

Maine's Tree Growth Tax Law: The Basics

**Maine Forest Service
2018**



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Property Taxation

▶ **Ordinary taxation:**

- Assessed value is based on "just or fair market value" or "highest and best use" of the property

▶ **"Current use" taxation:**

- Property's assessed value (primarily land) is based on the "current use" of the property
- Not based on "highest and best use"

Current use tax programs

- ▶ Are statewide programs based on state law
- ▶ Are administered locally by the town assessor
 - Maine Revenue Service is assessor in unorganized townships
- ▶ Have eligibility requirements for land
- ▶ Usually reduce the valuation (therefore taxes) of classified land
- ▶ Have significant withdrawal penalties for changing the land use OR failing to meet requirements

Current Use Programs in Maine

- **Farmland** (*Tax Bulletin 20*)
- **Open Space** (*Tax Bulletin 21*)
- **Tree Growth** (*Tax Bulletin 19*)
- **Go to Maine Revenue Service (MRS) website:**
<http://www.maine.gov/revenue/forms/property/appsformspubs.htm>

In the Beginning...

- ▶ Tree Growth Tax Law (TGTL): in effect since 1971.
- ▶ Purpose:
 - "to tax all forest lands according to their productivity"
 - "encourage forest landowners to retain and improve their holdings of forest lands"
 - "to promote better forest management"

(Source: Title 36, Chapter 105, Subchapter 2-A, Tree Growth Tax Law)

Please Remember This...

- ▶ The Maine Forest Service (MFS) does NOT administer the Tree Growth Tax Law (TGTL)
- ▶ TGTL is NOT related to the American *Tree Farm System*.

Tree Growth Tax Law - Snapshot

- ▶ Primary landowner intent must be to grow and harvest forest products
- ▶ Minimum 10 forested acres
- ▶ TGTL runs with the **land**, *not* the landowner
- ▶ Must have a current forest management & harvest plan, updated at least every 10 years
- ▶ Must recertify at least every 10 years
- ▶ Withdrawal can result in a BIG penalty

How Land is Valued Under TGTL

- ▶ Valuations per acre for classified forest land established by the MRS, with data from MFS, adjusted each tax year
 - Valuation rates are determined for Softwood, Mixedwood, Hardwood stands in each county
 - Number of acres X value per acre = assessed value

Getting into Tree Growth...

Primary objective for the classified forest acres must be growing, improving and harvesting forest products with commercial value

Sawlogs, Firewood, and Pulpwood are Forest Products



Maple Syrup is a Forest Product



Christmas Trees and wreath brush are Forest Products



Fruit trees, nuts, berries, mushrooms, ginseng, etc.
are NOT forest products that satisfy TGTL



Harvesting...

- ▶ Harvesting of commercial forest products is required, as recommended in the forest management & harvest plan
- ▶ Harvesting land classified under TGTL is not prohibited
- ▶ Harvests on TGTL land is not regulated differently from other land

How to apply...

► For land classified for the first time, you must

- Have a written *forest management and harvest plan* prepared or reviewed, and signed, by a Maine licensed forester

► Do not give this to the town/assessor

■ Submit a Tree Growth Application Schedule to the town/assessor

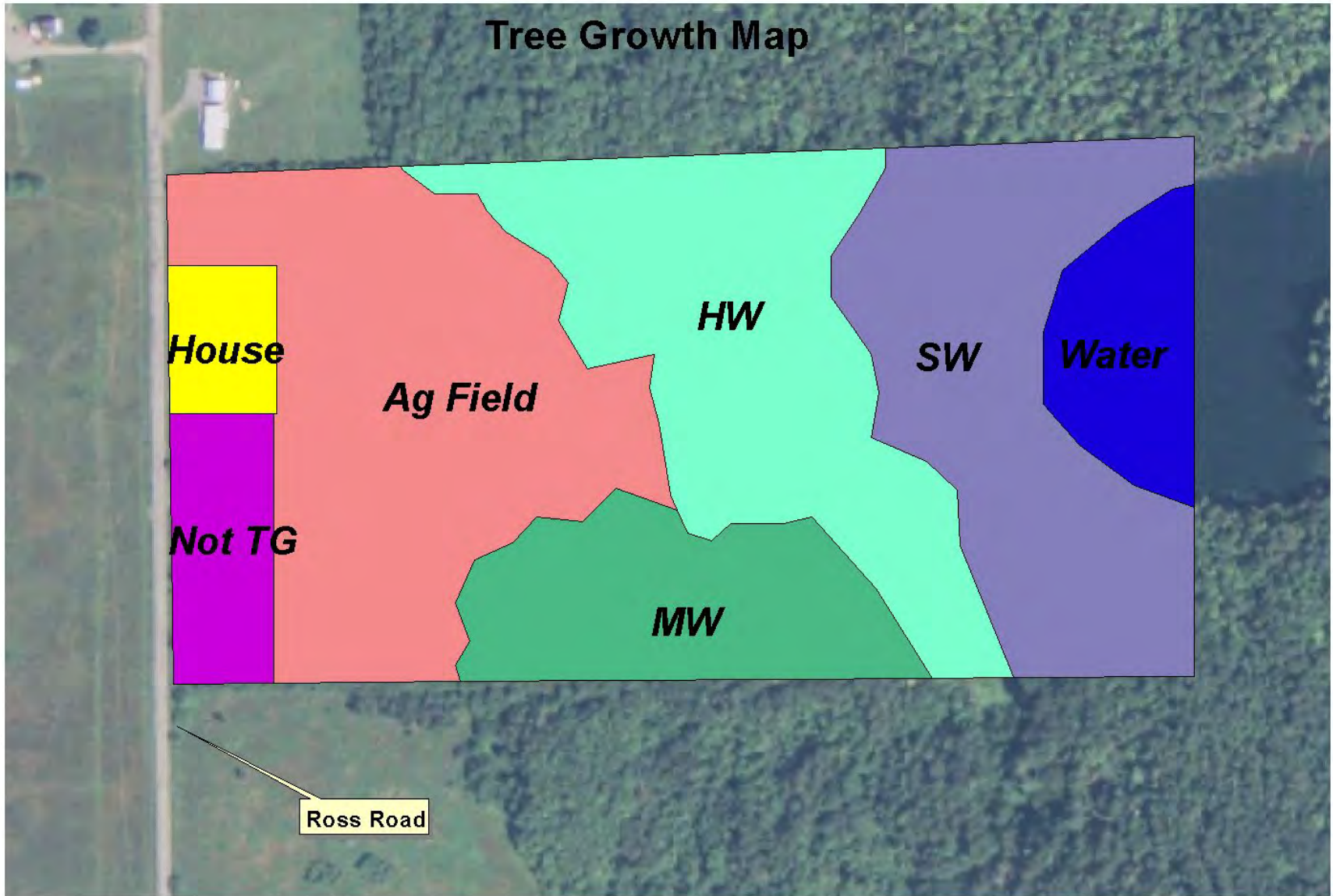
- Submit a map of the parcel showing the classified and other land uses to the town/assessor

The TGTL Map

- ▶ The map must show the location of water bodies and all land uses accurately
- ▶ The map must show the forest stand types (softwood, hardwood, and mixed wood) for the classified forest acres
- ▶ The location of different land uses can't be moved around over time, without triggering possible withdrawal penalties
- ▶ The map can be updated/revised to be more accurate if necessary
- ▶ The map must be updated when changes in land use occur

Smith Lot in Blaine

Tree Growth Map



Land Use Summary:

House = 1 ac	Not In TG = 3 ac
Ag Field = 12 ac	HW = 11 ac
MW = 7 ac	SW = 11 ac
Water = 4 ac	



300 0 300 600 Feet

Prepared By: Forester Name, LPF
Not A Legal Survey

Forest Management and Harvest Plan (the "forestry plan")

- ▶ Must be a written document
- ▶ Must be prepared or reviewed by a Maine licensed forester
- ▶ Must contain all required items listed in Tax Bulletin 19 (may have more)
- ▶ The plan is not a public document.

DON'T FORGET...

- ▶ The landowner's primary intent must be to grow and harvest commercial forest products on the classified acres
- ▶ TGTL is semi-permanent - land classified under TGTL stays under TGTL until withdrawn or transferred to another current use tax program
- ▶ TGTL status runs with the *land*, not the landowner
- ▶ Withdrawal results in a penalty

Keeping land in...

- ▶ Follow your forest management and harvesting plan
- ▶ Ok to amend or modify if things change—just write it down!
 - ▶ Have licensed forester review if applicable
- ▶ Must recertify at least every 10 years
 - ▶ Update the plan and file a new Application Schedule

Ten Year Recertification

- ▶ Licensed Forester inspects the parcel and certifies that:
 - Looking back: Activities on the ground followed the plan
 - Looking forward: Recommended activities in writing for the next ten years
- ▶ Licensed Forester *signs* a new TGTL Application Schedule
- ▶ Landowner signs and submits the new schedule and updated map to the assessor

Forest Management & Harvesting Plans

- ▶ File by April 1st of first year enrolled: plan must be complete/in effect by that date
- ▶ Landowner does not automatically submit the plan itself to the town to apply (just the map)
- ▶ Assessor can request, in writing, a copy of the plan for compliance review. Plan content is confidential, and the copy must be returned after reasonable period of time.

Getting out of TGTL the Good Way

- ▶ Option #1: Landowner transfers to Open Space or Farmland Tax programs
 - ▶ No penalty, as long as land qualifies
- ▶ Option #2: Withdraw from TG voluntarily and pay a penalty

Getting out the Hard Way

- ▶ The assessor withdraws the land because Landowner fails to meet requirements by:
 - ▶ Creating parcels less than 10 acres
 - ▶ Failure to follow the forestry plan
 - ▶ Failure to recertify- this only happens after a long process, involving several supplemental assessments
- ▶ Landowner pays a penalty

Transfer of Ownership

- ▶ For land already classified and sold to a new landowner:
 - TGTL parcel ≥ 10 acres stays classified at transfer; new landowner has one year to decide to stay in or withdraw
 - Sale results in a subdivision leaving < 10 acres in a parcel = automatic withdrawal

Options for the New Owner

- ▶ Stay enrolled by filing a new Application Schedule and map within one year of transfer date
 - ▶ Plan requirements: adopt previous owner's plan, or develop a new one with a licensed forester
- ▶ Roll over to Farmland or Open Space
 - ▶ No penalty, if acres qualify
- ▶ Withdraw some or all of the land
 - ▶ One time penalty

Penalty for Withdrawal

- ▶ Penalties can be large
- ▶ Based on a percentage of the difference between the acre-specific "just" value and the TGTL Valuation on date of withdrawal
 - The percentage can change with years enrolled
- ▶ The details of the formula are in Bulletin 19.
 - Minimum = difference in taxes paid, last 5 years, plus interest

Best TGTL Advice

- ▶ Do **NOT** listen to your friends, family, neighbors, folks at the diner, snippets overheard in line at the supermarket, etc., when it comes to Tree Growth Tax Law.
- ▶ For the best information contact the Maine Revenue Service, your Town Tax Assessor, the Maine Forest Service, or a licensed forester.

Test (T/F)

- ▶ The town office keeps a copy of your forestry plan.
 - False
- ▶ Land can be withdrawn from TG every ten years without penalty.
 - False
- ▶ Timber harvesting is allowed on TG land.
 - True

For more information:

MFS TGTL web page:

http://www.maine.gov/dacf/mfs/policy_management/woodswise/tree_growth_tax_law.html

Maine Revenue Service

- ▶ Property Tax Division
PO Box 9106
Augusta, Maine 04332-9106
- ▶ Telephone, Municipal Service Section: 207-624-5600
Telephone, Unorganized Territory Section: 207-624-5611
Fax: 207-287-6396
- ▶ Email address: prop.tax@maine.gov

Maine Forest Service

Landowner Outreach Forester

207-287-8430

Augusta Office: 1-800-367-0223 (in state)

e-mail: Forestinfo@maine.gov

website: www.maineforestservice.gov

Find your local MFS [District Forester](#)

Maine Forest Service District Foresters

