

Greg Wipperfurth of Sauk County has 185 acres enrolled in Wisconsin's Managed Forest Law program.



Wipperfurth and his son Tony split wood that they have logged in accordance with DNR guidelines.



By Brian Reisinger

Spring Green — The reasons for one of rural Wisconsin's best-known — yet lowest-profile — tax breaks converge here on Greg Wipperfurth's land in rural Sauk County.

Leaning on a workbench in his shop on a recent March morning, Wipperfurth, 59, is as much of a poster boy as you'll get for how Wisconsin depends upon its woodland.

tax breaks to some, while it shifts burden to others

TOM LYNN PHOTOS

Forest

Hanging on the walls around him is taxidermy of all kinds — whitetail deer, turkey and a line of pelts that includes otter, mink, skunk, raccoon and coyote. Until a few years ago, he operated a pheasant farm that drew hunters from all over.

Out the window over his shoulder, hulking pyramids of logs line the dirt logging road that winds up into his woods. Soon loggers will return to haul away the logs for sale, and Wipperfurth will get a little money in his pocket. With his arms crossed and a smile on his face, Wipperfurth talks about taxes — and hunting and logging — in between poking fun at his sons as they work to grind meat on a nearby table.

“Taxes!” he says, when asked why he enrolled 185 acres in the Managed Forest Law program, recounting how the local school district has continually increased its levy on residents. “You can’t afford to pay the taxes if you want to own land.”

With more than 3.3 million acres enrolled, according to state data, Wisconsin’s Managed Forest Law program covers nearly one-tenth of the state’s land and has meant major tax breaks benefiting a wide swath of landowners — from small property taxpayers such as Wipperfurth to large lumber companies to nature conservancies. At the same time, the

tax cuts — for some landowners a reduction of 5 percent or more from local levies — shift the tax burden onto neighboring taxpayers.

With nearly \$90 million in cumulative tax savings for beneficiaries (and perhaps the same in higher taxes for others), the Managed Forest Law program and its earlier iterations have shaped the use of Wisconsin’s woodland for generations, demonstrating how easily special tax provisions can become irreversibly tangled up in our economy and culture.

Owners of woodland across the board — nearly any farmer can tell you about the program — echo Wipperfurth’s sentiments. Proponents from both the left and the right hail the program’s benefits to Wisconsin’s economy and conservation efforts. Still, a program that benefits some taxpayers and increases the burden on others creates a dilemma that some Wisconsinites say deserves more scrutiny. While the program has not generated hot controversy by Wisconsin’s considerable standard for political fights, it has been regaled, raided and reformed over the years while quietly affecting virtually every Wisconsinite in some way.

Like the roots of the big oaks on Greg Wipperfurth’s land,

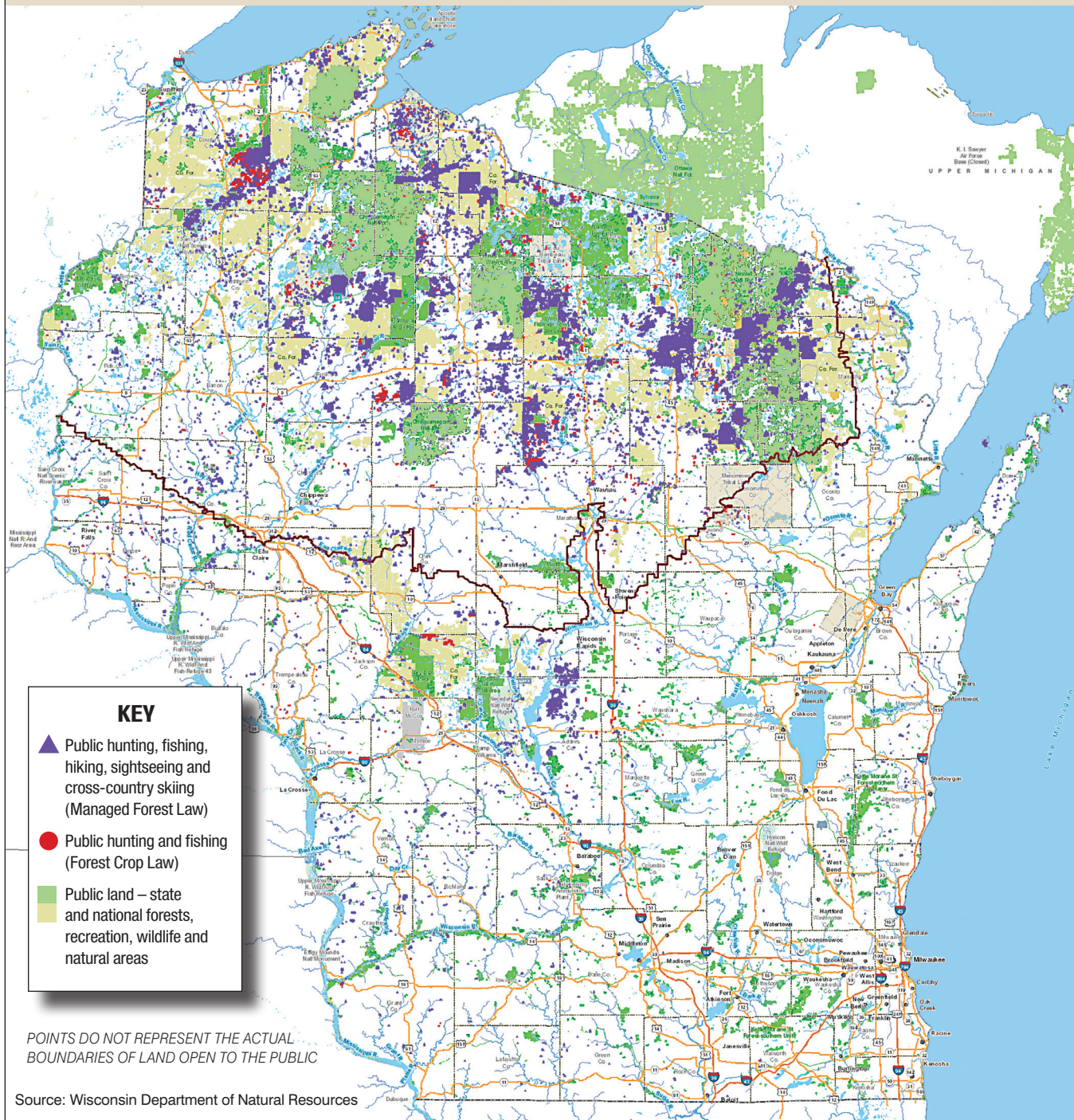


Tony Wipperfurth helps his father, Greg, split logs in Sauk County.

TOM LYNN PHOTO

Managed forestland open to the public

While about two-thirds of the land under Wisconsin's Managed Forest Law program is closed to the public, about 1 million acres of privately owned land are open to the public for recreational purposes. The purple on the map shows where much of that publicly open land is located, mostly in the northern part of the state. The red represents land that is open to the public under the related Forest Crop Law program.



the program's effects — good and bad — run deep, whether Wisconsinites see them or not.

History and purpose

The basic concept of the Managed Forest Law program is simple: Taxpayers who own forestland are able to enroll in the program and forgo local property taxes. Instead, they pay a range of modified — virtually always lower — taxes to the state that are used in various ways on the state and local level.

The program results in participants getting a tax break in return for keeping their land wooded and logging it in accordance with Wisconsin Department of Natural Resources guidelines, while potentially creating recreational opportunities for their fellow Wisconsinites.

There are two levels of tax breaks, depending upon whether the land is closed or open to the public. About 68 percent of the managed forestland in Wisconsin is closed to the public, according to the DNR, while about 32 percent is open to the public for hunting, hiking and other activities, in return for an even lower tax rate.

The origins of the Managed Forest Law program extend all the way back to before the Great Depression, when in 1927 the state passed the Forest Crop Law program. Policy-makers designed it to reverse the devastation that poor forestry practices had wrought on Wisconsin's woodlands — crucial to the state's logging, construction, paper and other industries — while preserving public land for environmental and recreational opportunities.

In 1954, the state passed the Woodland Tax Law, which, according to a University of Wisconsin Ex-

tension history, allowed tax incentives to apply to small tracts of land and let landowners keep their parcels private if they wished. While some might argue that having the land closed to the public is unfair since all taxpayers are paying for the tax breaks, allowing landowners to participate without opening up their land to anyone democratized the program among farmers and other individual owners.

The Managed Forest Law program is the modern combination of these programs, but even today, small farmers across the state are likely to say they've put their land into "Woodland Tax," which is shorthand for the 1954 law.

Taxes, logging and lifestyle dilemmas

The bottom line is owners of managed forestland get a considerable tax break, while other property owners without acreage in the program pay more. Dale Knapp, research director with the nonpartisan Wisconsin Taxpayers Alliance, said that because it's a break from locally established taxes, the tax shift is most acute within counties and towns where there is ample managed forestland.

“You can’t afford to pay the taxes if you want to own land.”

— Greg Wipperfurth,
Sauk County
landowner

“So when you have these properties that are in the (Managed Forest Law program) that aren't being taxed, that's shifting then some of the property tax burden to other

property tax owners,” Knapp says.

How big of a shift? According to the Wisconsin Department of Revenue, local taxpayers in the Managed Forest Law program most recently saved a cumulative \$90 million on an annual basis. Knapp says that number might be roughly the amount of money shifted to other taxpayers, but it's a complicated picture. If you were to remove the state program, taxpayers affected would be paying local rates that vary widely — and could change as local governments react to no longer having the program in place.

“Really, the impact is local,” Knapp says.

That's a unique aspect of the Managed Forest Law program. The counties where people see the benefits of the program — from tax reductions to a strong logging industry to good deer hunting — are also the places where other taxpayers have



shouldered the largest shift in tax burden. This tends to mute the dissent, but it doesn't mean people aren't frustrated.

According to the Tax Foundation, a nonpartisan research group, tax shifts of all kinds can create broad inequities in the tax system. These in turn hamper overall economic growth that a free-market system would encourage if not for incentives spurring some kinds of activity and, therefore, limiting others.

For instance, the group says that property tax systems by state and local governments often seek to please local residents by keeping residential property taxes low and raising them on commercial and industrial properties. That means less development and higher costs for customers of future businesses or tenants of future rental properties. At the same time, governments seek to encourage economic development projects by granting tax abatements to individual companies or developments, leading to charges of "corporate welfare" by individual taxpayers who never see their own windfall from the government.

The result is deep distrust of the property tax system. A 2009 Tax Foundation survey found that 55 percent of respondents called their local property tax system "not fair" or "not at all fair," while only 5 percent called it "fair."

"A better approach would be property tax systems that tax all property alike," wrote Joseph Henchman, the Foundation's vice president of legal and state projects.

Impact of the tax shift

So what is the particular impact of the Managed Forest Law program? An analysis of Department of Revenue data found that five counties — Oneida, Lincoln, Shawano, Marinette and Waupaca — likely experience the largest shift in tax burden among property taxpayers, because those counties have the largest amount of assessed property under the Managed Forest Law program. The most pronounced is in Oneida County, a quintessential Northwoods part of Wisconsin, where an analysis found that local taxpayers who do not have Managed Forest Law land could see their property tax rates drop by about 5 percent if the program didn't exist.

Second on the list is Lincoln County, where those who don't have managed forestland could see their property taxes drop by about 2.3 percent if the program didn't exist, according to the analysis.

Mike Rozmiarek has 40 acres in Lincoln County enrolled in the program's closed option, meaning the land is not open to the public. He knows there are higher taxes for others who

don't have land in the program — including himself back at home in Manitowoc — but he also says the program helps ensure a strong source of lumber and provides both public and private hunting land that is the mainstay of the state's deer hunting tradition.

"Part of that is a lot of people don't look at that forest as a crop," Rozmiarek says.

Jim VandenBrook, executive director of the Wisconsin Land and Water Conservation Association, says the benefit goes beyond the immediate value of lumber and cultural pastimes like hunting, to even include necessities like clean water. Having a strong Wisconsin woodland helps mitigate erosion and run-off that can contaminate local streams, rivers and wells, he says.

Maybe so, but for every action there's an equal and opposite reaction — and Cory Tomczyk isn't sure

he likes his odds. The owner of IROW, a recycling company in Mosinee on the cusp of the Northwoods, says he understands that there once may have been a need to encourage reforestation, but that as the pendulum swings back, he worries that the program's shift in the tax burden is "not equitable."

And with eight acres and a 40,000-square-foot recycling facility — humming each day with forklifts and conveyor belts transporting bales of paper inside — Tomczyk's tax burden isn't just about him. Yes, he's a conservative who'd like to have more money in his own pocket and cheers Wisconsin's tax cuts in recent years. But as he deals with taxes and regulations from Washington, as well as state and local taxes, he also thinks of his business' ability to thrive and his employees.

"I'm trying to maintain a business for the betterment of my family and the families I employ," says Tomczyk, who jokes that his title at IROW is "chief debtor." "And anything that

Tax shifts can create inequities in the tax system. These in turn hamper economic growth that a free-market system would encourage, according to the Tax Foundation.



takes away from the ability to pay them hurts them. This is family — we know everybody here.”

Raiding and reforming

The program has not been free of abuse or other trade-offs.

State Sen. Tom Tiffany sits in a Joint Finance Committee hearing at the state Capitol. His eyes narrow as he studies the papers in front of him, then looks up to gaze at the government officials debating the 2017-'19 budget proposal.

Tiffany is working to dial in on every penny in the state budget, but he'd just as soon be in the Northwoods.

The Republican from Hazelhurst — whose district includes woods in No. 1 managed forestland hotspot Oneida County — often walks the logging sites of northern Wisconsin in a cap and jacket, talking with locals about issues affecting the local economy. It's why he worked to reform the Managed Forest Law program when he saw it becoming associated with both burdensome regulations and abuse.

In 2015, reforms Tiffany sponsored were signed into law. The legislation streamlined the program in many ways, such as making it easier to get logging approved so that small landowners trying to fuel the logging industry didn't face undue red tape. The reforms also reversed a Doyle administration move that Tiffany says seized about \$6 million in Managed Forest Land money for state government use, instead of letting it revert to local governments.

Gov. Jim Doyle “raided local property taxes,” Tiffany says. “It's like any program; it needs to be managed properly.”

Then there's the issue of who is benefiting.

It's true that there are scores of small, individual landowners — such as farmer Terry Sprecher of Richland County, who would have sold his 40 acres for development long ago without the Managed Forest Law program. Instead, his land is available to the public, and when loggers harvest the jack pine, it goes toward an important commodity — toilet paper.

But that land remaining in woodland also means economic development through the commercial or residential markets that isn't happening. And not all landowners are small or local — such as Meteor Timber LLC, which owns about 12,000 acres of managed forestland in Adams County alone, accord-

ing to DNR records. Meteor, which according to the *Milwaukee Journal Sentinel* is the largest private landowner in the state, is involved in economic development projects that mean lots of investment and jobs but also complaints from environmental activists.

Meteor is owned by Timberland Investment Resources, an Atlanta-based investment company that did not respond to requests for comment for this story. Regardless, Meteor's

example further illustrates the trade-offs of the program. The company's Adams County acreage is open to the public, meaning that in return for tax breaks to the subsidiary of a large, out-of-state company, Wisconsinites can access thousands of acres for recreation. Meanwhile, many small, private landowners in the program keep their land closed.

Still, DNR records show thousands of individual landowners using the program. From a recreational standpoint, the open

land (about 32 percent of all managed forestland) is often used for hiking and hunting. While private land (about 68 percent) is not accessible to the entire public, it's also the source of superior hunting land — compared to the over-hunted public parcels — accessed often by hunters who are on friendly terms with local landowners.

And all of it fuels the logging industry and associated economic sectors. The folks at Biewer Wisconsin Sawmill in Prentice, which makes treated wood for decks and other uses in the housing industry, say the program is important because it keeps Wisconsin's logging industry humming. “It's an important program, without a doubt,” says assistant plant manager Thad Henderson, who estimated that as much as 25 percent of the company's logs come from small, individual landowners.

Landowners like Greg Wipperfurth in Sauk County. As his sons finish grinding meat in the shop, he reflects on the economics of it, noting that he could sell the land for development but that the tax break and logging revenue mean he can afford to keep it around for hunting. He'd like to keep the land if he can — and his sons would like it, too. **WI**



TOM LYNN PHOTO

Greg Wipperfurth displays hunting trophies in his workshop.

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