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A Study of the Impact of State Forest Land on Property Taxes in

HOUSTON COUNTY

Prepared By:

Department of Natural Resources
Department of Revenue

In Cooperation With:

Department of Education

May, 1978

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Introduction

The State of Minnesota has public land for the benefit of its people. Nearly 25% of Minnesota's 52 million acres are in either County, State, or Federal ownership. In the form of parks, wildlife areas and forests, public land provides a playground for camping, hiking, fishing, hunting, and a variety of other forms of recreation and State forest land produces much of the State's timber supply for the forest products industry.

Most of the public lands in Minnesota are found in the northeastern portion of the State, with very little in southern Minnesota. Because of the unique geology of southeastern Minnesota, the multiple tributaries of the Mississippi and the great Mississippi river basin comprise one of Minnesota's most spectacular land resources. An effort is in progress to manage this resource for the benefit of the people of Minnesota. A means to this end has been for the State to acquire a portion of the area for management.

Thus, a major ongoing program conducted by the Department of Natural Resources, Division of Forestry, is land acquisition in the Richard J. Dorer Memorial Hardwood State Forest which encompasses much of the tributaries and Mississippi river basin in S.E. Minnesota. The 1961 State legislature passed the enabling acquisition legislation with the required consent by resolution of the eight affected counties. The long-range goal of the Memorial Hardwood Forest acquisition program is to acquire 200,000 acres within the 2,000,000 gross acres of the forest, a goal which periodically should be reassessed.

During the past few years, as forestry's acquired lands have accumulated, the concern of the local people regarding the effect the State's acquisitions has on their property taxes has also grown. The Houston County board and local legislators requested a tax study in Houston County. This county contains more State Forest Land than any other county in southeastern Minnesota. The long-range goal is to acquire 45,000 acres of forest land in Houston County, the highest goal of all counties included in the forest. This is because Houston County has more forest land than the other counties. Thus, Houston County has been selected as the subject for this tax study.

Purpose

Does land in public ownership mean substantially higher property taxes for private landowners within the same taxing district? Public land, of course, is not taxed, thereby reducing the local tax base. A general assumption among property owners then is that, when the State assumes an aggressive role in land acquisition, as in the Memorial Hardwood Forest, an increased tax burden on the remaining tax base results.

The purpose of this study is to determine the effect of the State Forest acquisition on the tax base of Houston County. No effort has been made to determine the effect of other types of acquisition for parks or wildlife areas. Houston County contains the greatest acreages of State forest land within the Hardwood Forest. For this reason it is the target of the tax study. Within Houston County, Crooked Creek Township and Caledonia School District have the heaviest concentrations of State forest land of their respective units. These units are the focal points of tax analysis.

In order to allow maximum understanding of the existing situation, and the future projected situation, the effects of State ownership are broken into three parts. The first portrays the effect of acquisitions to date, the second describes the effect of acquisitions at the completion of the program and third, the effect if all tillable lands incidentally acquired are returned to the tax roles thru sale. To study each part, it's simply a matter of finding the tax loss because of acquisition, the gains from various payments from the State, finding the positive or negative difference, and showing how this changes the mill rate for the taxpayer.

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In order to better understand the content of the report, a general description of how State land provides income to the county and a brief description of a county taxing system would be helpful. Only the major points are discussed because both are complex subjects.

State Forest Land Provides Income to the County

The county receives various kinds of payments from the State government due to State land within the county. The State receives income from state forest land mostly from timber sales and agricultural leases. Half of this state forest income by law, must go back to the local units of government in lieu of taxes (called 50-50 payments in this report). Also by law, this money must be distributed to the county, townships, and school districts in the same proportion as taxes.

In addition, money is going back from the Department of Natural Resources to the local fire departments which receive their funding through the township mill rate. The money that the fire departments receive is based on the assessed value of the State land times a fire mill rate.

Another payment that is received because of State acquisition is higher Foundation Aid which "equalizes" or compensates for the difference in property wealth among districts. The richer the district is in taxable property wealth, the less it gets per pupil; the poorer the district, the more it gets.[1] This payment is the major aid payment from the Department of Education.

In this study, we are assuming that the payments back to the taxing units will benefit the local property tax payer and will be reflected in the mill rates. Taxing units could use the additional money to increase spending rather than to pay for their present costs of operations.

The Property Taxing System

Assessed value is the value placed on the property that is used to determine the tax on the property. This value is determined by multiplying the county assessors limited market value by the proper rate set by law. In this study, the limited market value of the State owned land was multiplied by 33 1/3%, the same percentage used for agricultural nonhomestead real estate.

[1] Update, Department of Education, June 1974

A mill is the measure of a tax rate used in calculating property taxes. One mill times $1,000 in assessed value equals one dollar in tax. The number of mills that a taxing district needs is determined by dividing the amount of money it needs from local taxes by the total assessed taxable value within that taxing district. The total local tax is the sum total of the township tax, the school tax, and the county tax, each with its own calculated mill rates.

PART I

The effect on Houston County property tax rates if all State Forest Land is returned to private ownership.

The total assessed value of the State forest land in Houston County for 1975 (taxes payable in 1976) is $199,497, or ½% of the total assessed value for the county. How does this affect the local tax? How would the local taxes be affected if the State sold all its forest land? To answer these questions, the current tax picture must be described.

Presently, the total gross tax loss on the 10,144 acres of State forest land is $16,830 per year for the county, six school districts, and 13 townships involved. The State is returning back to the county about $5,211 in 50-50 payments, $498 in fire contract payments, plus some payments from the Department of Education under the Foundation Aid Formula and Transportation Aid Formula for school districts.

The Foundation Aid impact and Transportation Aid impact on school districts has been taken into account by the exclusion of the basic maintenance levy and transportation levy in the tax computations. When land is taken off the tax rolls the school district's adjusted taxable valuation and the allowable basic maintenance levy go down in the same proportion. Foundation Aid increases in the exact same amount as the allowable basic maintenance levy is reduced. This same concept holds true for the allowable basic transportation levy and Transportation Aid.

Since Crooked Creek Township has more State forest land than any other township in Houston County, it is probably safe to assume that it is affected

more than any other township. So, let's take a close look at Crooked Creek.

Houston County Mill Rate

In order to figure the county mill rate for Crooked Creek, we have to look at the county as a whole. If the State forest land were sold it would add $199,497 to the county's total assessed value. The county mill rate for taxes payable in 1976 was 29.00 mills (this includes .16 mills for the Southeastern Regional Development Commission). The county government portion of the taxes on that land would have been about $5,785. Also, the 50-50 payment back to the county that can be expected from State forest land could be about $1,710. If the land was sold this income would be eliminated. The overall result would be a reduction in the county mill rate of .11 mills, or 28.89 mills. This reduction would be true for every township in Houston County, not just Crooked Creek.

Present assessed value for Houston County		$36,571,271
Assessed value to be added		199,497
Total assessed value of Houston County		$36,770,768
Money presently raised (including $5,852 for Region 10)	36,571,271 x 29 mills =	$ 1,060,567
State payments		1,710
Money to be raised		$ 1,062,277
Future county mill rate if the State forest land is sold	$\frac{1,062,277}{36,770,768}$ = 28.89 mills	

Crooked Creek Township Mill Rates

The land that the State owns in Crooked Creek Township has an assessed value of about $64,816. The township mill rate for Crooked Creek was 16.7 mills taxes payable in 1976. The township portion of the taxes on this land would have been about $1,082. But the State paid back about $43 in 50-50 payments to the township plus about $184 in fire contract payment money for a total of $227. If the State sold its land in this township it would increase the assessed value in the township by $64,816 but would also eliminate the $227 in payback. The result of the sale would be a decrease in the mill rate of 1.35 mills resulting in a township mill rate of 15.34 mills.

Present assessed value for Crooked Creek		$567,790
Assessed value added by sale of State forest lands in Crooked Creek		+ 64,816
Total assessed value of Crooked Creek		$632,606
Money presently raised	$567,790 x 16.7 =	$9,482
State Payments		+ 227
Money to be raised		$9,709
Future township mill rate if State forest land is sold	$\frac{\$\ 9,709}{\$632,606}$ = 15.35 mills	

Caledonia School District Mill Rate

In order to figure the school district mill rate we have to look at the entire school district as a whole. Crooked Creek Township is wholly within Independent School District #299, Caledonia. If the State sold all of its State Forest Land within this district it would be adding $123,121 of assessed value to the tax rolls within the school district. The school portion of the tax on that value would have been about $4,503 using the actual agricultural homestead mill rate. The income back to the school district would be $504 from State Forest land which doesn't cover the loss to the school district. However, payments from the Foundation Aid Program and Transportation Aid Program, as mentioned earlier, to the school district would lessen the effect of State owned land upon the school district's income. If the State sold the land, Foundation Aid payments would decrease. We find that selling the State land and putting it on the tax rolls would decrease the School District mill rate .10 mills, lowering 36.57 mills to 36.47 mills for taxes payable 1976 (Agricultural Homesteaded).

Amount certified		$140,150*
Present assessed value for District 299		$12,781,596
Assessed Value to be added		123,121
Total Assessed Value		$12,904,717
Reduction of .11 mills from 38.57 to 38.46 for non-homesteaded agricultural land or 36.57 to 36.46 for homesteaded agricultural property.	$\frac{140,150*}{12,781,596}$ = 10.97 mills	
	$\frac{140,150*}{12,904,717}$ = 10.86 mills	

* Excludes the basic maintenance levy and basic transportation levy which is equalized through the Foundation Aid Program and Transportation Aid Program.

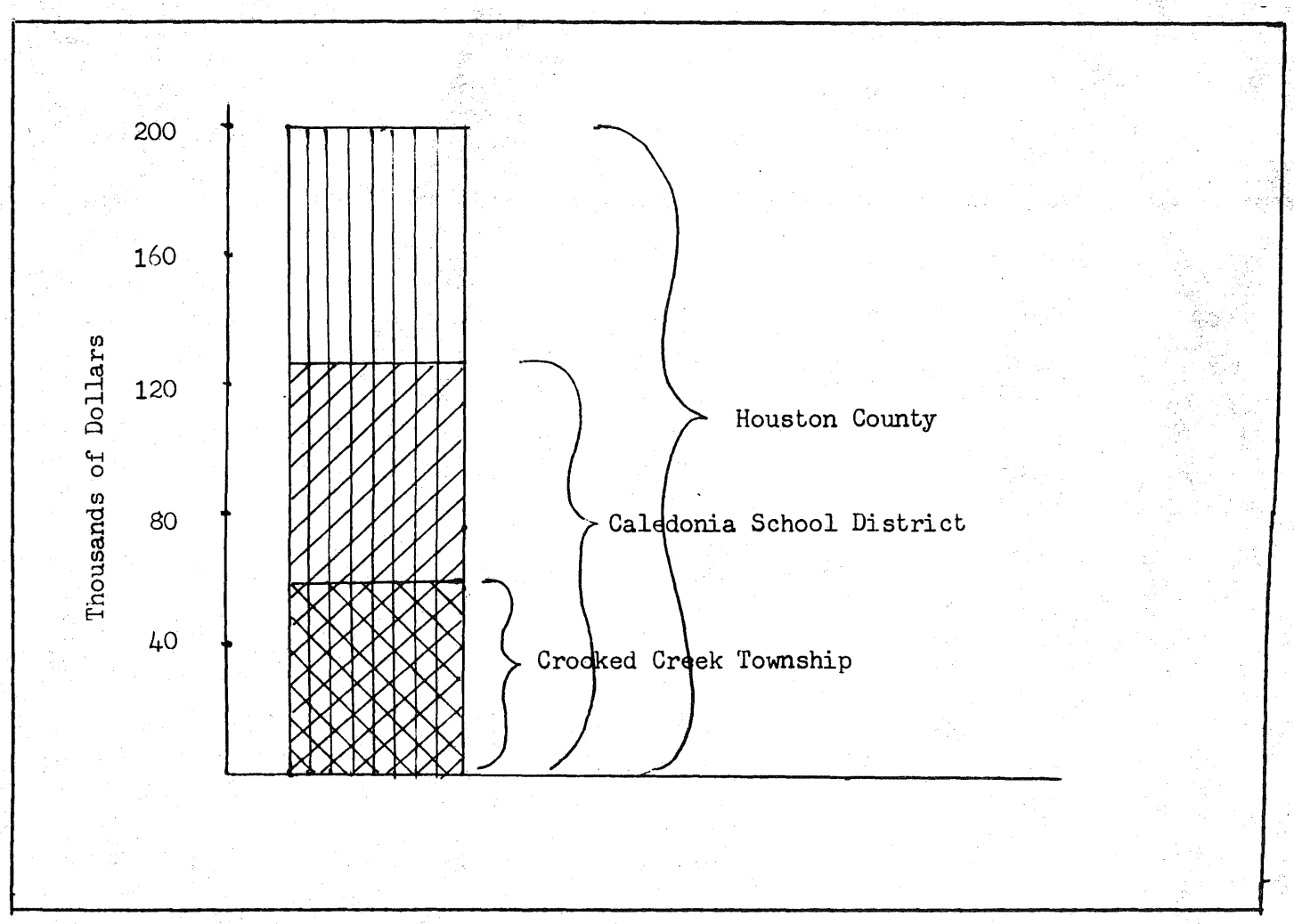
NOTE: The 12 mill agricultural tax rate differential (agricultural homesteaded property has a lower maintenance tax rate than non-agricultural property) has no impact in total on school district revenue. Agricultural aid from the State causes no property tax shift due to this agricultural tax rate differential.

Total Mill Rate

When looking at the tax structure as a whole in Crooked Creek Township for taxes payable in 1976 we find that the entire mill rate was 82.27 mills for homesteaded agricultural property. If the State had sold its State Forest land and put it on the tax rolls at that time, the homesteaded agricultural mill rate would have been reduced to 80.70 mills, a decrease of 1.57 mills.

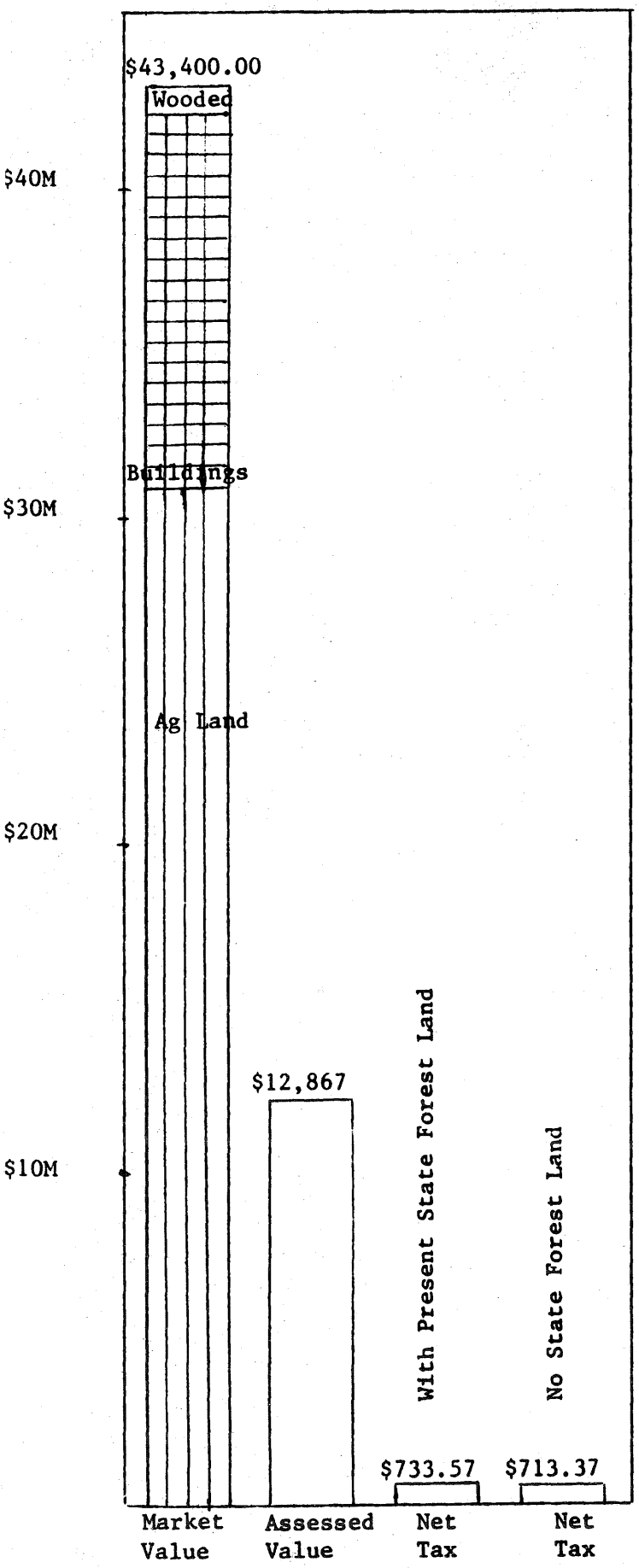
PRESENT MILL RATE		MILL RATE IF STATE SELLS LAND
16.70	Township	15.35
29.00	County	28.89
36.57	School District	36.46
82.27	TOTAL MILL RATE	80.70

DISTRIBUTION OF ASSESSED VALUE OF STATE FOREST LAND IN HOUSTON COUNTY



Example: Tax Bill of a Farmer

To judge the effect of this mill rate change, we will "create" a farmer in Crooked Creek township and study his tax bill. Let's say that for 1975 assessment (taxes payable in 1976) this farmer has 100 acres of Class B tillable land with an estimated market value of $325 per acre, 20 acres of timberland with an estimated market value of $45 per acre, and a set of buildings that has an estimated market value of $10,000. The estimated market value for the entire farm is $43,400.00. We are assuming that the limited market value equals the estimated market value. He has it homesteaded.



In the 1975 assessment, the first $12,000 of market value would be assessed at 20% or $2,400. The remaining $31,400 of market value would be assessed at 33 1/3% or $10,467, for a total assessed value for the farm of $12,867. His mill rate for the 1975 tax year for homesteaded property would be 82.27. The total gross tax would be $1,058.57. The State pays to the taxing district a portion of the tax bill as homestead credit, which in this case would be $325. This farmers net tax bill would then be $733.57.

As a result of the State selling all of its State Forest land, this farmers' mill rate would be reduced by 1.57 mills down to 80.70 mills. His gross tax bill on $12,867 in assessed value would be $1,038.37. The homestead credit would be $325 so his net tax bill would be $713.37, a reduction of $20.20 from the previous paragraph. As a result of the sale of the land, the gross tax bill is reduced by 1.9% and the net tax bill is reduced by 2.8%

A comparison in the farmers tax if all existing state forest land was returned to private ownership:

	Existing State Forest Land @ 82.27 Mills	Projected Rate with no State Forest Land @ 80.70 Mills	% Change
Gross Tax	$1,058.57	$1,038.37	-1.9%
*Homestead Credit Legal Maximum	-325.00	-325.00	
Net Tax	$ 733.57	$ 713.37	-2.8%

NOTE: Present figures and calculations are based on the 1975 assessment for taxes payable in 1976.

* The State pays a homestead credit of 45% of the gross tax bill or a maximum of $325.

PART II

The projected property tax rates in Houston County when the State forest land acquisition program is completed.

What would the tax picture be if the State completed its acquisition program as originally proposed? The State Forest land would have an assessed value of $954,027 which would be about 2.6% of the total assessed value of the property in the county. If the State purchased this much land, it would be receiving an income off this land from agricultural leases and timber sales. The local taxing units would receive half of this income in 50-50 payments. It has been projected that the annual income from the leasing will be about $100,033 (present leases, future leases, and gravel). It has also been projected that the annual income from timber sales would be $147,876*. Under improved management and increased growth, it would be more. The total income, therefore, from State Forest land leases and timber sales in Houston County would be about $247,909. Half of that, or $123,955, is returned to the county. This is about $118,744 more than it presently receives. This money, of course, would be distributed between the county, the townships, and the school districts.

Let us take a look now at the three parts of the mill rate (county, township, school district) that make up the tax bill, and see what the future effect will be.

* Timber data used in this study is based upon growth and allowable cut estimates found in "The Forest Resources of Southeastern Minnesota" by Iron Range Resources and Rehabilitation Commission, and "A Third Look At Minnesota's Forests" by The North Central Forest Experiment Station, U.S. Forest Service.

Houston County Mill Rate

The county mill rate for taxes payable 1976 was 29.00 mills (including .16 mills for Region 10) throughout the county. The county government's portion of the $123,955 would be $44,361 (or $42,651 more than it presently receives). This money would exceed the tax money that the county would have received if the land had stayed on the tax rolls.

The county government loss in taxes would be about $27,667 (29 mills x $954,027 in assessed value) per year, so the yearly effect would be a gain of about $16,694 ($44,361 - $27,667) to the county government itself. What effect would this have on the county mill rate? The county would actually have to raise less money because the D.N.R. would be giving more money than the county would be losing, but the county would have less assessed value to get the money from. The overall effect would be a slight reduction in the county mill rate from 29 mills down to 28.42 mills.

Present assessed value		$36,571,271
Assessed value to be purchased		754,530
Remaining taxable assessed value		$35,816,741
Money presently raised (including $5,852 for Region 10)	36,571,271 x 29 mills	$1,060,567
State D.N.R. Payments (In addition to present payments)		42,651
Money to be raised		$1,017,916
Projected Mill Rate if State Forest Acquisitions are Complete	$\frac{1,017,916}{35,816,741}$ = 28.42 Mills	

Crooked Creek Township Mill Rate

Now let's take a look at the mill rate of an individual township if the State buys all the land proposed. Again, Crooked Creek is a fair one to examine since the State would own a higher percentage of its assessed value than any other township in Houston County. If the State continues to buy land as proposed it would pick up another $22,293 in assessed value within that township. This would bring the total State owned assessed value in that township to $87,109. This would leave less assessed value for the township to draw on to raise the money it needs to operate. However, the total money it needs to operate on will probably be less after the State buys the land because the township will be receiving its share of in lieu payments. It has been estimated that the Crooked Creek Township's income from leases will be $284 per year; from fire contract payment will be $214 per year; and from timber sales will be $1,480, totaling about $1,978 per year, or $1,751/year more than it now receives. With this income, the mill rate will actually go down from 16.70 mills to 14.16 mills because the State income will be more than the township loss in taxes.

Present assessed value for Crooked Creek		$567,790
Assessed value to be purchased		22,293
Remaining Taxable Assessed Value		$545,497
Money presently raised	567,790 x 16.7 Mills =	$9,482
State D.N.R. Payments (In addition to present payments)		1,751
Money to be raised		$7,731
Future township rate if State acquires its goal and keeps tillable.	$\frac{7,731}{545,497}$ = 14.17 Mills	

Caledonia School District

Again, for the future effect of the school district mill rate we will look to Independent School District 299 (Caledonia) which contains Crooked Creek Township. We must look at the entire school district, not just that within the Crooked Creek Township. If the State continued buying land as proposed, it would acquire an additional $320,641 in assessed value in that school district. However, at the same time it should return back to the school district about $11,509 in lease money and about $16,249 in timber sale money per year for a total of $27,758**. Also, when the State acquires more assessed value it in effect makes the school district poorer, so the Foundation Aid Formula payment should increase. The net effect is an increase of .28 mills, so that the agricultural homestead mill rate in the Caledonia School District would increase from 36.57 to 36.85.

Amount certified		$140,150
Present assessed value in District 299		$12,781.596
Assessed Value to be Purchased		320,641
Remaining assessed value		$12,460,955
Increase of .28 mills from 36.57 to 36.85 for homesteaded agricultural property	$\frac{140,150*}{12,781,596}$ =	10.97 Mills
	$\frac{140,150*}{12,460,955}$ =	11.25 Mills

* Excludes the basic maintenance levy and basic transportation levy which is equalized through the Foundation Aid Program and Transportation Aid Program.

** However, it is probable that the school district will continue to levy at the same level, despite the additional funds from D.N.R. payments. That is to say, the D.N.R payments will have no beneficial effect upon the school district mill rate.

Total Mill Rate

The total overall effect of the State's acquisition goal is a reduction in the mill rate for a taxpayer in Crooked Creek Township from 82.27 to 79.44. This is assuming the State D.N.R. will develop an aggressive timber management and harvesting program as it has in other parts of the State. It also assumes present day lease rates, timber stumpage values, and tax rates.

PRESENT MILL RATE		FUTURE MILL RATE
16.70	Township	14.16
29.00	County	28.42
36.57	School District	36.86
82.27	TOTAL MILL RATE	79.44

Example: Tax Bill of A Farmer

To judge the effect of this mill rate change due to the increase in land acquisition and the increase in State Forest payments back to the taxing district, we will again analyze the tax bill of a farmer in Crooked Creek Township.

His farm is assessed at $12,867. His gross tax bill in 1976 would have been $1,058.57. The net tax bill would have been $733.57 (see page 9).

NOTE: The 12 mill agricultural tax rate differential (agricultural homesteaded property has a lower maintenance tax rate than non-agricultural property) has no impact in total on school district revenue. Agricultural aid from the State causes no property tax shift due to this agricultural tax rate differential.

As a result of the State attaining its acquisition goals in Houston County and before it sells or trades the tillable land, the farmers mill rate would be 79.44 mills (as compared to 82.27 mills in 1976). His new gross tax bill would be $1,022.15. Subtracting the maximum homestead credit that he could receive, $325, his net tax bill would be $697.15.

	Existing State Forest Land @ 82.27 Mills (1976 Rate)	Completed Forest Acquisitions @ 79.44 Mill Rate	% Change
Gross Tax	$1,058.57	$1,022.15	-3.4%
*Homestead Credit Legal Maximum	-325.00	-325.00	
Net Tax	$ 733.57	$ 697.15	-5.0%

Therefore, if the State acquires the quantity of land that has been proposed and if it produces the income that has been estimated, the farmers net tax bill will decrease by $36.42 or 5.0% from the 1976 level. This represents a greater decrease in tax than if no State Forest land existed in the county.

COMPARE FARMERS TAX BILL IN EACH SITUATION

NET TAX @ 82.27 mills = $733.57 1976 rate	PART I NET TAX @ 80.70 mill rate = $713.37 PART II NET TAX @ 79.44 mill rate = $697.15 Completed acquisitions

PART III

The projected property tax rates in Houston County when the State forest land acquisition program is completed and the agricultural land is sold.

Approximately 3,000 acres of tillable land will be acquired incidentally as the State acquires 45,000 acres of wooded land. The State will sell or exchange the more productive tillable land. From the previous discussion, it is apparent that much of the income that the State sends back to the county now and in the future will be from agricultural leases. Of course, when this tillable land is sold or exchanged, this 50-50 payment to the local taxing units from State leases will be eliminated. The only income from State Forest land that the local taxing units will receive would be 50-50 payments from timber sales and fire contract payments. At the same time, however, the sale of tillable land would add $279,798 of assessed value to the tax rolls, subsequently adding to the tax income. This brings the assessed value of State forest land down to $674,299 or 1.8% of the total assessed value of the county. What would the tax picture be then if the State owns no tillable land at the end of its acquisition program for the Hardwood Forest?

In order to answer that question we must again analyze each part of the total mill rate (county, township, and school district) to find out what the total picture would be. For continuity sake, we will again look at the tax bill in Crooked Creek Township, Caledonia School District and the County. The income that the county, township, and school district receive from the State in this example will be solely from timber sales and fire payments.

Houston County Mill Rate

The county mill rate is 29.00 mills throughout the county. How will this mill rate fluctuate if the State acquires all of the land as originally proposed and then disposes of the tillable through trade or sale? Following the sale of the tillable land, the assessed value of the State forest land would be $474,732 more than it is presently. Theoretically, the loss to the county government would be about $19,552 per year. But, 50-50 payments to local taxing districts from timber sales would be about $73,949, of which $25,904 would go back to the county government itself. There would actually be a gain. However, the mill rate would change very little, dropping from 29.00 to 28.71 mills.

Present assessed value for Houston County		$36,571,271
Assessed value to be purchased		474,732
Projected Taxable Assessed Value		$36,096,539
Money presently raised (including $5,852 for Region 10)	36,571,271 x 29 mills =	$1,060,567
State D.N.R. Payments (In addition to present payments)		24,194
Money to be raised		$1,036,373
Future mill rate if State completes acquisition and sells tillable lands	$\frac{1,036,373}{36,096,539}$ = 28.71 mills	

Crooked Creek Township Mill Rates

In Crooked Creek Township the mill rate is 16.70 (in 1976). The State presently owns about $64,816 in assessed value in this township. When the State Forest achieves its total goal and gets rid of the tillable land through sale or trade it will own about $76,544 in assessed value (or $11,728 more than it presently owns). The initial loss to the township would be about $1,278 per year. However, timber sales receipts back to the township should be about $1,480 per year so there should be a slight gain. In addition to this, the fire contract payment back to the township should be about $214 per year for a total payment of $1,694 per year. This is about $1,467 a year more than it's presently receiving. The overall effect of the mill rate would be a reduction from 16.70 to 14.41.

Present assessed value in Crooked Creek		$ 567,790
Assessed value to be purchased		11,728
Projected Taxable Assessed Value		$ 556,062
Money presently raised	$ 567,790 x 16.7 mills =	$ 9,482
State D.N.R. Payments (In addition to present payments)		1,467
Money to be raised locally		$ 8,015
Future township mill rate if State completes acquisition and sells tillable land	$\frac{8,015}{556,062}$	= 14.41 mills

Caledonia School District Mill Rate

In school district 299 the State could eventually own $328,841 worth of assessed value (after selling the tillable land). This is about $205,720 more than it presently owns. This would be less property that would be taxed to support the school district. However, because the school district is in effect poorer because of the acquisition, State payments from the Foundation Aid Formula would increase. Also, timber receipts that would eventually get back to the district would amount to about $16,249 per year.** The initial loss that the school district would incur would be about $15,972, including the State paid agricultural credit. But what effect will this have on the mill rate? Presently, the mill rate for homesteaded agricultural property is 36.57 (1976). If the State buys all the land that was originally proposed, disposes of the tillable land, and returns to the district $16,249 per year in timber receipts, the mill rate will increase from the present level .18 mills to 36.75 mills.

Amount certified			$140,150
Present assessed value for District 299			$12,781,596
Assessed value yet to be purchased			205,720
Remaining assessed value			$12,575,876
Increase of .18 mills from 36.57 to 36.75 for homesteaded agricultural property	$\frac{140,150}{12,575,876}$	=	11.14 mills
	$\frac{140,150}{12,781,596}$	=	10.96 mills

* Excludes the basic maintenance levy and basic transportation levy which is equalized through the Foundation Aid program and Transportation Aid program.

** However, as in Part II it is probable that this will have little beneficial effect on the school district mill rate. The spending level would probably increase enough to absorb what the State sends back to the School District.

TOTAL MILL RATE

The total mill rate for an owner of homesteaded agricultural property in Crooked Creek Township in 1976 was 82.27 mills. If the State achieves its long-range goal of 45,000 acres of non-tillable land in Houston County and if it harvests the timber as has been projected, that mill rate should drop to 79.87 mills.

PRESENT MILL RATE		FUTURE MILL RATE
16.70	Township	14.41
29.00	County	28.71
36.57	School District	36.75
82.27	TOTAL MILL RATE	79.87

Example: Tax Bill of The Farmer

Again, we will look at the farmer in Crooked Creek Township and compare his 1976 tax bill to the theoretical tax bill he would have if the State achieved its goals of acquisition in Houston County and then disposed of the tillable land. His gross 1976 tax was $1,058.57. Minus homestead credit he paid $733.57 on his tax bill.

NOTE: The 12 mill agricultural tax rate differential (agricultural homesteaded property has a lower maintenance tax rate than non-agricultural property) has no impact in total on school district revenue. Agricultural aid from the State causes no property tax shift due to this agricultural tax rate differential.

If the State achieves its goals of acquisition and sells the tillable land, and is successful in increasing timber production on its land, the farmers mill rate should be 79.87. The gross tax bill on his farm assessed at $12,867 should be $1,027.69. Subtracting the $325 maximum in homestead credit, his net tax bill, that which he has to pay, would be $702.69. This is a reduction of 2.8% in his gross tax bill and 4.2% in his net tax bill, compared to 1976.

	Existing State Forest Land @ 82.27 Mills (1976 Rate)	Complete Forest Acquisitions & Sale of Agricultural Land @ 79.87	% Change
Gross Tax	$1,058.57	$1,027.69	-2.9%
*Homestead Credit Legal Maximum	-325.00	-325.00	
Net Tax	$ 733.57	$ 702.69	-4.2 %

Compare the Farmers Tax Bill in Each Situation

1976 Rate Net Tax @ 82.27 mills = $733.57	PART I Net tax @ 80.70 mills = $713.37 No State Forest Land PART II Net tax @ 79.44 mills = $697.15 Completed Acquisitions PART III Net tax @ 79.87 mills Completed Acquisitions = $702.69 and Tillable Land Sold

SYNOPSIS

The impact of State Forest land on the property tax rates

in

HOUSTON COUNTY

By

Department of Natural Resources
Department of Revenue

in cooperation with

Department of Education

May, 1978

	PRESENT MILL RATE	PART II FUTURE MILL RATE
Township	16.70	14.16
County	29.00	28.42
School District	36.57	36.86
TOTAL MILL RATE	82.27	79.44

When these rates are compared with the 1976 mill rates, a decrease is shown in the total mill rate, indicating that it is an economic advantage for the county to contain state forest land. The reduction in the mill rates is attributed to increases of the State in lieu payments to the county which are primarily due to a greater level of forest management.

The county is entitled to ½ of the State's gross receipts from leases and timber sales on state forest land. Other state payments include fire contract payments, and Foundation Aid and Transportation Aid to the school districts.

Part III of the report projected the mill rates that would result if the state completed its forest acquisition program and sold the more productive agricultural lands incidently attained in the process of acquiring state forest land. In this phase of acquisition, state forest land would compose 1.8% of the total assessed value for the county.

	PRESENT MILL RATE	PART II MILL RATE	PART III MILL RATE
Township	16.70	14.16	14.41
County	29.00	28.42	28.71
School District	36.57	36.86	36.75
TOTAL MILL RATE	82.27	79.44	79.87

Again the projected mill rates are compared to the 1976 rates. The projected mill rate is significantly lower than the 1976 mill rate. The lower tax rate resulted from greater amounts of State in lieu payments to the county on state forest lands.

Note that the projected mill rate in Part III is higher than the mill rates in Part II, despite the fact that the assessed value of the state forest lands has decreased. When the agricultural land is returned to the tax roles, the county no longer receives its portion of the lease receipts on that land.

An imaginary farmer in Crooked Creek township was created to demonstrate the effect of the mill rate changes on an individual's homesteaded agricultural tax bill. The following table includes his assessed property value and his 1976 tax and his projected tax in each situation studied in the report.

Farmers Assessed Property Value = $12,867

	MILL RATE	NET TAX
1976 Tax	82.27	$733.57
PART I No State Forest Land	80.70	$713.37
PART II Completed Forest Acquisition	79.44	$697.15
PART III Completed Forest Land Acquisition and Tillable Land Sold	79.87	$702.69

The figures show that the farmers tax bill is reduced as the mill rates decrease.

The conclusion drawn from this study is that state forest land would not, in the long run, have a negative impact on local tax incomes. Although this land is taken away from the local tax base, increased intensity of forest management will bring greater monetary returns in the future. The county portion of state land management income and the other state payments to local taxing districts will be in excess of the otherwise expected tax revenue. Consequently, the local tax burden would be lessened by the completion of the Richard J. Dorer Memorial Hardwood Forest.

Assuming that the taxing districts use the money to reduce levies, the local tax burden would be decreased by the completion of the Richard J. Dorer Memorial Hardwood State Forest.