

**SUBSTITUTE FOR
SENATE BILL NO. 651**

A bill to provide for exemption of certain property from certain taxes; to levy and collect a specific tax upon the owners of certain property; to provide for the disposition of the tax; to prescribe the powers and duties of certain local government officials; and to provide penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "transitional qualified forest property specific tax act".

3 Sec. 2. As used in this act:

4 (a) "Commission" means the state tax commission created by
5 1927 PA 360, MCL 209.101 to 209.107.

6 (b) "Conservation district" means that term as defined in
7 section 7jj of the general property tax act, 1893 PA 206, MCL

1 211.7jj[1].

2 (c) "Converted by a change in use" means that term as defined
3 in section 7jj of the general property tax act, 1893 PA 206, MCL
4 211.7jj[1].

5 (d) "Department" means the department of agriculture and rural
6 development.

7 (e) "Forest management plan" means that term as defined in
8 section 7jj of the general property tax act, 1893 PA 206, MCL
9 211.7jj[1].

10 (f) "Forest practice" means that term as defined in section
11 7jj of the general property tax act, 1893 PA 206, MCL 211.7jj[1].

12 (g) "Harvest" means that term as defined in section 7jj of the
13 general property tax act, 1893 PA 206, MCL 211.7jj[1].

14 (h) "Taxable value" means the taxable value as determined
15 under section 27a of the general property tax act, 1893 PA 206, MCL
16 211.27a.

17 (i) "Transitional qualified forest property" means forestland
18 that meets all of the following:

19 (i) The forestland is classified as commercial forest under
20 part 511 of the natural resources and environmental protection act,
21 1994 PA 451, MCL 324.51101 to 324.51120.

22 (ii) The forestland meets the definition of qualified forest
23 property under section 7jj of the general property tax act, 1893 PA
24 206, MCL 211.7jj[1].

25 (iii) The owner of the forestland has applied to and that
26 application has been approved by the department under section 4.

27 (j) "Transitional qualified forest property specific tax"

1 means the specific tax levied under section 6.

2 Sec. 3. For taxes levied after December 31, 2015, subject to
3 section 4, transitional qualified forest property is exempt from ad
4 valorem property taxes collected under the general property tax
5 act, 1893 PA 206, MCL 211.1 to 211.155, as provided under section
6 7vv of the general property tax act, 1893 PA 206, MCL 211.7vv, for
7 a period not to exceed 5 years.

8 Sec. 4. (1) An owner of forestland that is classified not
9 later than June 1, 2016 as commercial forest under part 511 of the
10 natural resources and environmental protection act, 1994 PA 451,
11 MCL 324.51101 to 324.51120, may apply to the department to have
12 that forestland determined to be transitional qualified forest
13 property. The application process shall include an application from
14 the owner of the forestland on a form created by the department, a
15 forest management plan, and a fee of \$50.00. The applicant shall
16 file the application not later than September 1 prior to the tax
17 year in which transitional qualified forest property will be taxed
18 under this act.

19 (2) The department shall review the application and forest
20 management plan and determine whether the forestland is
21 transitional qualified forest property under this act. The
22 department shall review the forest management plan to determine if
23 the elements required in section 7jj(17)(f) of the general property
24 tax act, 1893 PA 206, MCL 211.7jj[1], are in the plan. Within 90
25 days of its receipt of the application, forest management plan, and
26 fee, the department shall review the application and if the
27 application and supporting documents are not in compliance, the

1 department shall deny the application and notify the property owner
2 of that denial. If the application and supporting documents are in
3 compliance with the requirements of this act, the department shall
4 approve the application and shall prepare a transitional qualified
5 forest property affidavit, in recordable form, indicating all of
6 the following:

7 (a) The name of the property owner.

8 (b) The tax parcel identification number of the property.

9 (c) The legal description of the property.

10 (d) The year the application was submitted for the exemption.

11 (e) A statement that the property owner is attesting that the
12 property is transitional qualified forest property and will be
13 managed according to the approved forest management plan.

14 (3) The department shall send a transitional qualified forest
15 property affidavit prepared under subsection (2) to the property
16 owner for execution. The 90-day review period by the department may
17 be extended upon request of the property owner. The property owner
18 shall execute the transitional qualified forest property affidavit
19 and shall have the executed transitional qualified forest property
20 affidavit recorded by the register of deeds in the county in which
21 the property is located. The property owner shall provide a copy of
22 the transitional qualified forest property affidavit to the
23 department. The department shall provide 1 copy of the transitional
24 qualified forest property affidavit to the conservation district
25 and 1 copy to the department of treasury. These copies may be sent
26 electronically.

27 (4) If the application is denied, the property owner has 30

1 days from the date of notification of the denial by the department
2 to initiate an appeal of that denial. An appeal of the denial shall
3 be by certified letter to the director of the department.

4 (5) To be eligible as transitional qualified forest property,
5 the owner of transitional qualified forest property shall provide a
6 copy of the recorded transitional qualified forest property
7 affidavit attesting that the land is transitional qualified forest
8 property to the local tax collecting unit and assessor by December
9 31. An owner may claim an exemption under this section for not more
10 than 160 acres maximum of transitional qualified forest property.
11 If an exemption is granted under this act for less than 160 acres,
12 an owner of that property may subsequently claim an exemption for
13 additional property until the 160-acre maximum is reached if that
14 additional property otherwise meets the requirements of this act.

15 (6) If a copy of the recorded transitional qualified forest
16 property affidavit is provided to the assessor by the owner, the
17 assessor shall exempt the property from the collection of the tax
18 as provided in section 3 until December 31 of the year in which the
19 property is no longer transitional qualified forest property.

20 Sec. 5. The assessor of each local tax collecting unit in
21 which there is transitional qualified forest property shall
22 determine annually as of December 31 the value and taxable value of
23 each parcel of transitional qualified forest property located in
24 that local tax collecting unit.

25 Sec. 6. (1) There is levied upon the owner of each parcel or
26 transitional qualified forest property a specific tax to be known
27 as the transitional qualified forest property specific tax.

1 (2) The amount of the transitional qualified forest property
2 specific tax in each year shall be determined as follows:

3 (a) Multiply the number of mills that would be assessed in the
4 local tax collecting unit if the property were subject to the
5 collection of taxes under the general property tax act, 1893 PA
6 206, MCL 211.1 to 211.155, and if the property was exempt as
7 provided under section 7jj of the general property tax act, 1893 PA
8 206, MCL 211.7jj[1], by the transitional qualified forest
9 property's taxable value.

10 (b) Multiply the result of the calculation in subdivision (a)
11 by the following:

12 (i) For the first year the transitional qualified forest
13 property is subject to this act, .20.

14 (ii) For the second year the transitional qualified forest
15 property is subject to this act, .40.

16 (iii) For the third year the transitional qualified forest
17 property is subject to this act, .60.

18 (iv) For the fourth year the transitional qualified forest
19 property is subject to this act, .80.

20 (v) For the fifth year the transitional qualified forest
21 property is subject to this act, 1.0.

22 (c) If a new millage is approved in the local tax collecting
23 unit in which transitional qualified forest property is located
24 after the effective date of this act, multiply the number of mills
25 that were approved that would be assessed if the transitional
26 qualified forest property were subject to the collection of taxes
27 under the general property tax act, 1893 PA 206, MCL 211.1 to

1 211.155, by the transitional qualified forest property's taxable
2 value. Repeat this calculation for each individual new millage
3 approved in the local tax collecting unit after the effective date
4 of this act. As used in this subdivision, "new millage" does not
5 include the renewal of some or all of a millage in existence on the
6 effective date of this act.

7 (d) Add the result of the calculation under subdivision (b)
8 and the result of all calculations under subdivision (c).

9 (3) The transitional qualified forest property specific tax is
10 an annual tax, payable at the same times, in the same installments,
11 and to the same collecting officer or officers as taxes collected
12 under the general property tax act, 1893 PA 206, MCL 211.1 to
13 211.155.

14 (4) The collecting officer or officers shall disburse the
15 transitional qualified forest property specific tax to and among
16 this state and cities, townships, villages, school districts,
17 counties, or other taxing units, at the same times and in the same
18 proportions as required by law for the disbursement of taxes
19 collected under the general property tax act, 1893 PA 206, MCL
20 211.1 to 211.155.

21 (5) The collecting officer or officers shall send a copy of
22 the amount of disbursement made to each taxing unit under this
23 section to the commission on a form provided by the commission.

24 (6) Beginning in the year that transitional qualified forest
25 property is subject to tax under this act and each year thereafter,
26 a fee is imposed on each parcel of transitional qualified forest
27 property under this act. The fee shall be calculated in the same

1 manner, collected at the same time and in the same manner, and
2 disbursed in the same manner as the fee provided for under section
3 7jj(9) of the general property tax act, 1893 PA 206, MCL
4 211.7jj[1].

5 (7) Not more than 90 days after all or a portion of the
6 exempted property is no longer transitional qualified forest
7 property, the owner shall rescind the exemption for the applicable
8 portion of the property by filing with the register of deeds for
9 the county in which the exempted property is located a rescission
10 form prescribed by the department. A copy of the rescission form
11 shall be provided to the assessor. The rescission form shall
12 include a legal description of the property. An owner who fails to
13 file a rescission form as required by this subsection is subject to
14 a penalty of \$5.00 per day for each separate failure beginning
15 after the 90 days have elapsed, up to a maximum of \$1,000.00. This
16 penalty shall be collected under 1941 PA 122, MCL 205.1 to 205.31,
17 and shall be deposited in the private forestland enhancement fund
18 created in section 51305 of the natural resources and environmental
19 protection act, 1994 PA 451, MCL 324.51305.

20 Sec. 7. Unpaid transitional qualified forest property specific
21 taxes are subject to forfeiture, foreclosure, and sale in the same
22 manner and at the same time as taxes returned as delinquent under
23 the general property tax act, 1893 PA 206, MCL 211.1 to 211.155.

24 Sec. 8. (1) If forestland that was subject to the transitional
25 qualified forest property specific tax is not transitional
26 qualified forest property as determined by the department, the
27 department shall notify the local tax collecting unit and that

1 property shall be immediately placed on the tax roll by the local
2 tax collecting unit if the local tax collecting unit has possession
3 of the tax roll or by the county treasurer if the county has
4 possession of the tax roll as though the exemption had not been
5 granted. A corrected tax bill shall be issued for each tax year
6 being adjusted by the local tax collecting unit if the local tax
7 collecting unit has possession of the tax roll or by the county
8 treasurer if the county has possession of the tax roll.

9 (2) If forestland was subject to the transitional qualified
10 forest property specific tax for a period of 5 years as determined
11 by the department and the department also determines that the
12 forestland is still eligible for the exemption under section 7jj of
13 the general property tax act, 1893 PA 206, MCL 211.7jj[1], then
14 both of the following apply:

15 (a) That forestland shall be exempt from the tax levied by a
16 local school district for school operating purposes as qualified
17 forest property under section 7jj of the general property tax act,
18 1893 PA 206, MCL 211.7jj[1], upon completion of the procedures
19 required by section 7jj(16) of the general property tax act, 1893
20 PA 206, MCL 211.7jj[1].

21 (b) The owner of that forestland is not responsible for the
22 penalty described in section 9 for that forestland.

23 Sec. 9. If all or a portion of transitional qualified forest
24 property is converted by a change in use and is no longer
25 transitional qualified forest property, an owner shall immediately
26 notify the local tax collecting unit, the assessor, and the
27 department, on a form created by the department. The form shall

1 include a legal description of that property. A copy of the form
2 shall be filed with the register of deeds for the county in which
3 the property is located. Upon notice that property is no longer
4 transitional qualified forest property, the local tax collecting
5 unit and assessor shall immediately rescind the exemption under
6 this act and shall place the property on the tax roll as though the
7 exemption under this act had not been granted for the immediately
8 succeeding tax year and the department of treasury shall
9 immediately begin collection of any applicable tax and penalty
10 under the general property tax act, 1893 PA 206, MCL 211.1 to
11 211.155. The department of treasury shall also begin collection of
12 an amount equal to the application fee and penalty that would have
13 been assessed under section 51108 of the natural resources and
14 environmental protection act, 1994 PA 451, MCL 324.51108, to
15 withdraw that property from the operation of part 511 of the
16 natural resources and environmental protection act, 1994 PA 451,
17 MCL 324.51101 to 324.51120, in the year in which the property is
18 converted by a change of use, calculated as if the property had not
19 been withdrawn from the operation of part 511 of the natural
20 resources and environmental protection act, 1994 PA 451, MCL
21 324.51101 to 324.51120, and the treasurer shall credit these
22 proceeds to the private forestland enhancement fund created in
23 section 51305 of the natural resources and environmental protection
24 act, 1994 PA 451, MCL 324.51305.

25 Sec. 10. An owner of transitional qualified forest property
26 shall report to the department on a form prescribed by the
27 department when a forest practice or timber harvest has occurred on

1 the transitional qualified forest property during a calendar year.
2 The report shall indicate the forest practice completed and the
3 volume and value of timber harvested on that transitional qualified
4 forest property. One copy of the form shall be forwarded to the
5 conservation district, and 1 copy shall be retained by the
6 department for 7 years. If it is determined by the department that
7 a forest practice or harvest has occurred in a calendar year and no
8 report was filed, a fine of \$500.00 may be collected by the
9 department. Beginning December 31, 2015 and each year thereafter,
10 the department shall provide to the standing committees of the
11 senate and house of representatives with primary jurisdiction over
12 forestry issues a report that includes all of the following:

13 (a) The number of acres of transitional qualified forest
14 property in each county.

15 (b) The amount of timber produced on transitional qualified
16 forest property each year.

17 (c) The number of forest management plans completed by
18 conservation districts and the total number of forest management
19 plans submitted for approval each year.

20 Sec. 11. The owner of transitional qualified forest property
21 shall retain the current management plan, most recent harvest
22 records, recorded copy of a receipt of the tax exemption, and a map
23 that shows the location and size of any buildings and structures on
24 the property. The owner shall make the documents available to the
25 department upon request. The department shall maintain a database
26 listing all transitional qualified forest properties, including the
27 dates indicated for forest practices and harvests in the forest

1 management plan, and shall notify the property owner and the
2 conservation district in any year that forest practices or harvests
3 are to occur. If an owner does not accomplish forest practices and
4 harvests within 3 years after the time specified in the current
5 forest management plan and the plan has not been amended to extend
6 the date of forest practices and harvests, the property is not
7 transitional qualified forest property under this act, the
8 department shall notify the local tax collecting unit that the
9 property is not transitional qualified forest property, and the
10 property shall be placed on the tax roll as though the exemption
11 under this act had not been granted as provided in this section and
12 shall be subject to repayment as indicated in the qualified forest
13 property recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036.
14 Information in the database specific to an individual property
15 owner's forest management plan is exempt from disclosure under the
16 freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.
17 However, information in the database in the aggregate, including,
18 but not limited to, how much timber would be expected to be on the
19 market each year as a result of enrollees, is not exempt from
20 disclosure under the freedom of information act, 1976 PA 442, MCL
21 15.231 to 15.246.

22 Enacting section 1. This act does not take effect unless all
23 of the following bills of the 98th Legislature are enacted into
24 law:

25 (a) Senate Bill No. 652.

26 (b) Senate Bill No. 653.