, to use "Forced Management" on Ohio Woodland Owners in exchange for Property Taxes incentives. This applies to CAUV, Forest Tax Law, or any other tax. All Ohio Woodland Owners will **Qualify** for the lowest rate possible, especially ZERO Tax, due to proven no profit in owning woodlands. All ratings of Soil Types for Ohio Woodland taxes **must be eliminated**. Currently Ohio Woodland Owners are not treated properly. The use of wrongful, "Law Enforcement Foresters" or others who use ""Forced Management" on Ohio Woodland Owners, will be illegal. A Woodland can take care of itself. Voluntary Management of Woodlands can be encouraged along with cost shared programs and Woodland educational programs. **Woodland Owners must not be discriminated** against because of age, **Senior Citizen, Disabilities, or loss of spouse**, concerning Property Tax Incentives. Every effort will be made by State Legislatures and Public Employees, to help Ohio Woodland Owners, save their Woodlands, due to the Water Quality, Clean Air, Wildlife, Wood, Recreation, and all the other good reasons on "Why Trees Matter.

2. **"THE OHIO WOODLAND OWNERS INCENTIVE PLAN"** (

(Recommended 2017 Ohio Woodland Owners Legislative Bill)

Ohio Woodland Owners give gifts of environmental and economic benefits, at no costs to the general public. Our Ohio Woodlands are being depleted due to "TAXES AND FRAGMENTATION". Ohio should require loss of Woodlands by all developments such as gas lines, roads, pads, allotments, by replacing trees or a yearly tax on lost woodlands to developers, to offset losses, similar to loss of Wetland Policies. We recommend a **"NEW LOOK" SIMPLIFIED, PLAN MODEL, OHIO WOODLAND LEGISLATIVE BILL** be **"THE OHIO WOODLAND OWNERS INCENTIVE PLAN"**. Soil Types used for a Tax Base **MUST be eliminated**. Trees take **60 to 100** years to grow, while cropland of corn and wheat are a yearly income for farmers. Woodlands are **not** always **profitable** to own. We recognize all the good our Ohio Woodlands Owners do by growing trees, which clean our air, filter waterways for good drinking water, help with less erosion, more wildlife, wood, recreation, scenery and an whole lot more on "Why Trees Matter".

We recommend for Ohio Woodland Owners, who own **(2)** acres or more Woodlands and Fruit Orchards, a ZERO property tax (as in 11 other States), and be included in **"THE OHIO WOODLAND OWNERS INCENTIVE PLAN"**. This plan can model similar to **IOWA's "FOREST RESERVE LAW"**, which we attached with a few changes. The Ohio Woodland Owners, **SIMPLIFIED, PLAN MODEL**, would allow timber cuts, which is managing, to be **1 to 100** years (at owners discretion), with "Best Management Practices". Further managing would be voluntary on Timber Stand Improvements and Invasive Plants, with Educational Programs, and Cost Share Programs being available to Woodland Owners.

FOR GOOD CLEAN QUALITY WATER AND CLEAN AIR, HELP OHIO WOODLAND OWNERS EVERY WAY POSSIBLE

THANK YOU FOR YOUR KINDNESS TODAY,

Ron Ott 695 Rockwood Dr.

OTT'S Lost Forest Akron, Ohio 44313

330 730 1959



Iowa's Forest Reserve Laws

Forests and woodlands provide many benefits to Iowans and their visitors. Iowans earn millions of dollars each year from the harvest of timber and the manufacturing of wood and wood fiber products. On steep slopes and ridgetops, forests prevent erosion of soils and subsequent pollution of lakes and streams. In addition, forests provide habitat for a wide variety of game and non-game wildlife; they provide a pleasant environment for many recreation activities such as hiking, camping, picnicking, and hunting; and they add a great deal of beauty and diversity to the Iowa landscape.

To encourage proper stewardship of these woodlands, the Iowa Forest Reserve Law provides that forest land that meets certain criteria may be exempt from property taxes.

For land to qualify as a forest reservation it must satisfy several criteria:

Size of Forest

The forested area must be at least 2 continuous acres in size and generally not less than 66 feet wide. But, where trees are growing along a ditch or gully to control erosion, any width will qualify providing the total forested area is at least 2 acres. If any buildings are standing on an area selected for a forest reservation, at least 1 acre will be excluded from tax exemption.

Number and Type of Forest Trees

Each acre of forest reservation shall contain not less than 200 growing trees.

For the purposes of establishing a forest reservation the following should be considered forest trees: ash, black cherry, black walnut, butternut, catalpa, coffee tree, elm hackberry, hickory, honeylocust, Norway and

Carolina poplar, mulberry, oak, sugar maple, cottonwood, soft maple, osage orange, basswood, black locust, European larch, other coniferous trees, and all other forest trees introduced into the state for experimental purposes.

Owners of groves surrounded by a protective border of willows, boxelders, or poplars of not more than two rows wide may count these trees for the purpose of meeting the minimum 200 forest trees on each acre.

Livestock

No cattle, mules, horses, sheep, goats, or hogs are permitted on forest reservations. It is the taxpayer's responsibility to ensure that livestock are not permitted on the reservation.

Revised by Paul H. Wray, extension forester, from chapters 161 and 441 of the *Code of Iowa*.

IOWA STATE UNIVERSITY
University Extension

PM 605 Revised March 2006

Timber Harvesting and Removal

Not more than one-fifth of the total number of trees in the forest reservation may be removed in any single year, unless the trees die of natural causes. When the number of trees in the forest reservation falls below 200 trees on each acre as the result of such harvesting or natural mortality, the owner shall within one year restore the number of trees to not less than 200 trees on each acre by whatever means necessary.

Administration of Laws

Application for forest reservation must be filed with the county assessor's office from

January 1 to February 1 of the year for which the person is claiming exemption. Once the application has been accepted, the area shall continue to receive tax exemption during each year in which the area is maintained as a forest reservation without the owner having to refile. This tax exempt status is transferred with the property if the property is transferred or sold as long as it qualifies as a forest reservation.

The area may be inspected each year by the county conservation board or the assessor in a county without a conservation board to determine if the area is maintained as a forest reservation.

If the area is not maintained or it is used for economic gain other than a forest reservation

for any of the exemption years and any of the five years following the exemption years, the assessor shall assess the property for taxation at its fair market value as of January 1 of that year. In addition, the area shall be subject to a recapture tax for those years up to five years for which the area received tax exempt status. The area shall not be subject to the recapture tax if the owner and the owner's direct antecedents or descendants have owned the area for more than ten years.

File: Forestry 2



... and justice for all

The Iowa Cooperative Extension Service's programs and policies are consistent with pertinent federal and state laws and regulations on nondiscrimination. Many materials can be made available in alternative formats for ADA clients.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M. Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

**THE FOREST RESERVE LAW IS AN EFFECTIVE TOOL
FOR RETAINING PRIVATE FORESTS IN IOWA**

Iowa's Forest Reserve:

In 1906 the Iowa Legislature passed a landowner property tax incentive known as the Forest and Fruit Tree Reservation Act to "reduce or eliminate property taxes to induce landowners to hold their poorer lands in timber not only as a source of farm income but also for erosion control, watershed protection and game cover." To enroll in the Forest and Fruit Tree Reservation Act (Chapter 427C of the Code of Iowa) or as it is known to most people the "Forest Reserve" and be exempt from property taxes the private forestland must be:

1. **At least 2 contiguous acres in size** and generally not less than 66 feet wide or a fruit tree reservation not less than 1 or more than 10 acres in total area,
2. **Shall not contain less than 200 growing trees**, on a fruit tree reservation at least 40 apple trees per acre and other fruit trees reservations at least 70 trees per acre'
3. Forest trees are defined as ash, black cherry, black walnut, butternut, catalpa, honeylocust, Norway and Carolina poplars, mulberry, the oaks, sugar maple, cottonwood, soft maple, osage orange, basswood, black locust, European larch, and other coniferous trees, and all other forest trees introduced in the state for experimental purposes,
4. In forest reservations which are artificial groves, willows, boxelders and other poplars shall be included when protecting borders not exceeding two rows in width around a forest reservation or when used as nurse trees not to exceed 100 on each acre.
5. **No cattle, mules, horses, sheep, goats or hogs are permitted on forest reservations, and**
6. ~~Not more than 1/5 of the total number of trees in the forest reservation may be removed in any single year unless the trees die of natural causes. When the number of trees falls below 200 trees on each acre, the owner shall within one year restore the number of trees to not less than 200 trees per acre.~~
7. If any buildings are standing on an area selected as a forest reservation, one acre of that area shall be excluded from the tax exemption. However, the exclusion of that acre shall not affect the area's meeting the acreage requirement.

The Natural Resources Commission issued Administrative Rules Chapter 73 Forest and Fruit Tree Reservations (last up dated and effective 2-4-87) that established criteria for establishing and maintaining forest and fruit tree reservations and County assessors annual report on forest and fruit tree reservations to the department of natural resources:

- Designation – prerogative of the taxpayer if it meets 427C
- Area Designated – must meet minimum acreage requirements
- Size of reservation – continuous area means an area which is not separated by public roads or streets
- Fencing – not mandatory to fence – taxpayer responsibility to ensure livestock are not permitted
- Number of trees – must contain 200 trees on each acre and one year to replace trees if removed
- Economic gain – gain from raising fruit or forest trees means gain from the harvest from trees, including but not limited to: fruit, nuts, Christmas trees and greens, posts, poles, logs, fuelwood, pulpwood and tree sap.
- ~~Please note – a forest reserve can not be used for leased hunting. (This is based on the presumption that wildlife is a product of the forest and not of the individual trees in the forest. Although the administrative rule does not specifically prohibit leased hunting).~~

Private forestland owners interested in enrolling their forest or fruit trees into reservations must make application with the county assessor's office from January 1 - February 1 of the year for which they are claiming exemption. Once the application is approved, the area shall continue to receive tax exemption during each year that the area is maintained as a forest reservation without having the owner re-file. This tax exempt status is transferred with the property as long as it qualifies.

The county conservation board or the assessor's office in order to determine if it is still maintained as a forest or fruit tree reservation may inspect the reservation. If the area is not maintained or is used for economic gain other than a forest reserve for any of the exemption years and any of the 5 years following the exemption years, the assessor shall assess the property for taxation. Taxation will be at its fair market value as of January 1st of that year. In addition, the area shall be subject to a recapture tax for those years up to 5 years. The area shall not be subject to recapture tax if the owners have owned the area for more than 10 years. The county assessors shall keep a record of all forest and fruit tree reservations in the county and report to the DNR not later than June 15th of each year.

Forest Reserve Law – Historical Changes since 1906

The Forest and Fruit Tree Reservation program was established by the 31st General Assembly to encourage retention of poor lands into forests and wildlife habitat at a time of massive agricultural clearing. The Forest Reserve allows any person who establishes a forest or fruit tree reservation as provided in 427C.1-427C.13 (until 1991 was in Chapter 161) shall entitled to the tax exemption provided by law (441.22).

From 1907 until 1935, Forest Reservations had an appraised value of \$1/acre. Beginning in 1935, the appraised value was raised to \$4/acre. Beginning in 1974 the appraised value was \$14.82/acre. Beginning in 1986, the tax exemption for forest reservations was made to \$0/acre, and the economic gain allowed was more clearly defined to only relate to products of the tree (logs, firewood, seed,

etc.) clearly not allowing leased hunting and other forms of paid recreational opportunities. Other minor changes of the Forest Reserve involved the creation of a "recapture tax" and tightening up the requirement that if trees were removed that owners had one year to get back to the 200 trees per acre.

Forest Reserve Totals for 2007:

As of October 2007 the DNR reports that a total of **640,959 acres on 43,979 parcels** were enrolled in forest reservations in all 99 Iowa counties. The total number of acres in forest reservations runs from 27.52 acres in Sioux county (NW Iowa) to 51,058 acres in Clayton County (NE IOWA). The number of acres in forest reservations accounts for 21% of the total number of acres of forestland in Iowa (3 million acres).

Benefits of the Forest Reserve:

What benefits does the forest reserve have for Iowa? Since private forestland owners' control 90% of Iowa's forests, maintaining these lands in forests provides:

- ❑ **Habitat for game and non game species of wildlife** that depend upon forests for all or part of their life (deer, turkey, etc.), plus the economic activity for rural communities that cater to hunters and fishermen each year – over \$1.1 billion in 1999,
- ❑ **Watershed protection** for Iowa's stream and rivers, reducing sediment – Iowa's number one water pollutant, since 50% of Iowa's forests are on slopes greater than 10% and the other 50% are right along floodplain areas,
- ❑ **Economic development in terms of the timber that is harvested**, in 2000 that involved over \$14 million paid to landowners, and over \$1 billion in economic activity in harvesting and processing of the 89 million board feet of standing timber into wood products,
- ❑ **Air quality enhancement** as the standing and living trees absorb toxic carbon and other pollutants,
- ❑ **Outdoor recreation for property owners, neighbors, and visitors** to our state, as fall color viewing in NE Iowa alone brings in over \$5.9 million to local economies.

2003 Forest Reserve Survey Results:

In the fall of 2002, supported by a grant from the USDA Forest Service and the DNR Forestry Bureau, the University of Northern Iowa Strategic Marketing Service began a survey of forest reserve owners to determine information about forest reserve owners, their residency, their land management intentions and investments. A total of 7,500 self-completion surveys were delivered to Forest Reserve Participants who own land in 98 of the 99 Iowa counties. Of this total, 1000 random responses were processed for a response rate of 13.3% with an accuracy of plus or minus 3.8%. Results from the survey indicate that the vast majority of landowners enrolled in the Forest Reserve Program:

- Own between 1 and 100 acres of forest reservation,
- ½ have owned their forest reservations for more than 16 years,
- 85% live within 25 miles of their forest reserve, only 2.8% live out of state
- Major reasons for ownership are
 - Enjoy the Beauty and Scenery
 - To protect nature and biological diversity
 - Wildlife habitat
- 70% allow friends, neighbors to use their forest reserve for recreational purposes and approximately 2% charge a fee for that use,
- 70% of the forest reserve owners have greater than 10 acres of forestland,
- 77.7% of the owners reside in the county where their land is listed as a forest reserve,
- Only 22.5% have a written forest management plan prepared by a forester,
- Over 50% have completed some form of tree planting or timber stand improvement work,
- Over 55% report that they will do some form of tree planting or timber stand improvement work in the next 5 years,
- DNR Foresters were the source of most forestry information,
- Approximately 32% of forest reserve owners are members of the Iowa Farm Bureau, and
- 77.3% of forest reserve owners are between the age of 46 and 75

Cost of Iowa's Forest Reserve

- From 2007 data the 640,900 acres is valued at \$205 million.
- Based upon an average \$7/acre tax value estimated property tax loss due to forest reserve state wide is \$4.49 million.
- Estimated property tax loss for forest reserve ranges from \$341,000 for Clayton County to \$84.63 for Sioux County
- Average property tax loss due to forest reserve is estimated to be \$41,900/county
- According to a Journal of Forest Economics article Assessing the non-timber values of forests it was determined that the typical hardwood forest in Wisconsin provides \$49.42 to \$59.30/acre per year.
- Based upon the 2005 Forest reserve acres of 619,965 the non timber values would be worth approximately \$36,577,935/year.
- This equates to a benefit cost ratio of 8.1 to 1
- If Iowa had to lease forest reserve acres via a CRP rental payment of \$105/acre per year the cost would be \$65,096,325/vr.