

ISSUE PAPER SERIES

The Forest Tax Exemption and Impacts on Municipal Budgets

January 2021

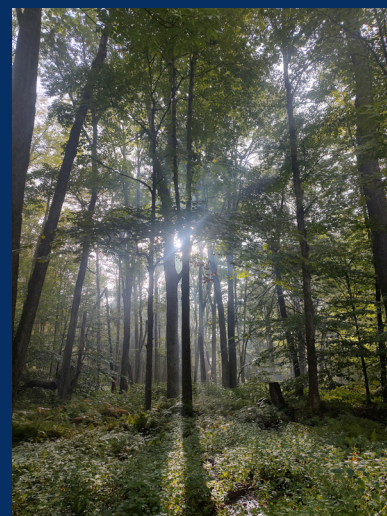
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NEW YORK STATE TUG HILL COMMISSION

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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.



The Forest Tax Exemption and Impacts on Municipal Budgets

Table of Contents

Introduction	1
Understanding the Problem.....	1
Considerations for Program Revisions.....	1
Payments to Taxing Jurisdictions	3
By the Numbers	3
Financial Implications.....	6
The Osceola Example	8
Working Forest Valued on Tug Hill	9
The Local Perspective	10
Suggestions for Improving the Forest Tax Law	10
Conclusions	11
References	11

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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 can produce positive economic benefits and can promote community and environmental values such as the protection of open space for habitat and recreational activities.

Recent activity on Tug Hill, however, has shed 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 the town’s taxing jurisdiction has fewer properties amongst which to spread the impacts, as compared to the school district and county taxing jurisdictions. 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 property owners within those towns.

Understanding the Problem

The primary issue with the 480-a program from the municipal perspective is the impact of a shifting tax burden from forest owners enrolled in the exemption to non-enrolled landowners in the town. The following analysis demonstrates the impacts of the 480-a forest tax exemption on a subset of town taxing jurisdictions on Tug Hill and encourages either increased reimbursement to 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, where impacts are generally 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 2023 assessment and tax rate data and projected for 2024.

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 (2019 and 2023).

Considerations for Program Revisions

The current 480-a program was enacted in 1976 and has not been updated since. Over the last 30 plus years, several reports have documented issues with forest tax law and proposed recommendations to improve Sections 480 (480-

¹ <https://dec.ny.gov/nature/forests-trees/private-forest-management/480a-forest-tax-law#lands>

The Forest Tax Exemption and Impacts on Municipal Budgets

a's predecessor, sometimes referred to as the Fisher Forest Tax Law²) 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 1980s, the Tug Hill Commission was hosting forums on 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 explained how changes in land ownership, owner attitudes and markets have significantly changed the effectiveness of the program.³

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.
- 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

² <https://www.tax.ny.gov/research/property/reports/forest/section2.htm>

³ https://www.dec.ny.gov/docs/lands_forests_pdf/foresttaxlawpresentation.pdf

The Forest Tax Exemption and Impacts on Municipal Budgets

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 480-a are abated in two ways: the 6% yield tax and, in some communities, additional state 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) with 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 entirely “make up” the difference in lost tax revenue to the town.

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 have not been 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.⁴

By the Numbers

In general, both the number of enrollments in 480-a and the acreage of 480-a enrolled properties are on the increase statewide⁵. Table 1 below and on the next page shows the number of 480-a exemptions in each town in Jefferson, Lewis, Oneida, and Oswego counties in 2019 and in 2023. The ten counties with the highest number of 480-a exemptions in 2023 are shown in bold font.

Table 1: Number of 480-a exemptions in 2019 and 2023 in Jefferson, Lewis, Oneida, and Oswego Counties

Town	County	Number of 480-a Exemptions – 2019 (47460)	Number of 480-a Exemptions – 2023 (47460)	Change in # of 480-a exemptions from 2019 - 2023	Notes
Osceola	Lewis	51	63	12	
Diana	Lewis	11	21	10	
Redfield	Oswego	1	7	6	
Lyonsdale	Lewis	38	42	4	
West Turin	Lewis	4	6	2	Plus 1 (47450) Fisher Exemption
Lewis	Lewis	8	10	2	
Constantia	Oswego	0	2	2	Added in 2022
Croghan	Lewis	17	18	1	
Ava	Oneida	1	2	1	
Martinsburg	Lewis	0	1	1	Added in 2020

⁴ <https://www.osc.ny.gov/files/local-government/publications/2022/pdf/revenue-sharing-aim-2022.pdf>

⁵ www.dec.ny.gov/docs/lands_forests_pdf/foresttaxlawpresentation.pdf

The Forest Tax Exemption and Impacts on Municipal Budgets

Town	County	Number of 480 -a Exemptions – 2019 (47460)	Number of 480-a Exemptions – 2023 (47460)	Change in # of 480-a exemptions from 2019 - 2023	Notes
Camden	Oneida	0	1	1	Added in 2021
Marshall	Oneida	0	1	1	Added in 2022
Hannibal	Oswego	0	1	1	Added in 2021
Oswego	Oswego	0	1	1	Added in 2021
Williamstown	Oswego	9	9	0	
Watson	Lewis	14	14	0	Plus 9 (47450) Fisher Exemptions
Worth	Jefferson	6	6	0	
Harrisburg	Lewis	4	4	0	
Greig	Lewis	27	27	0	
Parish	Oswego	3	3	0	
Forestport	Oneida	29	29	0	
Remsen	Oneida	3	3	0	
Amboy	Oswego	3	3	0	
New Bremen	Lewis	2	2	0	Plus 1 (47450) Fisher Exemption
Orwell	Oswego	2	2	0	
Leyden	Lewis	1	1	0	
Theresa	Jefferson	1	1	0	
Vienna	Oneida	2	2	0	
Annsville	Oneida	1	1	0	
Turin	Lewis	3	3	0	
Albion	Oswego	3	3	0	
Clayton	Jefferson	1	1	0	
Deerfield	Oneida	1	1	0	
Trenton	Oneida	1	1	0	
Boylston	Oswego	4	3	-1	
Boonville	Oneida	6	5	-1	
Wilna	Jefferson	1	0	-1	
Floyd	Oneida	1	0	-1	
Florence	Oneida	3	2	-1	
Steuben	Oneida	4	3	-1	
Montague	Lewis	3	2	-1	
	TOTAL	269	307	38	

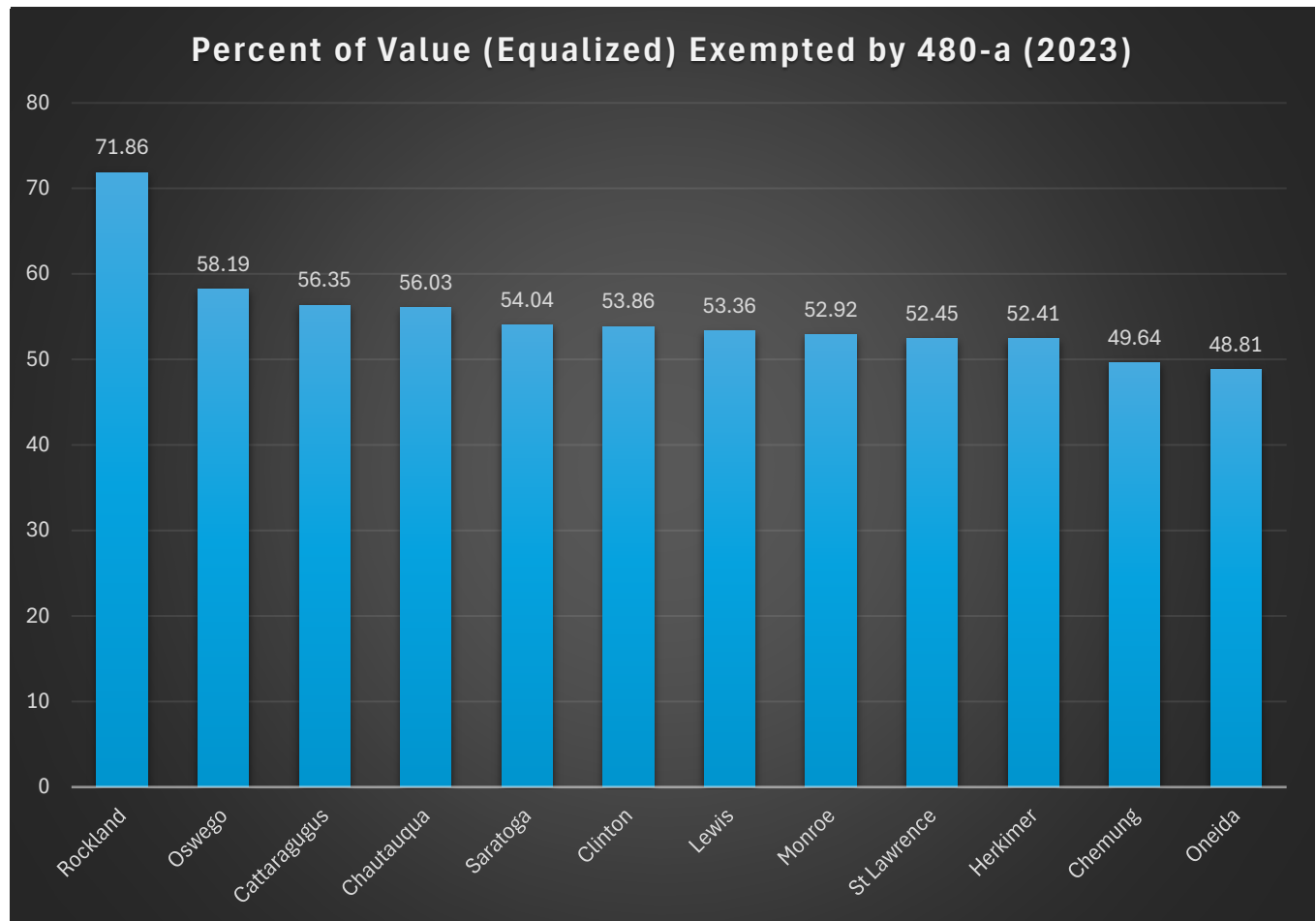
Many rural counties, as shown on the next page in *Figure 1: Summary of Exemptions by Property Group and Exemption Code from the 2023 Assessment Role*⁶, see 480-a exemption values (equalized) between 50% and 60%, out of the allowable 80% assessment exemption. Two Tug Hill counties (Lewis and Oswego) have 480-a exemption values over 50%. Oneida County's exemption value approaches 50%. In rural counties, this is a large issue, due to

⁶ http://orps1.orpts.ny.gov/cfapps/MuniPro/muni_theme/exemptsearch.cfm?swis=59

The Forest Tax Exemption and Impacts on Municipal Budgets

the smaller number of parcels and the percentage of the overall value of property. Figure 1 includes data on 480-a only (exemption code 47460) and does not include Fisher Forest Law data (exemption code 47450), which was the predecessor to 480-a.

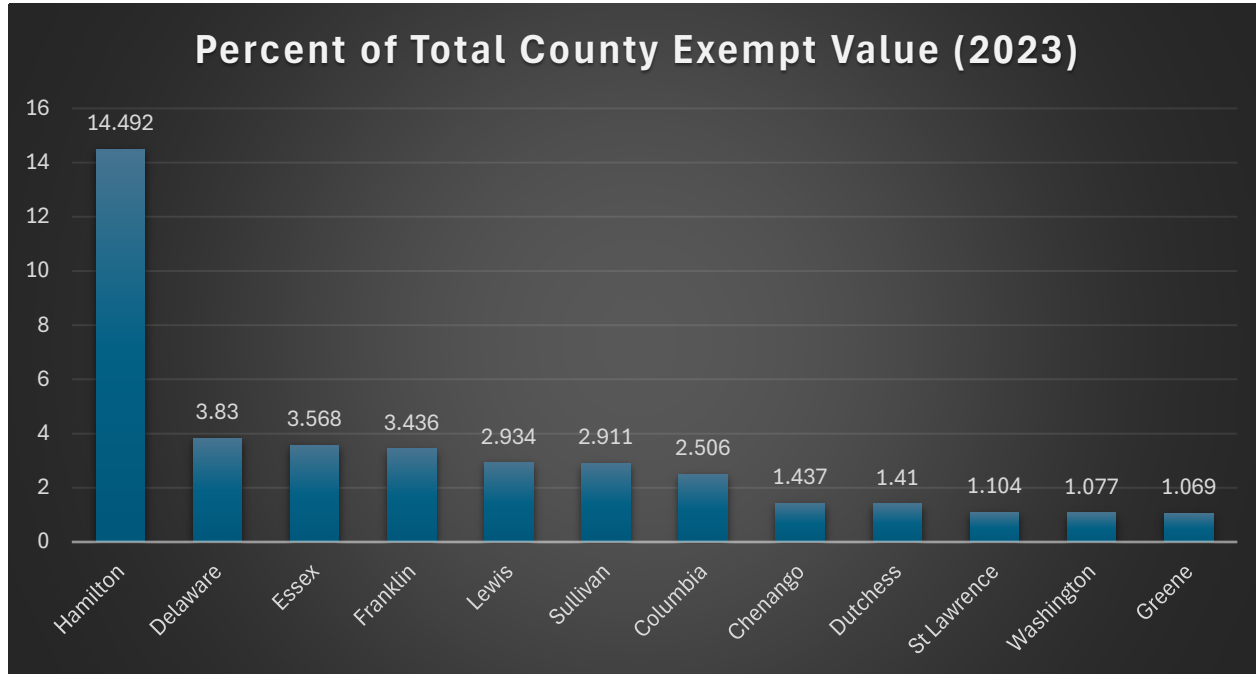
Figure 1: Summary of Exemptions by Property Group and Exemption Code (47460) from the 2023 Assessment Role – Shows the portion of the county’s property value exempted (equalized) by 480-a for the top 12 counties in NYS



The Forest Tax Exemption and Impacts on Municipal Budgets

Figure 2: Summary of Exemptions by Property Group and Exemption Code from the 2023 Assessment Role⁷ below shows the top 12 480-a-impacted counties in the state.

Figure 2: Summary of Exemptions by Property Group and Exemption Code from the 2023 Assessment Role (MuniPro) – Shows the portion of all county exempt value attributable to 480-a (equalized) for the top 12 counties in NYS



Financial Implications

Many rural counties can also say that one percent or more of their town’s overall exemptions are attributable to 480-a (equalized), as shown in Table 2 on the next page. This dataset was provided by Lewis, Jefferson, and Oswego County’s real property offices and is intended to illustrate how 480-a impacts each town.

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 one percent 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. The data in Table 2 includes 2023 assessment data projected with 2024 tax rates and was provided by real property tax offices in Oswego, Lewis, and Jefferson Counties.

Nine towns in the three-county area, Osceola, Lyonsdale, Diana, Lewis, Greig, Williamstown, Watson, West Turin, and Worth, all realized a greater-than one percent shift in property taxes due to 480-a. In the three-county area, the town of Osceola, in Lewis County, realized the greatest impact from 480-a. Slightly more than 14% of the town’s property taxes were shifted to non-480-a properties. Even considering \$1,135 in timber payments to the town, the town of Osceola is shifting nearly \$52,000 in tax revenue due to 480-a in 2024 alone.

⁷ http://orps1.orpts.ny.gov/cfapps/MuniPro/muni_theme/exemptsearch.cfm?swis=59

The Forest Tax Exemption and Impacts on Municipal Budgets

Table 2: Financial impact of the 480-a exemption on towns in Jefferson, Lewis, and Oswego counties (2023 assessment data projected for 2024).

TOWN	COUNTY	Number of 480-a of Exemptions	Full Value of Parcels Before 480-a Exemptions	Equalized Value of 480-a Exemptions	Percent of Value Exempted by 480-a	Equalized Value of ALL Exemptions (not including STAR)	Percent of TOTAL Exemptions	Equalized Value of 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	Calculated Missed Town Taxes	Timber Payments to Town	Town Tax Revenue Missed Due to 480-a Exemption
Osceola	Lewis	63	\$19,185,063	\$10,726,106	55.9%	\$13,632,219	78.7%	\$76,501,661	14.02%	\$376,928	\$4.93	\$4.32	\$52,848.06	\$1,135.10	\$51,712.96
Lyonsdale	Lewis	42	\$6,710,738	\$5,100,689	76.0%	\$17,471,872	29.2%	\$150,861,202	3.38%	\$581,707	\$3.86	\$3.73	\$19,667.79	\$0.00	\$19,667.79
Diana	Lewis	21	\$8,896,700	\$4,441,360	49.9%	\$19,192,973	23.1%	\$254,962,011	1.74%	\$699,375	\$2.74	\$2.70	\$12,182.90	\$753.81	\$11,429.09
Lewis	Lewis	10	\$3,614,059	\$1,665,309	46.1%	\$8,389,390	19.9%	\$97,184,818	1.71%	\$643,672	\$6.62	\$6.51	\$11,029.63	\$0.00	\$11,029.63
Greig	Lewis	27	\$6,482,148	\$4,612,617	71.2%	\$12,356,670	37.3%	\$318,987,160	1.45%	\$857,722	\$2.69	\$2.65	\$12,402.82	\$0.00	\$12,402.82
Williamstown	Oswego	9	\$2,222,222	\$1,535,136	69.1%	\$13,217,433	11.6%	\$122,268,878	1.26%	\$679,571	\$6.23	\$6.15	\$9,566.44	\$0.00	\$9,566.44
Watson	Lewis	23	\$10,681,235	\$3,475,500	32.5%	\$24,065,820	14.4%	\$284,686,544	1.22%	\$1,183,047	\$4.16	\$4.11	\$14,442.83	\$4,671.82	\$9,771.01
West Turin	Lewis	7	\$5,081,830	\$2,177,730	42.9%	\$16,869,390	12.9%	\$198,612,962	1.10%	\$726,727	\$3.66	\$3.62	\$7,968.34	\$0.00	\$7,968.34
Worth	Jefferson	6	\$957,100	\$463,886	48.5%	\$1,361,975	34.1%	\$42,711,716	1.09%	\$182,353	\$5.88	\$5.79	\$2,727.65	\$0.00	\$2,727.65
Redfield	Oswego	7	\$1,277,222	\$886,082	69.4%	\$5,770,046	15.4%	\$121,038,611	0.73%	\$735,000	\$6.32	\$6.27	\$5,601.78	\$685.51	\$5,601.78
Amboy	Oswego	3	\$1,410,411	\$732,274	51.9%	\$8,559,003	8.6%	\$118,398,623	0.62%	\$688,103	\$6.26	\$6.22	\$4,587.42	\$0.00	\$4,587.42
Croghan	Lewis	20	\$5,103,368	\$2,501,486	49.0%	\$39,314,173	6.4%	\$461,167,095	0.54%	\$1,568,264	\$3.40	\$3.38	\$8,506.65	\$0.00	\$8,506.65
Boylston	Oswego	3	\$360,156	\$186,097	51.7%	\$3,245,627	5.7%	\$74,489,444	0.25%	\$428,888	\$6.02	\$6.00	\$1,120.30	\$0.00	\$1,120.30
Turin	Lewis	3	\$1,067,353	\$228,353	21.4%	\$38,942,264	0.6%	\$131,370,666	0.17%	\$627,391	\$4.78	\$4.77	\$1,090.55	\$0.00	\$1,090.55
New Bremen	Lewis	3	\$608,579	\$397,309	65.3%	\$21,294,878	1.9%	\$236,589,234	0.17%	\$1,119,051	\$4.73	\$4.72	\$1,879.24	\$8.14	\$1,871.10
Montague	Lewis	2	\$129,114	\$87,494	67.8%	\$8,772,909	1.0%	\$56,109,678	0.16%	\$227,111	\$4.05	\$4.04	\$354.14	\$0.00	\$354.14
Parish	Oswego	3	\$762,703	\$221,736	29.1%	\$35,968,145	0.6%	\$213,417,482	0.10%	\$1,130,344	\$6.37	\$6.36	\$1,412.45	\$0.00	\$1,412.45
Albion	Oswego	3	\$261,977	\$168,730	64.4%	\$24,666,321	0.7%	\$171,144,115	0.10%	\$553,888	\$3.78	\$3.77	\$637.67	\$0.00	\$637.67
Orwell	Oswego	2	\$391,507	\$157,326	40.2%	\$10,377,396	1.5%	\$168,592,512	0.09%	\$881,036	\$5.57	\$5.56	\$876.08	\$0.00	\$876.08
Harrisburg	Lewis	4	\$275,316	\$106,734	38.8%	\$75,956,325	0.1%	\$133,657,627	0.08%	\$142,224	\$1.06	\$1.06	\$113.57	\$0.00	\$113.57
Leyden	Lewis	1	\$223,165	\$107,025	48.0%	\$8,900,833	1.2%	\$141,675,294	0.08%	\$496,006	\$3.50	\$3.50	\$374.69	\$0.00	\$374.69
Clayton	Jefferson	1	\$1,170,000	\$481,900	41.2%	\$98,337,665	0.5%	\$1,167,187,015	0.04%	\$800,730	\$0.75	\$0.75	\$361.03	\$0.00	\$361.03
Constantia	Oswego	2	\$137,077	\$78,523	57.3%	\$44,768,903	0.2%	\$476,294,471	0.02%	\$1,436,132	\$3.33	\$3.33	\$261.30	\$0.00	\$261.30
Oswego	Oswego	1	\$160,870	\$90,997	56.6%	\$330,463,803	0.0%	\$684,920,780	0.01%	\$1,292,440	\$3.65	\$3.65	\$331.80	\$0.00	\$331.80
Theresa	Jefferson	1	\$90,000	\$34,880	38.8%	\$24,416,345	0.1%	\$308,722,075	0.01%	\$468,985	\$1.90	\$1.90	\$66.13	\$0.00	\$66.13
Hannibal	Oswego	1	\$32,836	\$26,269	80.0%	\$32,342,267	0.1%	\$251,356,094	0.01%	\$584,502	\$2.67	\$2.67	\$70.11	\$0.00	\$70.11
Martinsburg	Lewis	1	\$18,974	\$15,179	80.0%	\$155,007,815	0.0%	\$281,262,008	0.01%	\$386,306	\$1.37	\$1.37	\$20.85	\$0.00	\$20.85

The Forest Tax Exemption and Impacts on Municipal Budgets

The Osceola Example

Current exemption situation

To explain Table 2, Osceola will be used as an example. In Osceola, there were 63 forest tax law exemptions in 2023. Without the exemption, the full value of those 63 properties was \$19,185,063. The value of the exemptions on those 63 properties was \$10,726,106, or about 60% of their full value. In Osceola, nearly 79% of all the town's exemptions (not including STAR) were due to the forest tax law exemption and 14% of the town's taxes were shifted onto non-enrolled properties by the forest tax law exemption. Osceola received \$1,135 in timber payments, but \$51,700 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 of assessed value. 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 4.93, while the full value tax rate per \$1,000 without the 480-a exemption is 4.32. On a home valued at \$100,000, the property taxes owed to the town would be \$493 with the 480-a exemption in place, versus \$432 if the 480-a exemption were not in place.

Large Landholdings – How One Owner Can Impact Communities

It is important to point out that the forest tax law has never precluded large landowners, such as Timber Investment Management Organizations (TIMOs) or Real Estate Investment Trusts (REITs), 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.”⁸ Given all the requirements and oversight required by the law, the results of a large landowner entering the program can have a significant negative impact on the town's finances and remaining taxpayers.

On Tug Hill, one large landowner owns eight parcels in the Lewis County towns of Lewis, Osceola, Martinsburg, and West Turin and is receiving the 480-a tax exemption. Table 3 on the next page shows the impact of these specific 480-a properties on the town, county, and school districts using 2023 assessment data and 2024 tax rates⁹. The tax impact numbers were calculated using the 480-a taxable value for each taxing jurisdiction. The total taxes shifted by one large landowner (eight parcels) enrolled in 480-a onto the remaining non-480-a taxpayers is just over \$164,400.

⁸ https://barnardclan.com/dec/publications/480a/Part_199.pdf

⁹ This impact analysis was provided by Candy Akin, Director, Lewis County Real Property Tax Services, August 2024.

The Forest Tax Exemption and Impacts on Municipal Budgets

Table 3: Impact of one large landowner enrolled in 480-a on all taxing jurisdictions

Taxing Jurisdiction	Tax Impact	Total Tax Impact on Taxing Jurisdiction
County of Lewis	\$ 45,179.30	\$ 45,179.30
Town of Lewis	\$ 9,379.14	
Town of Martinsburg	\$ 46.41	
Town of Osceola	\$ 22,495.42	
Town of West Turin	\$ 8,577.64	\$ 40,498.61
Adirondack Central School	\$ 15,095.67	
Camden Central School	\$ 36,038.98	
Lowville Central School	\$ 105.68	
South Lewis Central School	\$ 27,499.00	\$ 78,739.33
		\$ 164,417.24

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. When surveyed, 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 cover the up-front 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. Fragmentation makes forest management more challenging and have negative effects on habitat and watershed protection efforts.

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 application¹⁰. 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 maintaining 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.

¹⁰ <https://lewiscountyny.gov/departments/real-property/gis-mapping-web-application/?highlight=mapping>

The Forest Tax Exemption and Impacts on Municipal Budgets

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 include 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.¹¹

The Local Perspective

The commission has received comments from a former 480-a enrollee and town board member of the town of Lewis, Ian Klingbail, that the program is not working as originally envisioned by 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, immediate past 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 the ability to pay realistic taxes to municipalities.

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 proposed improvements to the law, including 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 would be locally more palatable.

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.”¹² 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 as forests and managing for mixed-aged class stands, more carbon is sequestered, and a broader

¹¹ <http://www.tughillcouncil.com/tug-hill-reserve-act/>

¹² <https://www.dnr.state.mn.us/foreststewardship/sfia/index.html>

The Forest Tax Exemption and Impacts on Municipal Budgets

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 which communities are being impacted by the more than one percent shift on a regular basis and adding it to their base AIM payment. A standard operating procedure needs to be made involving the state comptroller's office communications 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 primarily shows 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 recently, 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 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 remainders of the towns.

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