

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6431-01
Bill No.: SB 1006
Subject: Taxation and Revenue - General
Type: Original
Date: February 26, 2018

Bill Summary: This proposal repeals the yield tax on forest croplands.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Conservation Commission	(\$7,000)	(\$7,000)	(\$7,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$7,000)	(\$7,000)	(\$7,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume the proposal would repeal the current state yield tax on forest product cuttings, and therefore would reduce Total State Revenues and affect 18e calculations - if this tax is currently being collected. B&P defers to Department of Revenue and Department of Conservation for any specific estimates of its fiscal impact.

Officials at the **Department of Conservation (MDC)** assume there would be a small negative fiscal impact. Those currently enrolled in the program would no longer pay a yield tax. The average yield tax over the last five years received by the Department is around \$7,000 annually at the current rate.

Officials at the **Department of Revenue** assume that due to the repeal of the language: Will not be subject to any ad valorem tax, "or to any yield tax on timber cut on such lands..." the Department believes that this tax would not be applicable and estimates a minimal to unknown impact.

Oversight notes this yield tax is collected on timber sold from participants in the Forest Cropland Program which is a long term healthy forest management program at the MDC. Participants sign up for the program for 15 years and must maintain a healthy forest using techniques provided by MDC. The participants receive a property tax abatement on the acreage in the program. Should they sell any timber off the participating property they pay a yield tax to the MDC. MDC uses that money plus their sales tax money to reimburse the counties for the property tax.

Oversight notes per statute this yield tax is currently deposited into the Conservation Commission fund. Currently 41 participants with a total of 45 tracts of forest are in the program.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
CONSERVATION COMMISSION			
<u>Revenue Reduction</u> - repeal of the yield tax on timbers	<u>(\$7,000)</u>	<u>(\$7,000)</u>	<u>(\$7,000)</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>(\$7,000)</u>	<u>(\$7,000)</u>	<u>(\$7,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small timber businesses that paid this tax in past would no longer owe the tax.

FISCAL DESCRIPTION

Current law provides for a yield tax on certain cuttings made on forest croplands. This act repeals such yield tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 6431-01
Bill No. SB 1006
Page 5 of 5
February 26, 2018

SOURCES OF INFORMATION

Department of Conservation
Department of Revenue
Office of Administration
Division of Budget and Planning

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
February 26, 2018