

Indiana's Property Tax Incentive Program for Wildlife Habitat Protection

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The need for programs that encourage development and protection of wildlife habitat on private land has long been recognized (Committee On Game Policy 1930). Past private land wildlife management efforts have focused on technical assistance, planting materials, cost-share and lease agreements, and tax incentives (Dumke et al. 1981). The tax incentive concept has been given recent emphasis by creation of programs in Indiana (Russell and Machan 1981), Iowa (Dermard and Herring 1983), Minnesota (Peterson and Madsen 1981), Texas and Wisconsin (Walton 1981).

In September 1979, the Indiana Division of Fish and Wildlife was given responsibility by the state legislature for implementing a broad-based property tax reduction act for wildlife habitat protection (Indiana Code Title 6-1.1-6.5, as amended). This paper summarizes the success of that program from its implementation through 1985.

Wildlife Classification and Property Tax Assessment

Providing property tax incentives to Indiana landowners was not a new concept. In 1921, the state's Classified Forest Act (Indiana Code Title 6-1.1-6, as amended) passed and gave landowners the opportunity to designate timbered tracts as classified forest. Qualifying areas were assessed at \$1/ac. Through 1985, 4,821 Indiana landowners had 5,543 tracts totaling 267,000 ac in this forestry program (Indiana Division of Forestry 1985). The classified wildlife habitat act (CWA) was patterned after the 1921 forest classification act. In the late 1960s, the CWA was proposed by conservation officials, but it did not receive serious consideration and approval by the state legislature until 1979 (Russell and Machan 1981).

Indiana property tax assessments on land, structures, and legal drainage ditches are conducted by county officials. Only land value is affected by classification. Land assessments are based on soil types, slope and land use. A factor based on soil and land characteristics is multiplied by a base rate of \$450/ac to derive a "true cash land value" (TCLV)/ac. This TCLV times the number of ac is then multiplied by 0.33 to derive the assessed land value of a property. Periodic reassessments are overseen by the State Board of Tax Commissioners, with a new Indiana reassessment set for 1987.

Property tax rates are developed by county officials and submitted to the State Board of Tax Commissioners for approval. Tax rates vary by townships within counties and are based on dollar and cents value/\$100 assessed valuation. Land entered as classified wildlife habitat is assessed at \$1/ac. Depending on local tax rates only a few cents/ac are actually paid by landowners enrolled in the CWA. The \$1/ac does not change with reassessment, but could be changed by legislative authority. Indiana's classified forest program, however, has had land assessed at a constant \$1/ac since 1921. Property taxes are collected by county governments or municipalities and revenues collected fund their projects. The CWA does not involve state income taxes.

Requirements for Wildlife Classification

Any parcel of Indiana land can qualify for wildlife classification if it meets certain minimum standards (Table 1).

TABLE 1. Land requirements for entry into Indiana's classified wildlife habitat program.

Requirements
Parcel contains a minimum 15 ac.
Area has less than 10 ac of contiguous woodland. Larger woodland tracts qualify for the classified forest program.
Tract contains trees, shrubs, grasses, or herbaceous vegetation capable of supporting wildlife.
Area has no dwelling or usable building.
No part lies within a licensed shooting preserve.
No grazing or commercial crops (except timber) can be produced on the tract.

Landowners contact district biologists who inspect the property to determine if the parcel qualifies for wildlife classification and answer landowner's questions. Landowners considering the CWA are encouraged to make a long-term commitment for their classified tracts.

If the landowner decides to proceed with classification, then a registered land surveyor must draw a plat of the tract and develop a legal description. The survey is usually completed using an aerial photograph and the owner's deed description. The local county assessor is also contacted to complete an assessment form of the prospective classified parcel. After that information is secured, the district biologist reviews the forms and returns them to the property owner for recording at the respective county recorder's office.

After proper forms have been recorded, the Division of Fish and Wildlife notifies the county auditor to adjust tax records by assessing the parcel at \$1/ac. Taxes are not reduced until the second spring tax installment after classification is completed. Areas designated as classified wildlife habitat annually receive the reduced tax assessment without need for further paperwork. Only if a withdrawal is initiated will the tract be reassessed at the full rate.

Classified landowners can withdraw voluntarily from the program at any time or be taken out of the program because of violations of the basic requirements. Landowners undergoing a withdrawal are required to pay the lesser value of an unearned increment tax or back taxes normally paid on the property. The increment tax is the difference in assessed value/ac on the classified area when it was entered and at the time of withdrawal. Back tax payment is the property taxes normally due on the classified area, plus a 10% penalty/year. The property tax penalty is only computed for a maximum 10 years, i.e. if a tract is withdrawn after 7 years then 7 years back taxes may be due. Withdrawal provisions were designed to protect the classified program from land speculators.

By law, on site inspections of classified tracts occur every 2 years and landowners are provided a minimum of 4 signs for posting on the boundaries of the tract. The signs delineate the area and are printed with a "restricted public use" phrase. All classified tracts remain private property and owners relinquish none of their basic property rights.

The Division of Fish and Wildlife requires classified wildlife habitat owners to complete an annual report concerning property ownership, land use changes and the need for wildlife habitat development assistance.

Wildlife classification does not require that any habitat work be completed, but

landowners have access to free technical assistance and monetary assistance is also available through other division programs.

In 1983, an amendment to the classified forest and wildlife acts was passed that permits the transfer of classified tracts between forest and wildlife areas. This allows landowners who have land use changes to maintain maximum classified acreage. District foresters and wildlife biologists handle the necessary paperwork. Landowners are only required to record the transfer form.

Methods

Classified area records for 11 statewide wildlife management districts were compiled from north and south regional office files. The number of parcels and total area from registered land surveyor plats were recorded.

On initial inspections of classified areas, biologists estimate the area of each habitat type and list them on standard forms. Estimates of habitat types are based on planimeter or dot grid measurements from aerial photographs. Total area for each habitat type was recorded and calculated as a percentage of total area.

A classified wildlife questionnaire on survey costs, withdrawals, transfers, landowner attitudes and classified problems was completed by 11 district biologists.

Each classified wildlife landowner is required to annually complete a questionnaire concerning their classified area. One question asked if any wildlife habitat improvement work was completed on their classified tract. Responses were tabulated and listed as a percentage of total responses.

Eleven district biologists were requested to randomly select 10 classified wildlife tracts from their districts. For each tract chosen, biologists secured tax information from county assessors on assessed land value before and after classification. Since tax rates vary by county and township, actual tax savings were computed from tables supplied by the Indiana State Board of Tax Commissioners. The difference in assessed values before and after classification was multiplied by the respective tax rate to compute tax savings/year. All data were analyzed using the Statistical Analysis System (SAS Institute Inc. 1982).

Results

Through 1985, 494 tracts covering 19,165.3 ac had been entered as classified wildlife habitat. Tract size averaged 38.8 ac and 82 of Indiana's 92 counties had ≥ 1 classified tract. Interest in the classified program has varied annually, with 1984 producing the most new areas and acres enrolled (Table 2). Approximately 1,000 potential classified tracts had been inspected through 1985.

TABLE 2. Area entering Indiana's classified wildlife program through 1985.

Year	No. new areas classified	Area (ac) enrolled
1979 ^a	3	70.3
1980	82	2769.5
1981	76	2875.4
1982	51	1509.3
1983	86	4028.4
1984	115	4250.6
1985	81	3661.8
Totals	494	19165.3

^a Program effective September 1979.

Shrublands (33.1%) represent the most common habitat types on statewide classified wildlife areas. Other habitat types on classified tracts are: grass or herbaceous, 22.7%; wetlands, 21.8%; woodland 18.5% and open water, 3.9%. Annual inspection reports from 1985 revealed that classified landowners were completing some form of wildlife habitat management on 53% (N = 249) of their classified tracts.

A stratified random survey of 110 classified tracts yielded a statewide mean (\pm SD) tax savings of \$2.04 \pm 0.66/ac and \$76.96 \pm 36.29/tract based on 1983 property tax rates (Table 3). The north region consistently had more areas and acres enrolled in

TABLE 3. Tax savings/year for Indiana classified wildlife tracts based on 1983 property tax rates.^a

Area ^a	Savings/ac	Savings/tract
North	\$1.00 \pm 0.75 (70)	\$74.86 \pm 42.99 (70)
South	\$2.10 \pm 0.39 (40)	\$81.47 \pm 12.15 (40)
Statewide	\$2.04 \pm 0.66 (110)	\$76.96 \pm 36.29 (110)

^a $\bar{x} \pm$ SD; N in parenthesis.

^bNorth Region = 57 counties; South Region = 35 counties

the classified program than the south region. Part of that difference is simply the larger area and greater number of biologists working in the north region (7 biologists north vs. 4 south). But it was also thought there may be higher tax savings on classified land in the north region. However, the average tax savings/ac was not statistically significant (P = 0.31) between north and south regions. Tax savings/ac was also not significant (P = 0.37) among the 11 districts within the state. There was a wide variation within each district because of the difference in assessments on the various types of land being classified.

Eleven withdrawals of classified wildlife areas and 24 transfers from the classified forestry program occurred through 1985. District biologists reported an average of 22% (about 1 day/week) of their time was spent working on the CWH. The classified workload ranged from less than 5% to 40% and was based on district size plus biologist and landowner interest.

Ten of 11 (91%) district biologists indicated landowners entering wildlife classification were doing so because of tax savings. Other reasons given by biologists for landowner entry into the program are (% biologists reporting): Special concern for wildlife (82%), recognition through signs that land has wildlife value (45%), and technical assistance available (27%). Seven of 11 (64%) district biologists also reported the primary reason individuals were not completing classification was the survey cost for the legal description and plat. Survey fees averaged from \$50 to \$100 according to biologists. The possible payment of back taxes if land is withdrawn (45% of biologists expressed this point) was another concern for landowner hesitation for classification.

Discussion

With a tax incentive program of this type, a certain amount of landowner apprehension was expected. Even with Indiana's 1921 classified forest program, landowner misunderstanding still exists. With the CWH, twice as many areas have been inspected as have enrolled. In some cases the property does not meet the criteria for the program, but more often, properties do qualify, but landowners do not complete the classification process. Survey costs for property owner legal descriptions and plats and possible withdrawal payment of back taxes were the two most common excuses landowners gave biologists for not completing classification. It seems unlikely that the survey requirements could be dropped completely since both county tax and wildlife officials need some degree

of accuracy to locate a classified area and compute acreage entering the program. This is especially important from a tax standpoint, because different types of land are assessed at different levels. The point can also be made that if landowners aren't willing to pay survey costs how serious are they in establishing a long-term classified area. If it is determined to be administratively favorable to increase the number of inspected tracts entering classification, possibly a part-time surveyor could be contracted to prepare a legal description and plats for all statewide classified areas or a landowner incentive could be offered to defray part of the survey fee.

Withdrawal from wildlife classification and possible payment of back taxes is another reason some interested landowners have not entered the program. They believe possible payment of back taxes plus the interest penalty is too severe. Their feelings may be justified, but a minimal withdrawal payment is needed to protect the CWhA from tax abuses. Possibly the law could be amended by reducing the current 10% annual penalty by 1%/year through the tenth year. For example, if a landowner withdraws after 7 years, the maximum penalty would be 7 years back taxes plus 3%/year penalty instead of the current 10%/year. Anytime after 10 years, the maximum owed would be 10 years back taxes with no penalty.

Overall, individuals entering the program appear to have a positive image about it and appear pleased with the recognition given to their land for having wildlife benefits. Annual contact, either by letter or visit has generated requests for assistance with habitat improvement. In fact, one of the most beneficial aspects of wildlife classification may be maximizing opportunities for wildlife habitat management on numerous scattered private wildlife tracts around the state. Minimal landowner dissatisfaction can be judged by the relatively few withdrawals that have occurred.

Wetland protection through wildlife classification has been another extremely positive aspect of the program. The amount of wetland area classified (21.8%) is large in comparison to its occurrence as a statewide habitat type. The advantage of a long-term reduced tax rate for wetlands is attracting landowner interest. In Kosciusko County in north central Indiana, biologists secured support of county officials in recognizing wetland values and information on the CWhA was mailed to landowners with their annual tax statements.

The most negative aspect of the CWhA has come from local government officials in 4 counties. Their reluctance to process classified wildlife paperwork may be based on personal feelings on the extra work it creates or the fact it reduces the local property tax base. In those areas, it has required closer monitoring on the part of landowners and district biologists to ensure proper entry of land to classified wildlife status.

One other administration problem deals with reinspections. The 1979 CWhA requires onsite inspections every 2 years, while the 1921 classified forest law requires them every 5 years. The reason the 2 year interval for wildlife reinspections was developed in the legislature is not known. Few problems or violations of classified wildlife requirements have been discovered during reinspections. As the number of wildlife tracts increase, the 2 year resinspection will require greater manpower needs. The current law should be amended to increase the onsite resinspection interval.

Recommendations

Even though the CWhA has been accepted by many landowners, certain aspects of the program could change to reflect improved landowner and administration interests. Those recommendations are:

1. Study possibilities to minimize landowner survey costs.
2. Amend the law by reducing the 10% annual penalty by 1%/year through the tenth year.
3. Change the law by increasing the resinspection interval to a 4 or 5 year period.

Future Needs

Indiana's wildlife management efforts on private land hold more promise because of the CWA. The concept of recognizing landowners as joint custodians of our wildlife resources and compensating them through reduced tax benefits has merit. The future of Indiana's CWA may depend on the ability of the program to parallel the dynamic changes of land ownership. The following suggestions are offered as consideration for future program direction:

1. A questionnaire should be developed to learn more about existing classified landowner interests and needs.
2. An award for classified landowners should be created. A certificate could be presented for the years a classified tract has been in the program and/or recognition given to landowners doing an outstanding job of wildlife habitat management on a classified area. This recognition may help encourage other private landowners to enter the program and protect wildlife habitat.
3. Conduct a wildlife inventory to educate landowners about the diversity and abundance of wildlife occurring on classified tracts. This inventory could be available to classified owners at their request and should be designed to include landowner participation.
4. If classified landowner interest exists, special workshops could be held periodically to discuss species life histories and habitat management techniques. This short-course would be another way to encourage private landowner interest in wildlife habitat protection.

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