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The Maine Tree Growth Tax Law

Maine Forest Service, DEPARTMENT OF AGRICULTURE, CONSERVATION & FORESTRY
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The Tree Growth Tax Law (36 MRSA §571 to §584-A) is a cornerstone of Maine's public policy which encourages the management of forestland for a continuous supply of forest products and services. Forestland enrolled in the program is valued on the basis of its ability to grow trees rather than its "highest and best use."

What are the Advantages of Tree Growth?

Forestland classified in the Tree Growth Tax program is *valued* based on its capacity to grow timber, not other possible uses, such as development. The State Tax Assessor sets per acre valuations by county, based on stumpage prices, growth rates, and a discount rate. Each town uses its own *tax rate* to determine the property tax owed. This usually reduces the property tax on enrolled lands.

Who Qualifies?

Any landowner who owns 10 or more acres of forested land in Maine and who manages that land to harvest trees commercially qualifies.

How Do I Apply?

Submit a "Tree Growth Application Schedule" and a map to the local assessor (organized municipalities) or State Tax Assessor (unorganized townships). The map will show the land uses for each acre on the parcel being enrolled, including the forest types (softwood, hardwood or mixedwood), as determined in the Forest Management and Harvest Plan.

Applications must be filed on or before April 1st of the year in which classification is first requested. Annual applications are not necessary; however, the assessing authority may request a new application at any time with 120 days written notice. You must report any changes in forest type or land use of classified forestland when they occur.

What's a Forest Management and Harvest Plan?

A Forest Management and Harvest Plan is a useful tool for any woodlot owner. To enroll forestland in Tree Growth, the landowner must obtain a Forest Management and Harvest Plan from a Licensed Forester, or prepare his/her own plan and have it reviewed and approved by a Licensed Forester. The town may request a copy of the plan and ask the Maine Forest Service to determine if it meets the

requirements of the Tree Growth Tax Law. Your plan is confidential and is not available to the public for examination.

You are required to follow your plan. Every 10 years, a Licensed Forester must certify that you are doing so. This certification is made by completing and filing a new Application Schedule.

Tree Growth compliant plans must include:

- General parcel information: Including the owners name and address and the property location.
- Planning period: The plan must cover a period of at least 10 years.
- Statement of owner's management objectives: In keeping with the intent of the law, the primary objective must be to grow trees to be harvested for commercial use.
- Activities to regenerate, improve and harvest a standing crop of timber
- Map of the parcel: The map should include the following to the nearest acre:
 - Forest cover type (softwood, mixed wood and/or hardwood);
 - Land unsuitable for commercial forest production;
 - Land not used primarily for commercial forest; and
 - Water bodies and wildlife habitat identified by the Department of Inland Fisheries and Wildlife.

What if I Acquire Land Enrolled in Tree Growth?

If you buy or receive land enrolled in Tree Growth, you have one year from the date of transfer to reapply to the municipal or State Tax Assessor to remain in the program. You must either (1) have a new Forest Management and Harvest Plan developed to meet your objectives; or, (2) adopt the previous landowner's plan. If you adopt the existing plan, a Licensed Forester must submit a statement that the

land is being managed according to the previous owner's plan. You cannot harvest timber on the property until you have reapplied. Failure to reapply within one year may lead to withdrawal and penalties, which can be substantial.

What Does "Commercial Harvesting" Mean?

Harvesting trees commercially means harvesting forest products that have commercial value, such as logs, veneer, bolt wood, poles, pulpwood, wood chips, pilings, biomass, fuelwood, Christmas trees, maple syrup, nursery products, wreaths, tips, cones, or other seed products.

Do I Have To Harvest Wood?

The landowner must follow the Forest Management and Harvest Plan. If the plan recommends harvesting as part of the management strategy, then harvesting is necessary. If harvesting is not recommended for the time covered, then harvesting is not necessary. There are no requirements to harvest a certain percentage of the lot annually or to harvest a minimum volume. However, Forest Management and Harvest Plans that never recommend any harvesting of commercial forest products are not acceptable for the Tree Growth Tax Law program, and may result in withdrawals and penalties.

Are There Any Special Requirements When I Do Harvest?

As with any timber harvest, you must file a Forest Operations Notification with the Maine Forest Service prior to starting the harvest. If your land is enrolled in Tree Growth, indicate on the notification that the land is enrolled and that the planned harvest complies with the Forest Management and Harvest Plan. If you do not do so, the Assessor may remove your property from Tree Growth and impose a financial penalty. If you indicate that the timber harvest will result in a change of land use, then the Maine Forest Service will notify the Assessor that the land may no longer meet the requirements of Tree Growth; the Assessor may remove the property from Tree Growth and impose a financial penalty.

What if I Change My Mind?

If you want to withdraw property from Tree Growth, you must notify the Town or State Tax Assessor. You need not remove an entire parcel from the program as long as at least 10 forest acres remain classified for Tree Growth. A penalty will be applied to the forest acres removed from the program. This penalty is based on the greater of: (1) the tax that would have

been assessed had the parcel not been enrolled in Tree Growth less all taxes paid for each of the preceding 5 years, plus interest; or (2) a percentage of the difference between the fair market value of the property and the Tree Growth valuation. See Tax Bulletin #19 for the actual formula used to calculate the penalty.

Summary

1. Enrollment in the Tree Growth Tax program may reduce the property tax burden on forestland managed mainly for commercial forest products.
2. All land enrolled in Tree Growth must have a written management plan.
3. New applications must be filed by April 1st of the year in which classification is being requested.
4. Every 10 years an application for re-classification must be submitted that includes a certification from a Licensed Forester that you are following your management plan, and that the plan is updated every ten years.

On-line Tree Growth Tax Law resources:

36 MRSA § 571 to 584-A (the actual law; click on the text beside "next:" to advance to the next section):
janus.state.me.us/legis/statutes/36/title36sec571.html

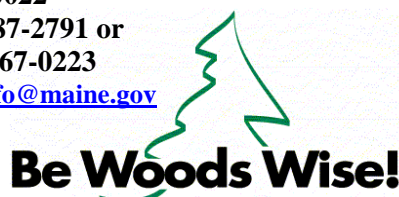
Bulletin No. 19 (explanation of the law):
www.maine.gov/revenue/forms/property/pubs/bull19.pdf

Tree Growth Application Schedule:
<http://www.maine.gov/revenue/forms/property/apps/treegrowthapp.pdf>

For more information contact:

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Property Tax Division
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