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BILL ANALYSIS

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House Bill 6133 (Substitute H-2 as passed by the House)
Sponsor: Representative Michael Lahti
House Committee: Tourism, Outdoor Recreation, and Natural Resources
Senate Committee: Agriculture

Date Completed: 9-10-08

CONTENT

The bill would amend Part 511 (Commercial Forests) of the Natural Resources and Environmental Protection Act to revise the formula for calculating the penalty for withdrawing commercial forestland from the operation of Part 511.

Part 511 allows the owner of forestland to apply to the Department of Natural Resources (DNR) to have that land determined to be a commercial forest. Commercial forests are not subject to the ad valorem general property tax, but instead are subject to an annual specific tax of $1.20 per acre. (That tax rate is effective through December 32, 2011. Beginning January 1, 2012, and every five years after that date, the specific tax rate is to be increased by five cents per acre.)

An owner of commercial forestland may withdraw his or her land, in whole or in part, from the operation of Part 511 upon application to the DNR and payment of a withdrawal application fee and withdrawal penalty.

Currently, the withdrawal penalty must be calculated as follows:

-- Multiply the number of withdrawn acres of commercial forestland by the average value per acre for comparable property acquired within the last 10 years under Subpart 14 of Part 21 (dealing with payments in lieu of taxes (PILTs) for certain State-owned land).
-- Multiply the product of that calculation by the total millage rate levied by all taxing units in the local tax collecting unit in which the property is located.
-- Multiply that product by the number of years, up to seven, in which the withdrawn property has been designated as commercial forestland.

(Subpart 14 of Part 21 requires the State Tax Commission each year to determine the valuation of all real property owned by the State and controlled by the DNR, and authorizes the State Treasurer to transfer PILTs to local units of government based on those valuations.)

Under the bill, for applications to withdraw commercial forestland filed on or after September 27, 2007, in which the withdrawal penalty had not been paid before the bill's effective date, the withdrawal penalty would have to be calculated as follows:

-- Multiply the number of acres withdrawn by one-half of the valuation per acre for the county in which the forestland is located, in 2007; or, beginning in 2008 and for each subsequent year, multiply the number of acres withdrawn by that amount adjusted annually by the inflation rate for each year after 2007.

-- Multiply the product of that calculation by the average millage rate levied by all townships, excluding villages, in the county in which the property is located.
-- Multiply that product by the number of years, up to seven year, in which the withdrawn property had been designated as commercial forestland under Part 511.
-- Multiply the product of that calculation by the amount shown in Table 1, based on the county where the commercial forestland is located.

Table 1

Multiplier	County Where Commercial Forestland is Located
0.2	Luce
0.3	Grand Traverse, Manistee, Ottawa, or Wexford
0.4	Charlevoix, Chippewa, Emmet, Gladwin, Leelanau, Midland, Oscoda, or Tuscola
0.5	Cheboygan, Delta, Mackinac, Oceana, Otsego, or Schoolcraft
0.6	Alcona, Alger, Allegan, Alpena, Arenac, Barry, Bay, Benzie, Berrien, Branch, Calhoun, Cass, Clare, Clinton, Crawford, Dickinson, Eaton, Genesee, Gogebic, Gratiot, Hillsdale, Houghton, Huron, Ingham, Ionia, Iosco, Iron, Isabella, Jackson, Kalamazoo, Kalkaska, Kent, Lapeer, Lenawee, Livingston, Macomb, Marquette, Mecosta, Monroe, Montcalm, Montmorency, Muskegon, Newaygo, Oakland, Ogemaw, Osceola, Presque Isle, Roscommon, Saginaw, St. Clair, St. Joseph, Sanilac, Shiawassee, Van Buren, Washtenaw, or Wayne
0.7	Antrim, Baraga, Mason, or Menominee
0.8	Keweenaw, Lake, Missaukee, or Ontonagon

The bill also would require the DNR to publish all of the following on its website:

-- The calculation of one-half of the valuation per acre for the county in which forestland is located.
-- The inflation-adjusted valuation and the inflation rate for each county.
-- The average millage rate for each county as described above.

The bill would define "inflation rate" as the lesser of 1.05 or the inflation rate as defined in Section 34d of the General Property Tax Act, i.e., the ratio of the general price level for the State fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the State fiscal year ending in the calendar year before the year immediately preceding the current year.

"Valuation" would mean the market value as determined by the State Tax Commission.

MCL 324.51108 Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the State. The cost or savings would depend on the amount of commercial forestland withdrawn from the Commercial Forestland program and how the applicable penalty amount compared to the current penalty. Since penalty rates for withdrawal of commercial forestland would differ by county, the location of the land would be factor as well.

Fiscal Analyst: Jessica Runnels