***Sustainable Forest Management and Open Space Incentive Program:***

***Amendment of current 480-a forest tax law incentive program.***

***FAQs***

**Why is DEC proposing to revise the current forest tax law (480-a)?**

DEC was charged in Governor Cuomo’s 2015 State of the State agenda to:

*………“bring together stakeholders from forestry management companies, environmental groups, government agencies, and private landowners to discuss the opportunities and challenges the industry faces and ways the State can contribute to the industry’s advancement,* ***including by reforming the current property tax incentive program (480-a Forest Tax Law)****. The goal will be to increase sustainable production from the forest product industry in New York while preserving open space.”*

This charge coincides with serious challenges DEC faces in adequately administering the current program given that participation is steadily rising at the same time forestry staff level is in decline. DEC recognizes it is significantly challenged to properly protect the interest of tax payers that absorb the tax shift that results from 480-a participants receiving an 80% reduction in assessment. In many municipalities and school district this tax shift is significant and accountability is paramount.

A revision also allows DEC to address longstanding and recurring criticisms of the program as well as barriers to program participation expressed by many forest landowners and consultants.

DEC believes the proposed new program is designed in a way to make the States’s forest tax law more attractive to landowners by reducing costs and administrative. DEC also believes the revised program will encourage and allow more landowners in the long-run to be exposed to and practice sustainable forestry.

**What are the fundamental changes being proposed?**

DEC proposes to create two new options for 480-a program entry and administration while maintaining current program entry and administration as a third option for properties over 1,000 acres.

The current 480-a program would remain as currently administered for all current enrollees under 1,000 acres for 10 years. At that time, the program would sunset for those enrollees.

**What are the two proposed new options for entry and administration and some of their details?**

1. “Time of Harvest” option:
	1. Reduces required acreage for eligibility from 50 to 25 acres.
	2. Enrollment at time of voluntary timber harvest of at least 10 acres.
	3. All non-agricultural open space acres excluding developed areas are enrolled in the program in addition to the acres where there was a harvest.
	4. Harvest requires DEC-approved “Sustainable Harvest Plan” prepared by professional forester.
	5. Fixed 15-year term enrollment period from time of harvest with no change of land use allowed on enrolled acres.
	6. Additional timber harvest(s) allowed at any time with additional DEC approved harvest plan. Future harvests extend the 15-year enrollment period, however the extension can be waived at the discretion of enrollee.
	7. Provides 40% assessment reduction for enrolled acres.
	8. No stumpage tax on approved timber harvest.
2. “Forest Certification” option:
	1. Requires enrollment in a DEC approved forest certification program (currently FSC and SFI).
	2. Minimum acreage for eligibility 25 acres.
	3. No mandatory work schedule required and minimal interface with DEC forestry staff.
	4. Annual 10-year, rolling commitment, with verification of continuing forest certification enrollment.
	5. Provides 70% assessment reduction for enrolled acres.
	6. No stumpage tax on timber harvests.

**What will the transition from current program to proposed program look like?**

During year one of the proposed program, current 480-a enrollees would be provided a one-time option to leave the program penalty free with no further commitment. During the following nine years, those that chose to stay in the current program could leave the program penalty free as long as they transfer enrollment to one of two new options.

**Why does “open space” not under active timber management receive a 40% assessment reduction under the “Time of Harvest” option?**

DEC recognizes that protected open space provides value to society, albeit in a different way than the production of quality timber products. The open space aspect of “Time of Harvest” guarantees protection of many acres that are not eligible under the current program (e.g.—wetlands, poor timber growing sites, inoperable sites). In 1974 when the current program was developed, the only interest involved in its development were foresters and the forest products industry. Today, we recognize that values have expanded and many more interest groups and types of forest owners claim an interest in conserving our state’s private forests. The proposed “Time of Harvest” option seeks to recognize these value shifts and provides a compromise for those that want to practice forest management and provide open space protection at the same time.

**I have 220 acres enrolled in the current program and I’ve always relied on the 80% assessment reduction currently available to help pay my property taxes. It doesn’t seem fair to reduce this benefit to 40% under the “Time of Harvest” option. Won’t this cause me to lose half my current tax savings?**

In most cases, the answer is no. Many current enrollees do not actually save 80% in annual property tax payments under the current program. Because of required expenses such as the initial forest management plan, five year updates, non-commercial TSI and thinnings, boundary line marking and the 6% stumpage tax, many landowners average somewhere around a 40-60% actual annual savings on their tax bill. Under the proposed program, required expenses are limited to just the cost of a harvest plan and no stumpage tax is required. In addition, the “Time of Harvest” option makes certain acres eligible for the 40% assessment reduction that would otherwise receive no assessment reduction under the current program.

**What is the criteria for “DEC approved forest certification” under the forest certification option and what certification systems currently available would be eligible?**

In order to be eligible a forest certification system must require an annual third party audit at the ownership level and provide an annual audit report to enrollees that provides an indication of performance within the program.

Currently, only individual enrollments in the Sustainable Forestry Initiative (SFI) and Forest Stewardship Council (FSC) would meet the criteria for eligibility.

**What does DEC see as the primary benefits of the current revised tax law program proposal?**

* Addresses many criticisms of existing program since its inception including elimination of mandatory forest management plan work schedule and elimination of rolling annual commitment for properties enrolled in the “Time of Harvest” option.
* Acknowledges interest in a program that recognizes value of open space attributes other than well-stocked timber resources (e.g.-wetlands, shrub lands, etc.)
* Potentially increases the number of timber harvests with forester involvement and forest landowners practicing sustainable forest management
* Shifts DEC staff resources to “time of harvest” activities on ownerships <1,000 acres This allows DEC to provide appropriate administrative oversight that assures program compliance
* Encourages enrollment in forest certification programs
* Maintains historical assessment reduction and tax savings for largest ownerships and certified enrollments
* Reduces local real property tax shifts over time
* Time of harvest option provides market-based limit on program enrollment
* Simplifies and reduces program administration

**At what stage is DEC in the process of revising 480-a?**

DEC has developed draft bill language based on concepts shared with stakeholders during December and January. DEC will continue with further stakeholder outreach using the bill as the starting point for discussions. It is hoped that a final bill will be ready by April 2015 in time for it to be possibly introduced to the Legislature as an agency “program bill”.

**How will this revision affect local property tax shifts?**

Based on a range of assumptions, DEC estimates the current annual statewide tax shift to non-enrollee taxpayers of around $16 million may increase by 10-30% over the next ten years. At that point, the shift would drop by 40-60% from the current level. An estimate of shifts for individual taxing entities (e.g.-towns, school districts) was not undertaken.