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BILL ANALYSIS

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Senate Bill 917 (Substitute S-2)
Sponsor: Senator Shirley Johnson
Committee: Agriculture, Forestry and Tourism

Date Completed: 5-17-06

CONTENT

The bill would add Part 512 (Sustainable Forestry Conservation Easement Tax Incentives) to the Natural Resources and Environmental Protection Act, to do the following:

- Establish an annual specific tax for commercial forestland subject to a sustainable forest conservation easement, which would be 15 cents per acre less than the specific tax under Part 511 (Commercial Forests).**
- Require an applicant for the reduced tax rate to pay a nonrefundable application fee of \$2 per acre, subject to a minimum of \$200 and a maximum of \$1,000.**
- Require the owner to pay a penalty if forestland subject to an easement were used in violation of Part 512 or the easement.**
- Provide that the specific tax and the penalty would be payable to the township treasurer.**
- Allow the owner of commercial forestland subject to an easement to remove forest products in compliance with Part 511 and the easement.**

Specifically, an owner of commercial forestland that was subject to a sustainable forest conservation easement would be subject to an annual specific tax equal to the specific tax under Section 51105 less 15 cents per acre. (Under Section 51105, commercial forests are not subject to the ad valorem property tax, but are subject to a specific tax that is equal to \$1.10 per acre, as adjusted under Section 51107, which requires the tax rate to be adjusted in 2006 and every 10 years after that, based on the State equalized value of timber cutover land in the State.)

An application for the sustainable forest conservation easement tax rate would have to be submitted on a form prescribed by the Department of Natural Resources (DNR) and would have to be postmarked and delivered to the DNR by April 1 to be eligible for approval for the following tax year.

In addition to any information reasonably required by the DNR, the application would have to include a copy of the conservation easement covering the forestland and a nonrefundable application fee of \$2 per acre or fraction of an acre, but not less than \$200 and not more than \$1,000. The DNR would have to remit the application fee to the State Treasurer for deposit into the Commercial Forest Fund.

The owner of commercial forestland subject to a sustainable forest conservation easement would be entitled to cut or remove forest products on his or her commercial forestland if the

owner complied with Part 511 and the requirements of the sustainable forest conservation easement.

If commercial forestland subject to a sustainable forest conservation easement were used in violation of Part 512 or the easement, the owner, in addition to any other penalties provided by law, would have to pay a penalty per acre for each year in which the violation occurred equal to the difference between the specific tax paid under Part 512 and the specific tax that otherwise would be paid under Part 511.

The specific tax collected under Part 512 would have to be paid to the township treasurer where the commercial forestland was located. The penalty would have to be distributed by the treasurer in the same manner as the specific tax would be distributed.

"Sustainable forest conservation easement" would mean a conservation easement (described in Section 2140) on commercial forestland that meets all of the following requirements:

- Is an easement granted in perpetuity to the State, a political subdivision of the State, or a charitable organization described in Section 501(c)(3) of the Internal Revenue Code, that also meets the requirements of Section 170(h)(3) of the Internal Revenue Code.
- Covers commercial forestland of 40 or more acres in size.
- Provides that the forestland subject to the conservation easement or the manager of that land is and continues to be certified under a sustainable forestry certification program that uses independent third party auditors and is recognized by the DNR.

(Section 2140 defines "conservation easement" as an interest in land that provides limitations on its use or prohibits certain acts on or with respect to the land.)

Proposed MCL 324.51201

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The Commercial Forest Fund would receive the application revenue. The revenue collected would depend on the size of the parcel subject to the easement. Each fee collected would be between \$200 and \$1,000. This would be one-time revenue collected by the State.

There are approximately 2,209,700 acres classified as commercial forestland in Michigan. It is unknown how many acres would be subject to a sustainable forest conservation easement since the designation would be at the choice of the forestland owner. If all of the commercial forestland were subject to the easement, township treasurers would collect 95 cents per acre, for \$2,309,137 in revenue, which would be distributed in the same manner as ad valorem general property taxes.

If commercial forestland subject to a sustainable forest conservation easement were used in violation of proposed Part 512, the owner would owe to townships a penalty, per acre, for each year of the violation equal to the difference between what was paid under this part and under Part 511, which is \$1.10 per acre of commercial forestland. Revenue would depend on the number of violations, the size of forestlands, and the duration of the violations.

Fiscal Analyst: Jessica Runnels

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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.