

ISSUE PAPER SERIES

The Forest Tax Exemption and Impacts on Municipal Budgets

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NEW YORK STATE TUG HILL COMMISSION

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The Tug Hill Commission Technical and Issue Paper Series are designed to help local officials and citizens in the Tug Hill region and other rural parts of New York State. The Technical Paper Series provides guidance on procedures based on questions frequently received by the Commission. The Issue Paper Series provides background on key issues facing the region without taking advocacy positions. Other papers in each series are available from the Tug Hill Commission. Please call us or visit our website for more information.



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The Forest Tax Exemption and Impacts on Municipal Budgets

Introduction

Section 480-a of the Real Property Tax Law (RPTL) allows for a substantial reduction in property taxes on privately owned land in New York State. On properties having 50 acres or more of contiguous forest, the landowner can apply for the exemption and realize up to an 80% reduction in their land assessment on the forested portions of the property, so long as an approved forest management plan and guidelines are followed. The owner of the forested property receives a reduction in the annual taxes paid on the land and, in theory, is better able to keep his or her land economically viable and in working condition while the forest is growing into a merchantable product. Complete information on the Forest Tax Law can be obtained at the New York State Department of Environmental Conservation (NYSDEC) website¹.

The exemption promotes well-intended long-term forestry goals for the state. The intent of the forest tax law exemption was to provide financial relief to the forest owner during the relatively long timeframe necessary to produce a profitable wood lot. Keeping forested lands “working” through sustainable practices also has positive economic benefits, as well as community, environmental and recreational benefits.

Recent activity on Tug Hill, however, has shed a renewed light on an unintended consequence of the law. In New York, the cost of the property tax exemption is borne entirely by owners of taxable property in each of the taxing jurisdictions where the 480-a lands are located. This paper focuses on the town level impacts, as that taxing jurisdiction has fewer properties to spread the impact among, as compared to the school district and county. The cost of the program, especially when a large landowner in a rural community enters the program, is unsustainable particularly to towns and non-enrolled owners in them.

Understanding the Problem

The primary issue with the 480-a program from the municipal perspective is the impact of a shifting tax burden from enrolled forest owners to non-enrolled landowners in the town. The following analysis demonstrates the impacts of the 480-a forest tax exemption on town taxing jurisdictions on Tug Hill and encourages increased funding to reimburse local municipalities for lost property tax revenues associated with 480-a, or perhaps, an overall reform of the statute. The analysis does not detail the impacts on school and county taxing jurisdictions, which in general are smaller since the amount of the tax shift is being spread over many more property owners. The data analysis format is modeled after data presented in previous reports written by state officials or for large regions like the Adirondacks. This town-level assessment and financial data, however, is incomplete for the Tug Hill region as only Jefferson, Lewis and Oswego counties were able to provide assessment roll data in a format comparable to past reports. Financial projections were gathered from 2019 assessment and tax rate data and projected for 2020.

Data on number of enrollments was available for all four Tug Hill counties (Jefferson, Lewis, Oswego and Oneida) and were gathered from the state’s [MuniPro](#) online tool (for 2012 and 2019).

¹ www.dec.ny.gov/lands/5236.html#lands

Considerations for Program Revisions

The current 480-a program was enacted in 1976 and has not been updated since. Over the last 30 years, several reports have documented issues with forest tax laws and proposed recommendations to improving Sections 480 and 480-a of the RPTL and these are listed in the references section of this document. Interestingly, below is an excerpt from the bill jacket from 1976, page 20:

We also note that this bill does not remedy the fact that local governments bear the burden of assisting an industry with region-wide and Statewide benefits, and that local governments have no discretion in this respect. We would reiterate a recommendation made by the Temporary Study Commission on the Future of the Adirondacks, and by the Agency in its Comprehensive Report, that the State compensate local governments for revenues lost because of the freeze provisions of the Fisher Law. Consideration of such relief to local governments, as well as the remaining problems in the law, should be considered at the next legislative session.

Finally, since the preservation of open space in itself, entirely apart from commercial forestry, is a desirable social objective, serious consideration should be given to enacting appropriate legislation to provide tax incentives for open space preservation.

Even as far back as the 1980's, the Tug Hill Commission was hosting forums about the forest tax law exemption and its impacts on local communities. Fast forward to present times, in early 2019, the NYSDEC held several stakeholder meetings to discuss proposals on how the program could be improved. During those presentations, NYSDEC talked about how changes in land ownership, owner attitudes and markets have significantly changed the effectiveness of the program.²

In summary, the comments and concerns about the effectiveness of 480-a are:

- The exemption places an undue burden on the taxpayers in the community that are not enrolled in or not entitled to the 480-a exemption.
- Forest lands provide benefits statewide (clean water, clean air, open space, etc.), however, the municipality has no discretion locally to approve or deny the exemption and there is no statewide provision for reimbursement of lost revenue from the forested property.
- Municipalities that have high amounts of forest land generally have smaller tax bases, making it more difficult for the non-exempt property owners to absorb the cost of the exemption.
- Increasing taxes on other forest landowners in towns with high 480-a enrollment has anecdotally had the unintended consequence of causing those forest landowners to subdivide and sell lots to pay for increasing property taxes, or enroll in the program themselves if eligible.

² https://www.dec.ny.gov/docs/lands_forests_pdf/forestatlawpresentation.pdf

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- Rising property values may increase the value exempted year after year, making the shifted burden even greater. Local assessor and past president of the NYS Assessors' Association, and past chairman and fellow of the Institute of Assessing Officers, the educational wing of the Association, Roger Tibbetts, FIAO has observed that the state's forest tax exemption has become a "land exemption rather than a forest tax exemption" because, even though timber markets have remained relatively stable over time, financial benefits from the sale of timber on exempted lands have failed to keep up with increasing land values, while the exemption percentage of value remains the same. The formula needs to be adjusted to assist communities with tax shifts greater than 1%.

Payments to Taxing Jurisdictions

Community impacts from the forest tax law are addressed in two ways: the 6% yield tax and, in some communities, additional aid payments.

At the time of harvest, the forest tax law requires a 6% yield tax from the commercial cutting to be paid by the landowner back to the taxing jurisdiction, via the county treasurer. The yield tax provides the taxing jurisdictions (town, county and school district) a small relief payment to offset the reduction in taxable value on the forested property. It is important to note, however, that the yield tax is not meant to "make up" the difference in lost tax revenue to the town. According to recent conversations with NYSDEC, the statewide shift in property taxes due to the forest tax law is around \$22 million statewide, the statewide value of the harvests from 480-a lands is around \$12 million, and the statewide payments back to taxing jurisdictions is roughly \$720,000.

Some communities that are significantly impacted by the forest tax law exemption receive additional Aid and Incentives for Municipalities (AIM) payments that were last calculated over a decade ago and not recalculated since then to account for additional enrollments. Data shows this payment does little or nothing to offset the tax shift in most communities. It should also be noted that AIM program funding was restructured in 2019 so that it is now funded through the county sales tax for most communities.³

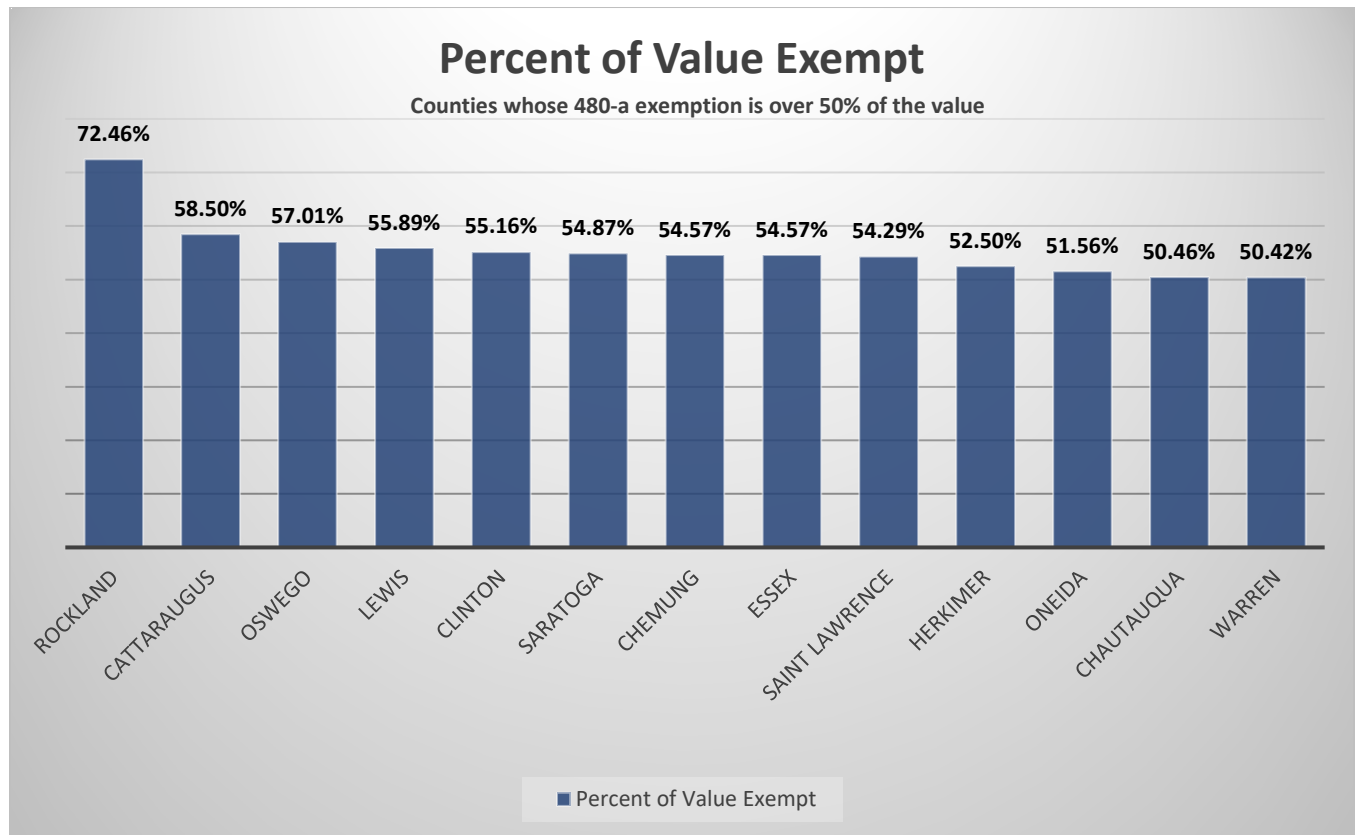
By the Numbers

Many rural counties, as shown below in Figure 1 (Rockland is the outlier), have 480-a exemption values approaching 60%, out of the allowable 80% exemption. Three Tug Hill counties (Lewis, Oneida, and Oswego) fall into this category. In rural counties, this is a large issue, due to smaller number of parcels and the percentage of the overall value of property.

³ www.osc.state.ny.us/local-government/data/aid-and-incentives-municipalities-aim-and-aim-related-payments

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Figure 1

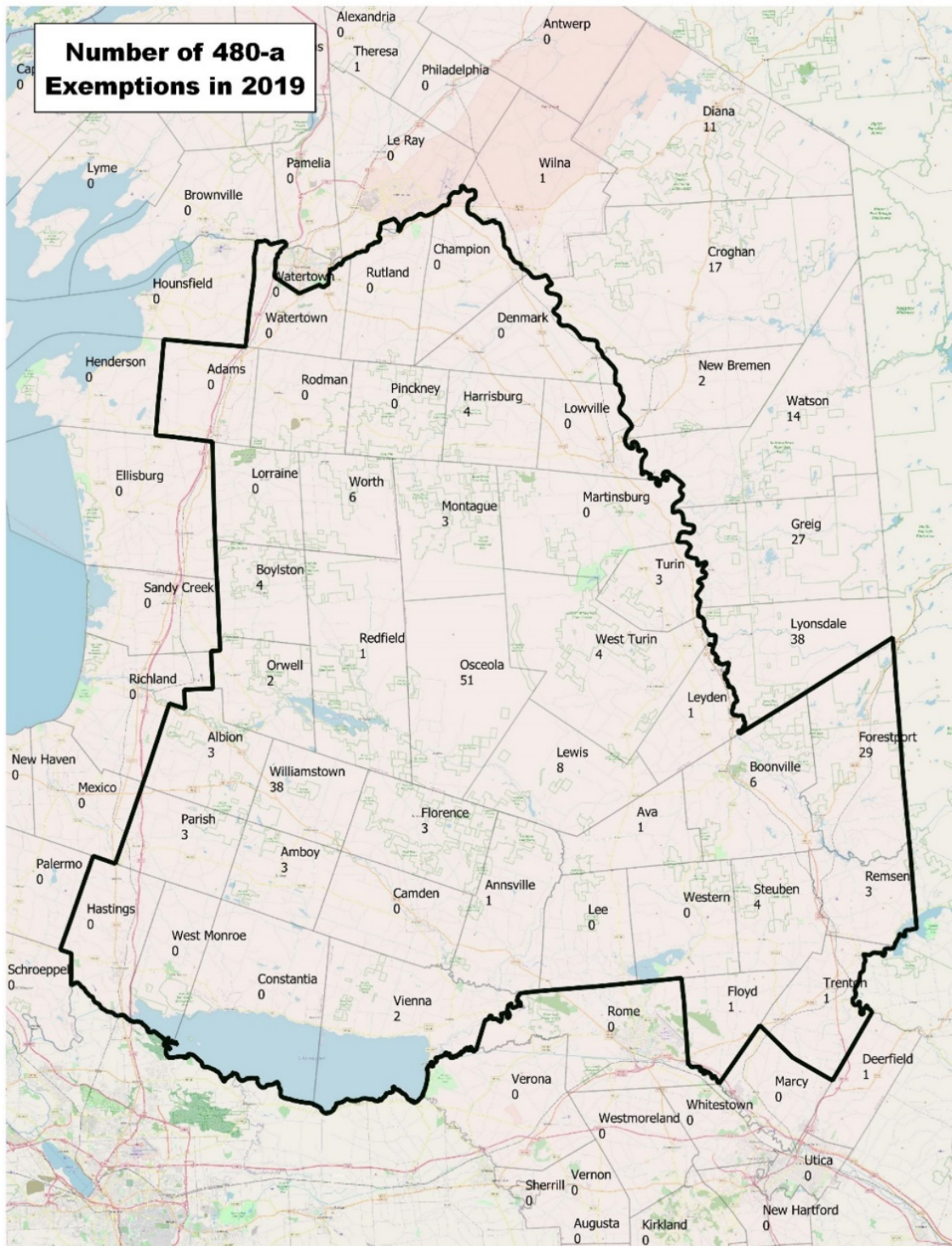


In general, both the number of enrollments in 480-a and the acreage of 480-a enrolled properties are on the increase statewide⁴. That also applies on Tug Hill, as Figure 2 below shows the number of exemptions in each town in the region. Table 1 shows the number of 480-a exemptions in each town in Jefferson, Lewis, Oneida and Oswego counties in 2012 and in 2019. The largest increase in enrollments was in Williamstown, moving from seven enrollments in 2012 to 38 in 2019, for an increase of 31 in seven years or a 443% increase in enrollments. Osceola had the highest number of enrollments in 2019 at 51.

⁴ www.dec.ny.gov/docs/lands_forests_pdf/foresttaxlawpresentation.pdf

The Forest Tax Exemption and Impacts on Municipal Budgets

Figure 2



The Forest Tax Exemption and Impacts on Municipal Budgets

Table 1: Number of 480-a exemptions in 2012 and 2019.

Town	County	Number of 480-a Exemptions in 2012	Number of 480-a Exemptions in 2019	Change in # of 480-a exemptions from 2012 - 2019
Williamstown	Oswego	7	38	31
Croghan	Lewis	7	17	10
Watson	Lewis	5	14	9
Osceola	Lewis	43	51	8
Worth	Jefferson	0	6	6
Harrisburg	Lewis	0	4	4
Greig	Lewis	24	27	3
Boylston	Oswego	1	4	3
Parish	Oswego	0	3	3
Forestport	Oneida	26	29	3
Remsen	Oneida	0	3	3
Lyonsdale	Lewis	36	38	2
Boonville	Oneida	4	6	2
Amboy	Oswego	2	3	1
New Bremen	Lewis	1	2	1
West Turin	Lewis	3	4	1
Orwell	Oswego	1	2	1
Leyden	Lewis	0	1	1
Theresa	Jefferson	0	1	1
Vienna	Oneida	1	2	1
Annsville	Oneida	0	1	1
Turin	Lewis	3	3	0
Albion	Oswego	3	3	0
Clayton	Jefferson	1	1	0
Wilna	Jefferson	1	1	0
Ava	Oneida	1	1	0
Deerfield	Oneida	1	1	0
Floyd	Oneida	1	1	0
Trenton	Oneida	1	1	0
Lewis	Lewis	9	8	-1
Florence	Oneida	4	3	-1
Steuben	Oneida	5	4	-1
Montague	Lewis	5	3	-2
Diana	Lewis	14	11	-3
Redfield	Oswego	4	1	-3

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Table 2: Financial impact of the 480-a exemption on towns in Jefferson, Lewis and Oswego counties (2019 data projected for 2020).

TOWN	County	Number of 480-a Exemptions in 2019	Full Value of Parcels Before Exemptions	Equalized Value of Exemption	Percent of Value Exempted	Equalized Value of ALL Exemptions (not including STAR)
Osceola	Lewis	51	6,795,300	4,540,581	66.80%	7,049,593
Lyonsdale	Lewis	38	4,568,400	3,425,859	75.00%	22,721,098
Worth	Jefferson	6	957,100	515,429	53.90%	2,266,068
Greig	Lewis	27	5,083,700	3,617,263	71.20%	10,372,982
Williamstown	Oswego	38	1,600,000	1,105,298	69.10%	8,390,425
Watson	Lewis	14	6,224,200	1,903,418	30.60%	18,699,918
Diana	Lewis	11	2,877,100	1,312,008	45.60%	12,873,849
Redfield	Oswego	1	919,600	561,581	61.10%	4,252,317
Amboy	Oswego	3	954,100	499,203	52.30%	6,265,750
Croghan	Lewis	17	3,751,579	1,791,940	47.80%	32,729,461
Boylston	Oswego	4	340,722	201,330	59.10%	2,602,365
Lewis	Lewis	8	2,490,669	271,600	10.90%	5,302,534
Montague	Lewis	3	193,300	126,384	65.40%	4,100,305
Turin	Lewis	3	778,800	194,100	24.90%	12,479,936
New Bremen	Lewis	2	505,000	322,433	63.80%	17,710,719
Albion	Oswego	3	221,222	161,231	72.90%	17,123,487
West Turin	Lewis	4	327,300	179,369	54.80%	12,035,871
Orwell	Oswego	2	285,800	114,848	40.20%	25,422,474
Parish	Oswego	3	519,700	116,363	22.40%	26,885,991
Leyden	Lewis	1	176,300	84,550	48.00%	9,049,257
Clayton	Jefferson	1	953,500	352,260	36.90%	28,804,221
Harrisburg	Lewis	4	217,500	84,320	38.80%	120,133,227
Theresa	Jefferson	1	90,000	34,880	38.80%	10,271,577
Wilna	Jefferson	1	324,000	21,240	6.60%	77,147,843

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Table 2 cont.: Financial impact of the 480-a exemption on towns in Jefferson, Lewis and Oswego counties (2019 data projected for 2020).

TOWN	Percent of Tax Base Shift	Town Tax Levy	Full Value Tax Rate Per \$1,000	Full Value Tax Rate Per \$1,000 Without 480-a Exemption	Tax Rate Shift Due to Exemption	Calculated Missed Town Taxes	Timber Payments to Town	Town Tax Revenue Shifted Due to 480-a Exemption
Osceola	8.56%	\$349,009.00	7.55246	6.451817	17.06%	\$34,292.56	\$1,376.94	\$32,915.62
Lyonsdale	2.91%	\$542,825.00	5.528049	5.475742	0.96%	\$18,938.32	\$476.73	\$18,461.59
Worth	1.51%	\$176,357.00	5.878534	5.789019	1.55%	\$3,029.97	\$-	\$3,029.97
Greig	1.49%	\$691,326.00	2.984125	2.938248	1.56%	\$10,794.36	\$372.54	\$10,421.82
Williamstown	1.38%	\$573,346.00	8.002741	7.881153	1.54%	\$8,845.41	\$-	\$8,845.41
Watson	0.85%	\$1,071,390.00	5.23883	5.190595	0.93%	\$9,971.68	\$3,029.24	\$6,942.44
Diana	0.67%	\$635,461.00	3.489985	3.462198	0.80%	\$4,578.89	\$-	\$4,578.89
Redfield	0.66%	\$665,120.00	8.20753	8.151045	0.69%	\$4,609.19	\$-	\$4,609.19
Amboy	0.60%	\$617,360.00	7.955058	7.904214	0.64%	\$3,971.19	\$-	\$3,971.19
Croghan	0.48%	\$1,288,266.00	3.805056	3.797703	0.19%	\$6,818.43	\$-	\$6,818.43
Boylston	0.44%	\$376,450.00	8.67949	8.639386	0.46%	\$1,747.44	\$-	\$1,747.44
Lewis	0.36%	\$570,762.00	8.645056	8.469257	2.08%	\$2,348.00	\$-	\$2,348.00
Montague	0.33%	\$196,015.00	5.555969	5.536137	0.36%	\$702.19	\$394.26	\$307.93
Turin	0.22%	\$557,427.00	7.679832	7.675258	0.06%	\$1,490.66	\$-	\$1,490.66
New Bremen	0.17%	\$1,001,835.00	6.06545	6.060611	0.08%	\$1,955.70	\$-	\$1,955.70
Albion	0.14%	\$555,504.00	5.499006	5.490244	0.16%	\$886.61	\$-	\$886.61
West Turin	0.12%	\$632,798.00	5.047078	5.020329	0.53%	\$905.29	\$103.63	\$801.66
Orwell	0.10%	\$601,287.00	6.668294	6.659812	0.13%	\$765.84	\$-	\$765.84
Parish	0.08%	\$1,005,160.00	7.925532	7.918267	0.09%	\$922.24	\$-	\$922.24
Leyden	0.08%	\$466,069.00	4.725407	4.723841	0.03%	\$399.53	\$-	\$399.53
Clayton	0.06%	\$1,050,171.00	1.45603	1.455319	0.05%	\$512.90	\$-	\$512.90
Harrisburg	0.05%	\$125,105.00	2.860339	2.854835	0.19%	\$241.18	\$-	\$241.18
Theresa	0.02%	\$446,830.00	1.880651	1.880375	0.01%	\$65.60	\$-	\$65.60
Wilna	0.01%	\$786,421.00	2.749993	2.749789	0.01%	\$58.41	\$-	\$58.41

Financial Implications

Past studies use the threshold of a shift of town property taxes greater than one percent from properties enrolled in 480-a to non-enrolled properties as a threshold for concern. This 1% shift has been used in past attempts to lobby for state funding to reimburse communities experiencing large losses in tax revenues from enrolled property owners, which are passed on to the rest of the property owners in the town. Table 2 shows how the percentage of property taxes shifted from properties enrolled in 480-a is calculated and projected for 2020 using 2019 data. The data in Table 2 includes 2019 assessment data projected with 2020 tax rates and was provided by Real Property Tax offices in Oswego, Lewis and Jefferson Counties.

Five towns in the three-county area, Osceola, Lyonsdale, Worth, Greig and Williamstown, all realized a greater-than 1% shift in property taxes due to 480-a. The town of Osceola, in Lewis County, realized the greatest impact (in the three-county area) from the 480-a forest tax law at just over 8.5% shift in property to non-480-a properties. Even considering \$1,377 in timber payments to the town, the town of Osceola is shifting nearly \$33,000 in tax revenue due to 480-a in 2019 alone.

The Osceola Example

Current exemption situation

To explain Table 2, Osceola will be used as an example. In Osceola, there were 51 forest tax law exemptions in 2019. Without the exemption, the full value of those 51 properties was \$6,795,300. The value of the exemptions on those 51 properties was \$4,540,581, or 67% of their full value. In Osceola, 64% of all the town's exemptions (not including STAR) were due to the forest tax law exemption and 8.5% of the town's taxes were shifted onto non-enrolled properties by the forest tax law exemption. Osceola received \$1,377 in timber payments, but \$32,915 in tax revenue was shifted due to the forest tax law exemption.

Another way to look at the financial impact of the exemption is to compare the tax rates with and without the exemption – per \$1,000. In the table below, the columns are labeled *Full Value Tax Rate Per \$1,000* and *Full Value Tax Rate Per \$1,000 Without 480-a Exemption*. For example, in Osceola, the full value tax rate per \$1,000 with the 480-a exemption is 7.6, while the full value tax rate per \$1,000 without the 480-a exemption is 6.5. On a home valued at \$100,000, the property taxes owed to the town would be \$760 with the 480-a exemption in place, vs \$650 if the 480-a exemption were not in place.

Current exemption situation

Currently in Osceola, the largest landowner in the town, Corrigan TLP, LLC, applied for the 480-a exemption by taxable status day in March 2020. Corrigan also owns parcels in the towns of Lewis, Martinsburg and West Turin that are also receiving the 480-a tax exemption effective September 1, 2020. Table 3 shows the impact of these additional 480-a properties on the town, county and school districts using 2020 assessment data and 2019 tax rates⁵. The tax impact numbers were calculated using the 480-a

⁵ This impact analysis was provided by Candy Akin, Director, Lewis County Real Property Tax Services, December 17, 2020.

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Taxable Value for each taxing jurisdiction. The total tax impact from these recently added parcels on the town of Osceola is \$26,737.36. Total tax impacts also include \$45,801.35 on Lewis County, \$10,669.70 on the town of Lewis, \$52.10 in the town of Martinsburg and \$8,640.04 on the town of West Turin. In the town of Osceola, the amount to be raised for taxes in 2021 is \$407,244. The \$26,737 impact represents a 6.6% shift in taxes from the newly enrolled property onto the rest of the taxpayers. This is in addition to the nearly \$33,000 shift previously derived from previous years 480-a exemptions in Table 2.

It is important to point out that the law has never precluded large landowners, Timber Investment Management Organizations (TIMOs) or Real Estate Investment Trusts from entering the program and, in fact, the number of TIMOs enrolling in 480-a has been on the rise over the last 15-20 years, especially in the Adirondacks. The law *is* designed to ensure that landowners are enrolling lands that are productive and will be capable of producing “a merchantable forest crop within 30 years of time of original certification.”⁶ Given all the requirements and oversight required by the law, the results of a large landowner entering the program for the first time can have a significant negative impact on the town’s finances and remaining taxpayers.

⁶ https://barnardclan.com/dec/publications/480a/Part_199.pdf

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CORRIGAN TLP, LLC 2020-2021 480a EXEMPTION IMPACT

Town of Lewis											
Tax Map #	Acreage			Taxable - Exempt Values				Tax Impact			
	Total	Ineligible	Eligible	Current Assessment	480-a Exemption	Taxable Cons. Easement	New Taxable Value	County	Town	School	Total
407.00-01-01.100	587.20	76.28	510.92	205,700	114,379	74,052	91,321	949.67	1,032.10	1,742.79	3,724.56
408.00-01-04.100	5,865.80	801.64	5,064.16	1,933,000	1,068,051	695,880	864,949	8,867.83	9,637.59	16,273.89	34,779.32
Total:								\$ 9,817.50	\$ 10,669.70	\$ 18,016.69	\$ 38,503.88
Town of Martinsburg											
Tax Map #	Acreage			Taxable - Exempt Values				Tax Impact			
	Total	Ineligible	Eligible	Current Assessment	480-a Exemption	Taxable Cons. Easement	New Taxable Value	County	Town	School	Total
287.00-03-08.100	5.00	0.00	5.00	14,800	11,840	0	2,960	96.66	52.10	89.34	238.10
Total:								\$ 96.66	\$ 52.10	\$ 89.34	\$ 238.10
Town of Osceola											
Tax Map #	Acreage			Taxable - Exempt Values				Tax Impact			
	Total	Ineligible	Eligible	Current Assessment	480-a Exemption	Taxable Cons. Easement	New Taxable Value	County	Town	School	Total
348.00-03-03.110	530.20	77.93	452.27	254,500	125,044	71,260	129,456	974.05	1,100.16	1,588.88	3,663.09
362.00-01-04.110	2,426.30	409.19	2,017.11	1,106,376	470,932	398,295	635,444	3,668.41	4,143.34	5,983.91	13,795.67
374.00-01-09.100	12,018.70	1,600.69	10,418.01	5,612,885	2,442,991	1,981,651	3,169,894	19,030.14	21,493.86	34,562.23	75,086.23
Total:								\$ 23,672.61	\$ 26,737.36	\$ 42,135.02	\$ 92,544.99
Town of West Turin											
Tax Map #	Acreage			Taxable - Exempt Values				Tax Impact			
	Total	Ineligible	Eligible	Current Assessment	480-a Exemption	Taxable Cons. Easement	New Taxable Value	County	Town	School	Total
317.00-01-09.110	7,432.30	2,000.92	5,431.38	3,014,000	1,268,682	843,920	1,745,318	10,419.40	7,370.21	16,997.05	34,786.66
333.00-03-02.000	1,306.90	231.86	1,075.04	519,000	218,584	186,840	300,416	1,795.18	1,269.83	2,928.46	5,993.47
Total:								\$ 12,214.58	\$ 8,640.04	\$ 19,925.51	\$ 40,780.13
Total Tax Impact:											\$ 172,067.10
	County of Lewis							\$ 45,801.35			
	Town of Lewis								\$ 10,669.70		
	Town of Martinsburg								\$ 52.10		
	Town of Osceola								\$ 26,737.36		
	Town of West Turin								\$ 8,640.04		
	Adirondack Central School									\$ 18,016.69	
	Camden Central School									\$ 34,562.23	
	Lowville Central School									\$ 89.34	
	South Lewis Central School									\$ 27,498.29	

12/18/2020

Table 3: Corrigan exemption impact.

Working Forest Valued on Tug Hill

Forest management has always been a way of life on Tug Hill - it provides opportunities for wildlife, open space, economic development and is compatible with the goals of providing clean air and water and recreational opportunities. Tug Hill communities consistently indicate that the rural lifestyle should be kept sustainable and alive and well. The goals of 480-a are consistent with this, except for the undue financial burden it creates when a large landowner in a sparsely populated community enters the program. Increasing 480-a enrollment means that landowners are willing to front the cost of the forest management plan required by the forest tax law and commit to long-term goals for their properties. Despite these facts, forest fragmentation has been and still is an issue on Tug Hill and in similar rural communities. Fragmented forests make forest management more challenging and has negative effects on habitat and watershed protection efforts.

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Continuing with the Osceola case study, when taking a backwards look at subdivisions since 2012, multiple subdivisions have occurred on properties eligible for 480-a enrollment. Applicants are required to file subdivision approvals and maps with the county clerk for the subdivision to be completed. Those subdivisions can be seen on the Lewis County online mapping application⁷. Without a significant amount of research, it is impossible to know with certainty what motivated those landowners to subdivide and sell. However, a decision was made by the landowner that they would financially be better off selling lots than maintain the properties for forest management, recreation, etc. Was it because increasing property taxes, partly driven by increasing 480-a enrollments, made it unaffordable to hold these properties? Were the requirements of 480-a enrollment too cumbersome to encourage their enrollment? Regardless of the reason behind the subdivisions, the reality is that forest fragmentation continues to occur in landscapes and communities that value large contiguous forest.

In fact, Osceola has taken action to protect its working forest from fragmentation through the adoption of “Special Areas,” (which includes designated areas within Tug Hill’s Core Forest and Large Contiguous Forest areas) and a robust zoning law that requires a minimum lot size of five acres in the F1 or Large Contiguous Forest Zone and a minimum of 40 acres in the F2 or Core Forest Zone. Special areas are lands designated through the Tug Hill Reserve Act that require consultation with the local municipality when a governmental action, otherwise immune from zoning, is proposed.⁸

The Local Perspective

The commission has received comments from a former 480-a enrollee and current town board member of the town of Lewis, Ian Klingbail, that the program is not working as originally envisioned for the taxing jurisdiction. From his experience on Tug Hill, many landowners perform a heavy harvest on their properties before enrolling in 480-a. Then, after waiting three years after the harvest, as required by current 480-a regulations, they enroll in the program with an approved forest management plan that may not result in a commercial harvest for several decades. This causes the shift in taxes, but also delays any yield tax relief.

The scenario is exacerbated when a TIMO enrolls in 480-a. According to Fran Yerdon, supervisor of the town of Osceola and long-time member of the Cooperative Tug Hill Council, large TIMOs on Tug Hill manage their properties on a 50-year harvest cycle/plan. Mr. Yerdon believes that following an initial harvest prior to entering the 480-a program, the TIMO would not conduct another commercial harvest for 50 years, which means the yield tax would not be realized for 50 years. It is a widely held view that TIMOs are taking advantage of a program originally intended to keep forest lands taxes affordable for individuals and families who own woodlots, not large commercial entities with ability to pay realistic taxes to municipalities.

⁷ www.lewiscounty.org/gis-disclaimer

⁸ <http://www.tughillcouncil.com/tug-hill-reserve-act/>

Suggestions for Improving the Forest Tax Law

Over the years, the state has attempted to make program modifications that were ultimately not realized. The commission encourages the state to continue these efforts, particularly funding a reimbursement to taxing jurisdictions realizing a greater than 1% shift in property taxes, or even better, reimbursing the entire tax shift, no matter how large or small. With that in place, other potential improvements to the law could be reducing the exemption amount, lowering the minimum acreage required to enter the program to discourage subdivisions and reimagining the program around private “open space” lands to be managed for forestry, wildlife and watershed protection.

Another option to consider is a program modeled after the State of Minnesota’s Sustainable Forest Incentive Act, which provides annual state-funded “incentive payments to encourage private landowners to keep their wooded areas undeveloped.”⁹ This payment is not tied to property taxes and distributes the burden of paying for the program statewide, rather than solely on the rural taxpayers in the taxing jurisdiction.

Given current state efforts to combat climate change and increase carbon sequestration, it is worth exploring opportunities that would connect reform of the forest tax exemption to supporting the state’s Climate Act goals. By keeping forests in forests and managing for mixed-aged class stands, more carbon is sequestered, and a broader variety of wildlife habitats are maintained. Also, given the growth of renewable energy projects being sited in rural areas like Tug Hill, perhaps some mitigation funds from those projects could be used to offset the financial effects of the program.

In the absence of significant program improvements, an interim step would be to recalculate what communities are being impacted by the more than one percent shift on a regular basis and adding it to their base AIM payment. This needs to be made a standard operating procedure involving the state comptroller’s office communicating with county real property departments, rather than the current haphazard fashion.

Conclusions

An analysis of the 480-a program in the four counties that include Tug Hill show primarily a slow increase in enrollment, with particular locations seeing a higher-than-average growth in enrollment. Tug Hill is a rural and sparsely populated area with very narrow margins for large shifts in property taxes from large tracts of forestland enrolled in 480-a to non-enrolled properties. Until now, TIMO’s have not enrolled in 480-a in the Tug Hill region, but now that they have, communities and taxing jurisdictions are bracing for an unfair financial impact and advocating for changes to be made to the law. This has created an overly difficult burden on municipalities and other landowners within those municipalities, as property taxes paid

⁹ <https://www.dnr.state.mn.us/foreststewardship/sfia/index.html>

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by other landowners rise and municipalities are forced to raise tax rates higher than normal because of increased value of tax-exempt property.

Timber tax payments from 480-a properties to municipalities offer only a fraction of relief to the towns, yet it remains to be seen whether these payments will increase with the possibility of more management activity. At the same time, the goals of the forest tax law exemption program, improved forest management and stabilization of forest land ownership, do not seem to be supported due to rising land values and increased property taxes in the remainder of the town.

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