

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 197 (as introduced 2-13-01)  
Sponsor: Senator George A. McManus, Jr.  
Committee: Farming, Agriculture and Food Systems

Date Completed: 4-25-01

## **CONTENT**

**The bill would amend Part 513 of the Natural Resources and Environmental Protection Act, which provides for private forest reservations and exempts them from property taxes under certain conditions, to do the following:**

- **Eliminate the current tax exemption.**
- **Establish private forestland tax exemption certificates and a private forestland specific tax.**
- **Revise provisions that regulate private forest reservation tax exemptions to bring them into conformity with the proposed tax exemption certificate provisions.**

Currently, under Part 513, the owner or operator of a tract of land of up to 160 acres, where at least one-half of the land is improved and devoted to agricultural purposes, may designate up to one-quarter of the total area of the tract as a private forest reservation upon filing a description of the forest reservation with the county treasurer. If the private forest reservation is properly planted and continuously cared for in accordance with Part 513, that portion of its value over \$1 per acre is exempt from all taxation. The bill would eliminate these provisions and provide instead that the owner of a parcel of land that contained at least 10 acres of "private forest" could apply to the Department of Natural Resources (DNR) for a private forestland specific tax exemption certificate if all of the following conditions were met: the parcel contained not more than one building of any kind; the owner prepared or had prepared a management plan for the private forest; and the private forest was not being used in a manner that was inconsistent with the use of the land for forestry purposes. "Private forest" would mean a tract of forestland of at least 10 acres that was capable of producing all of the following: at least 20 cubic feet per acre per year of forest growth upon maturity; tree species that had economic or commercial value; and a commercial stand of timber within a reasonable period of time.

A person who wished to receive a private forestland specific tax exemption certificate would have to submit an application to the DNR in a manner it prescribed, containing the information the DNR required. The application would have to include a management plan for the private forest. The DNR would have to grant a private forestland specific tax exemption certificate for that portion of a parcel of land that was held as a private forest if the applicant and the private forest met the requirements of the Act and rules promulgated under it.

If the DNR granted a private forestland specific tax exemption certificate, the owner of the land would be subject to the private forestland specific tax. If the owner allowed members of the general public access to the land for hunting and fishing, the tax would be one-third of the rate that otherwise would be assessed under the General Property Tax Act. If the owner did not allow members of the general public access to the land for hunting or fishing, the tax would be two-thirds of the rate that otherwise would be assessed under that Act. The private forestland specific tax would be an annual tax, payable at the same times, in the same installments, and to the same officer or officers as property taxes are payable. The officer or officers would have to disburse the private forestland specific tax payments received each year to and among the State, cities, townships, villages, school districts, and authorities, at the same times and in the same proportions as required by law for the disbursement of property taxes.

A private forestland specific tax exemption certificate would be effective beginning January 1 of the year following the date it was granted and would be valid for a 10-year period as long as the recipient of the certificate and the private forest remained in compliance with Part 513 and the rules promulgated under it. If the DNR granted a private forestland specific tax exemption certificate, it would have to notify the tax assessor for the local unit of government in which the property was located. If at any time the owner of the land or the private forest were not in compliance with Part 513 and the rules promulgated under it, the certificate would be void as of that date, and the owner of the land would be subject to property taxes under the General Property Tax Act, and any interest imposed under that Act.

Currently, the supervisor or assessor in each township must keep a record of all private forest reservations within the township as certified by the county treasurer, and he or she must require the owner or his or her agent to subscribe under oath the extent and description of the land selected as private forest reservation; that the number of trees comply with the requirements of Part 513; and that the owner or his or her agent will maintain the trees according to Part 513. The bill would eliminate these provisions, and instead require the township supervisor or assessor to keep a record of all private forests subject to private forestland specific tax exemption certificates.

Currently, the supervisor or assessor must personally examine private forest reservations when the property is assessed. The bill provides, instead, that the DNR or the assessor personally would have to examine private forests for which private forestland specific tax exemption certificates had been issued.

The bill would delete requirements that a private forest reservation owner notify the tax assessor of his or her intention to cut and harvest trees, and file with the assessor a measurement or count of trees cut and their variety and value; and that the assessor assess the stumpage value of the cut timber and issue a license for its removal after payment of a fee of 5% of the appraised value.

The bill also would repeal sections of Part 513 that do the following:

- Provide that, if any landowner plants at least 1,200 trees on each acre of selected private forest reservation, then the land is subject to Part 513 (MCL 324.51302).
- Provide that upon a private forest reservation that is partially stocked with trees, the owner may plant enough trees to assure a spacing of six feet by six feet on open areas (MCL 324.51303).
- Require each county treasurer to keep a record of all private forest reservations within the county, and certify each year to the township supervisor or assessors a description of the reservations and the owners' names (MCL 324.51308).
- Require the DNR to prescribe the application form and contract to be filed with a county treasurer (MCL 324.31310).

MCL 324.51301 et al.

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

State Impact: The bill would result in both a loss of State education tax revenue of \$2.5 million and an increase in State School Aid Fund expenditures of \$7.5 million, for a total cost of \$10 million. In addition, based on current spending and activity in the Michigan Department of Natural Resources Commercial Forest Act Program, the bill would result in an increase in administrative expenditures of approximately \$5 million.

Local Impact: The bill would result in a net reduction in local revenue of approximately \$9.1 million. A loss in local property tax revenue of \$16.6 million would be offset by State School Aid Fund payments of \$7.5 million to affected school districts.

The following assumptions and sources were used in arriving at these impacts:

One quarter of the approximately 200,000 eligible properties would participate.

The average nonhomestead millage rate is 46 mills.

Estimated property values were taken from data used in a Michigan State University analysis of a similar proposal.

Estimates of the willingness of participants to allow hunting were based on United States Department of Agriculture Forest Service data on current practices.

Fiscal Analyst: P. Graham  
D. Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.