

**Summary of Changes Based on Public Comments Received regarding the subject,
'Preliminary 2017 Tax Law Stumpage Rates'**

Thank you to the individuals that provided feedback on the Department of Natural Resources, Division of Forestry proposed program guidance titled "**Preliminary 2017 Forest Tax Law Stumpage Rates**".

Two e-mail comments were submitted to the Department during the public comment period. Included in this document are all of the public comments received. One comment was related to the stumpage values and the subsequent tax rates information annually published. The other comment was related to individual product stumpage values for two species in one geographic zone, and resulted in minor changes to two stumpage rates for Aspen cordwood, and Jack Pine logs in Zone 7. The derived final tax law rates guidance was issued on November 1, 2016 as required by statute.

Comment: "I reviewed the Tax Payment Rates. As we know a severance tax will no longer be paid on wood harvested on MFL or FCL properties. With that in mind I feel it would be appropriate to publish the "Stumpage Rates" for the Zones you have established instead of the Severance Tax Rates. As the law states: ***77.91 Miscellaneous provisions. (1) STUMPAGE VALUES.** Each year the department shall establish reasonable stumpage values for the merchantable timber grown in the municipalities in which managed forest land is located. If the department finds that stumpage values vary in different parts of the state, it may establish different zones and specify the stumpage value for each zone. The stumpage value shall take effect on November 1 of each year. Notwithstanding s. 227.11, the department may not promulgate or have in effect rules that established stumpage values.*

Thanks Gerald. Looking forward to your reply."

Response: Thanks for your review and comment. The annual calculation process of stumpage values based on three-year weighted averages meets the statutory requirement in s. 77.91 (1) Wis. Stats. Publication of tax rates derived from those average stumpage values is required in s. 77.91 (2) Wis. Stats. With the change following passage of Act 358, the application of the tax rates will have a role limited to certain withdrawal and enforcement situations. Because the calculated stumpage rates are three-year weighted averages and do not represent current market rates, and the derived tax rates are the actual figures used for invoicing in those limited withdrawal and enforcement situations, the Department will continue to publish the derived tax rates to meet statutory requirements.

Comment: “Looking at the MFL proposed stumpage rates brings up several issues that I have always had a problem with. I think that we need to look at the prices we generate in relation to other product categories and weigh the data based on standard conversion values. An example of this is to look at the value for logs and the value for cords for the same product. Standard conversion values are 2.2 cords/MBF for hardwood and 2.44 cords/MBF for conifer. All of my comments are related to the Rhinelander area.

1. Aspen log price is listed as \$82.62 per MBF. If you use the standard conversion of cords to MBF from page A-18 of the Timber Sale Handbook (2.2 cords per MBF for hardwood) the pulpwood price for aspen is currently higher per cord than log prices.
 - A. Aspen pulp is 43.63 /cord or \$95.99/MBF equivalent. I bring this up not to convince you that aspen log price is too low, but as evidence that aspen pulpwood is probably too high.
 - B. The same argument can be made for jack pine except that log prices are way too low.

Somehow we need to look critically are the values not only based on the data you have received but by cross checking them against comparable categories (but supposedly higher value products).

I commend you on looking at the price per cords vs the price per ton. Though it is not perfect, the prices per cord vs the price per ton is much more comparable than in years past.

Finally Birch, aspen and mx hardwood pulpwood prices seem a bit high in the Rhinelander zone. Oak is very high for pulpwood and we have only been able to sell it as firewood. Seems like you data includes a lot of bolt sales of oak.”

Response: “Thanks for your review and comment. You bring up good points and issues that have been ongoing challenges. Your example of sawlog/cordwood value comparison by species and zone is very pertinent. The calculation of annual stumpage values is based on species and product data reported by Cooperating Foresters from timber sales completed in the previous year, and added to data from the previous two years to arrive at three-year averages. It is not uncommon for reported data and subsequent calculated values to include prices reported for products not currently represented in DNR’s tax law product categories (including bolts of all species) which can inflate pulpwood values or conversely deflate sawlog values. We can and do make adjustments when we have specific data to support changes. Also certain species/product data, including jack pine log values, are not reported every year or are reported in low frequencies which are subsequently calculated with limited data and can produce lower values when compared to current markets or to other products for the same species. Based on your observations and recommendations, the cordwood rates for Aspen and the log rates for Jack Pine in Zone 7 were adjusted for better alignment between product categories. You note other species cordwood values in the Rhinelander zone are high. We recognize and do communicate that the calculated values are not representative of current market values. The process used cannot and does not attempt to reflect the current market. The process used to calculate the stumpage values to meet the statutory requirement is long-established. The Department has looked at making changes in several areas of the process and continues to consider how best to accomplish the goals of this process. ”

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