

INCREASE "SWAMP TAX"

House Bill 4816 (Substitute (H-2))

Sponsor: Rep. Allen Lowe

House Bill 5812 (Substitute H-1)

Sponsor: Rep. Paul Tesanovich

Committee: Tax Policy

First Analysis (5-12-98)

THE APPARENT PROBLEM:

Under current law, the state pays \$2 per acre (or major portion of an acre) to counties for certain state-owned land under the control of the Department of Natural Resources. The payment, sometimes called the "swamp tax," is for recreation and forest lands purchased by the state before 1933 or deeded to the state for nonpayment of taxes. There are said to be about 3.5 million acres subject to the swamp tax. The revenue is disbursed 50 percent to the county general fund and 50 percent to the general fund of the appropriate township. The payments are made in lieu of property taxes (which apply to state land purchased after 1933). Some people believe the state payment should be increased. The payments to counties and townships have not been increased since 1986. (While the payment rate was dropped to \$2 from \$2.50 as part of Proposal A, which reduced property taxes and created a new school financing system, the part of the payment eliminated went entirely to local school districts; the \$1 per acre each for counties and townships remained unchanged.) Legislation has been introduced to tie annual increases in the state payment to increases in the consumer price index, so that local units do not have to bear the burden of inflationary increases in expenses but stagnant swamp tax revenues.

THE CONTENT OF THE BILLS:

House Bills 4816 and 5812 would amend the Natural Resources and Environmental Protection Act to increase the "swamp tax" from \$2 to \$2.86 per acre or major portion of an acre, and to require that the amount be adjusted annually. This is a payment made by the state to counties and townships. The two bills are tie-barred. House Bill 5812 would increase the tax to \$2.86. House Bill 4816 would require the state

treasurer to adjust this figure at the end of each calendar year to reflect the cumulative annual percentage change in the consumer price index. The effective date of the bills would be January 1, 1999.

MCL 324.2150 and 324.2150a

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would increase the cost to the state by about \$3 million annually. (HFA fiscal note dated 5-4-98)

ARGUMENTS:

For:

The proposal provides for an inflation-based increase in the swamp tax payments that the state makes to counties and townships on certain state-owned lands in lieu of property taxes. Counties and townships have not seen an increase in the payment rate since 1986. Further, the bills would ensure that the state payments keep pace with inflation. For some local units, these payments are a significant portion of revenue.

Against:

The Department of Natural Resources points out that the state payment rate was reduced from \$2.50 per acre to \$2 per acre as part of the implementing legislation for Proposal A. The department argues in its analysis of the bill that this reduction "was an appropriate change and that no alteration in circumstances has occurred that would warrant the proposed increase." The payment increase would put further pressure on the state's general fund and, the department says, could affect the DNR's restricted funds "if the legislature so determines."

POSITIONS:

The Michigan Association of Counties has indicated support for the bill. (5-6-98)

The Michigan Association of County Treasurers supports the bill. (5-11-98)

The Michigan Townships Association supports the bill. (5-8-98)

The Department of Treasury is opposed to the bill. (5-8-98)

The Department of Natural Resources is opposed to the bill. (5-6-98)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.