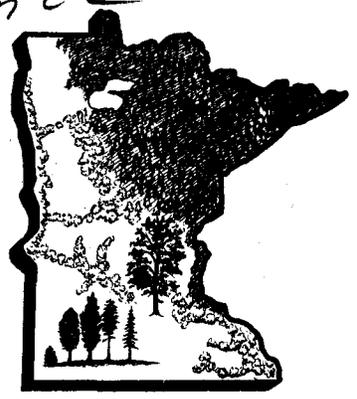
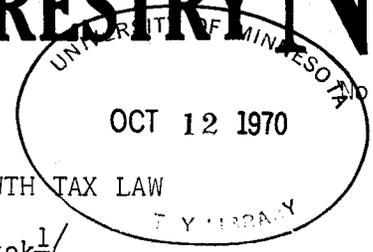


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# MINNESOTA FORESTRY NOTES



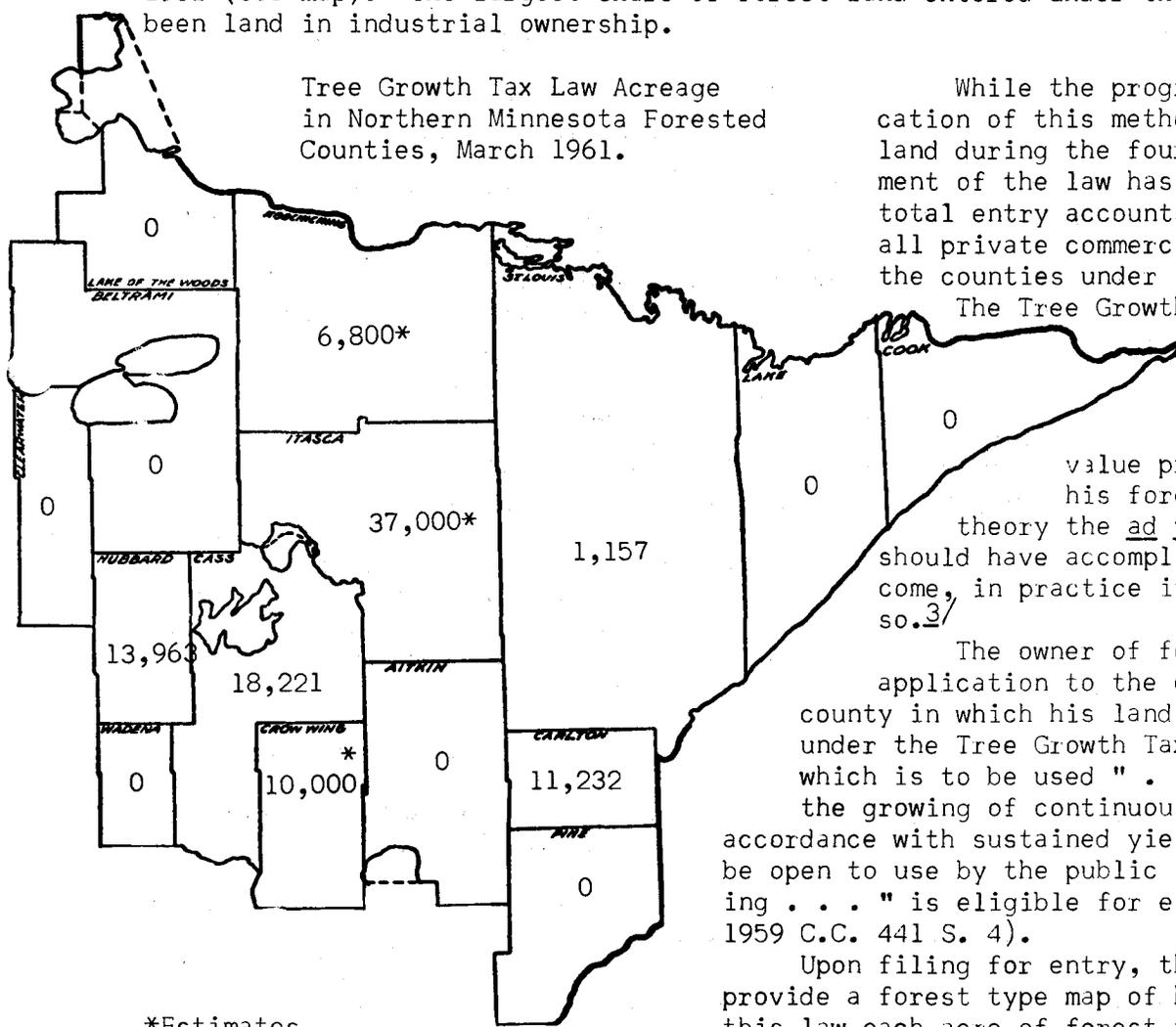
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## MINNESOTA TREE GROWTH TAX LAW

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A recent survey of county offices<sup>2/</sup> in 15 northern Minnesota counties revealed that approximately 98,373 acres of privately owned forest land had been accepted for taxation under the Tree Growth Tax Law (Law 1957, Chap. 639 S. 1) as of March 1961 (see map). The largest share of forest land entered under this law to date has been land in industrial ownership.

Tree Growth Tax Law Acreage  
in Northern Minnesota Forested  
Counties, March 1961.



While the progress made in application of this method of taxing forest land during the four years since enactment of the law has been substantial, total entry accounts for only 1.3% of all private commercial forest land in the counties under study.

The Tree Growth Tax Law is an attempt to directly relate the tax paid by the forest land owner to the value producing capacity of his forest land. While in theory the ad valorem property tax should have accomplished this same outcome, in practice it has failed to do so.<sup>3/</sup>

The owner of forest land must make application to the county board of the county in which his land is located for entry under the Tree Growth Tax Law. Only land which is to be used " . . . exclusively for the growing of continuous forest crops in accordance with sustained yield practice and will be open to use by the public for hunting and fishing . . . " is eligible for entry (1957 C 639 S. 8; 1959 C.C. 441 S. 4).

Upon filing for entry, the land owner must provide a forest type map of his property. Under this law each acre of forest type is assumed to

\*Estimates

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<sup>2/</sup> The author wishes to acknowledge the cooperation of the county officials contacted in northern Minnesota in the course of this survey.  
<sup>3/</sup> See, for example, Dana, Allison, and Cunningham. Minnesota Lands. 1960. The American Forestry Association. pp. 348-350.



have a physical productivity (annual growth in volume of wood) equivalent to the average for that type within the county concerned. The average annual growth by forest type is based on studies made by the Minnesota State Division of Forestry and the Lake States Forest Experiment Station and submitted to the respective county board for their acceptance. Examples of the currently applicable average annual growth rates for some forest types in 3 northern counties are shown in the table.

Some Average Annual Growth Rates  
Used on Tree Growth Tax Lands in Minnesota

<u>Forest type</u>	<u>County</u>	
	<u>St. Louis &amp; Koochiching</u>	<u>Carlton</u>
	Ave. annual growth-cords	
Spruce-fir . . . . .	.28	.19
Swamp spruce . . . . .	.15	.10
Jack pine . . . . .	.30	.29
Norway-White pine . .	.26	.38
Aspen-Birch . . . . .	.31	.11

The average annual value produced per acre of forest land is based on this annual growth rate times the average stumpage value (as determined from the previous two years of county sales from this timber type). The resultant value of annual growth per acre is equivalent to the gross income produced on each acre of type. The tax per acre is stipulated by law to be 30% of this value. An example of tax rate determination follows:

Spruce-Fir: Koochiching County

Growth rate = .28 cords/year

Stumpage rate 1960-1961 = \$2.50/cord

Tax per acre = .28 x 2.50 x .30 = \$0.21

The law also provides for a 50¢ per acre per year tax credit applicable against taxes on other acres in the same governmental subdivision for each acre of land planted and maintained with at least 500 trees of commercial species. This tax credit applies until the plantation reaches ten years of age at which time the area is taxed under the normal procedure as described above.

This law provides some degree of incentive for the owner of forest land to raise and maintain the productivity of his land above the average for the county in which it is located. By so doing the actual 30% rate on gross income becomes something less depending upon how much his forest is above average.

Some counties have not yet permitted entry of forest lands under this law and entry is not actively being encouraged in others. However, the acreage already entered is providing information and experience that will be helpful in evaluating the effectiveness of this new approach to forest land taxation in the U.S.