



Woodland News

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Although there is a preferential tax for forestland in Pennsylvania, there are concerns about the program among private forest landowners, forest industry representatives, and county officials. The preferential tax program commonly known as Clean and Green bases the assessment on the land's ability to produce income in its current use, rather than its fair market value. The Pennsylvania legislature created Clean and Green in 1974 with the objective of conserving farm and forestland by providing tax incentives for landowners not to convert their land to other uses. The program objectives are especially important in urbanizing counties where development pressures are high.

The preferential assessment under Clean and Green is formula-based. It uses projected timber yields, current stumpage prices, and interest rates to determine use values for an 80-year timber rotation. Until recently, landowners were less concerned with the formula's use values, since stumpage prices were low and interest rates high. Thus, the as-

essed value for forestland remained relatively low. However, in the 1990s, low inflation (resulting in lower interest rates) and rapidly escalating stumpage prices drove the Clean and Green assessments for forestland higher. Nevertheless, a recent Penn State study shows only 23 percent of the landowners surveyed believe that the Clean and Green assessed values are too high.

Currently, landowners enroll in the voluntary Clean and Green program only in counties with recent reassessments. Many of Pennsylvania's 67 counties have not recently reassessed property values; so assessed values are lower than the use values available under Clean and Green. There were over two million acres (one-sixth of private forestland) enrolled in the Clean and Green program in 2000.

An issue with landowners is the so-called deferred income problem. Unlike farmers, many forest landowners only have timber income from their forestland once in the lifetime (when they harvest). However, they pay annual property taxes.

Calculations show that even with the preferential assessment, the compounded value of the annual tax payments over an 80 to

100-year rotation is generally far greater than the revenues from timber harvests. Another landowner complaint is that actual forestland value can vary quite widely within the same county. However, the Clean and Green assessed rate within a county is the same for all landowners.

Many tax assessors and commissioners say that the assessed values derived from the current use value formula are too low in their counties. Traditionally, property taxes fund schools and local governments.

One particular concern among county officials is a recent amendment to the law. The amendment allows the land under a house, known as the "farmstead," to be assessed at Clean and Green rates and count toward the 10-acre minimum area. This provision is especially hard on rural counties where the fair market valuation for the "farmstead" acre comprised a significant portion of their tax revenues.

The provision may also encourage developers to subdivide larger properties into 10-acre "mini-estates" that meet the size requirements for Clean and Green, but do not provide the kind of open space that the law was intended to protect.

These "mini-estate" owners could pay considerably less in property taxes than people who own lower-value residences on smaller parcels in the same county.

As large forestlands are subdivided, it often makes forest management more difficult, and many of the smaller parcels are essentially removed from the land base that supports Pennsylvania's forest products industry.

Another point of contention with Clean and Green is that the penalties for withdrawing from the program are not high enough compared to the potential profit from developing the land.

Many government officials believe that the penalties do little to prevent developers from purchasing land and enrolling it in the

program until the time is right to develop the property. In this way, the program can reduce the cost of land speculation, potentially encouraging development.

As with any tax, there are complaints from all sides: county officials, landowners, rural counties, and urban counties. What is clear, though, is that there are issues to address with the Clean and Green program for forestland. One solution that can help is local tax reform at a larger scale, addressing school funding and income and sales taxes.

For more information about Clean and Green, request the free publication: Forest Finance #4: Understanding Forest Property Tax Assessment in Pennsylvania. The publication is available from the Pennsylvania Forest Stewardship Program by calling 1-800-235-WISE (toll-free), sending e-mail to RNRext@psu.edu, or writing to: Forest Stewardship Program, Forest Resources Extension, The Pennsylvania State University, 7 Ferguson Building, University Park, PA 16802.

Pa. Class I Milk Price Announced For June

HARRISBURG (Dauphin Co.) — The Pennsylvania Milk Marketing Board (PMMB) announced the prices to be paid to Pennsylvania dairy farmers for June Class I milk (beverage) as an average of \$15.08 in the western areas of the commonwealth, and an average of \$15.57 in the central and eastern areas of the commonwealth. These prices do include the over-order premium of \$1.65 per 100 pounds of milk.

Farmers whose milk production is pooled under a federal order will receive a marketwide blend price based upon the value of all classes of milk. However, the blend price received will vary as the component composition of a farmer's milk differs from the established benchmarks of 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.



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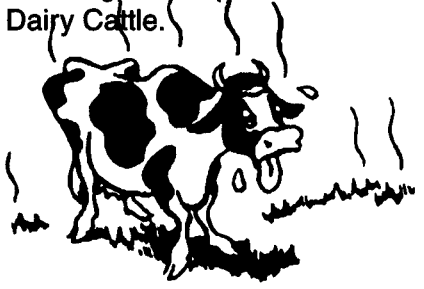
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