

WITHDRAWING LAND FROM THE COMMERCIAL FOREST PROGRAM WITHOUT FEE OR PENALTY

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House Bill 4913

Sponsor: Rep. Frank Foster

Committee: Natural Resources, Tourism, and Outdoor Recreation

Complete to 9-7-11

A SUMMARY OF HOUSE BILL 4913 AS INTRODUCED 9-7-11

House Bill 4913 would require the Department of Natural Resources to grant an application for withdrawal from the Commercial Forest program without payment of the withdrawal application fee or penalty, provided certain conditions are met (as explained in detail later).

Part 511 (Commercial Forests) of the Natural Resources and Environmental Protection Act (NREPA) allows the Department of Natural Resources (DNR) to establish and maintain commercial forests. This program allows participating landowners to pay a reduced property tax in return for developing, maintaining, and managing the land as a commercial forest under an approved management plan. Generally speaking, an owner who decides to withdraw land from the Commercial Forest program must submit an application and pay an application fee of \$1 per acre to the DNR, subject to a \$200 minimum and \$1,000 maximum. Additionally, the owner must also pay a penalty to the township in which the commercial forestland is located according to a penalty formula in the act.

The current withdrawal penalty is calculated as follows:

- a. Multiply the number of acres of commercial forestland being withdrawn by one half of the valuation per acre for the county, in which the land is located, adjusted annually for inflation.
- b. Multiply the product from (a) above by the average millage rate levied by all townships, excluding villages, in the county where the land is located.
- c. Multiply the product from (b) above by the number of years (maximum of 7) in which the property was a part of the Commercial Forest program.
- d. Multiply the product from (c) above by the amount designated for the appropriate county as contained in the act (which ranges from 0.2 to 0.8, depending on the county).

This bill would amend Section 51108 to require the DNR to grant an application to withdraw commercial forestland without payment of the withdrawal application fee or penalty, provided **all** of the following requirements are met:

- Evidence is submitted to the department that the land met the legal requirements to be exempt from ad valorem property tax in the tax year in which the list application was submitted and approved.
- The application to withdraw is submitted to the department by the same land owner that submitted the application for land to be determined as a commercial forest under Section 51103.
- Reimbursement is made by the land owner to the state treasurer for the specific tax that was paid by the state treasurer to the county treasurer, as provided in Section 51106(1), for each tax year the land was commercial forestland.

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BACKGROUND:

The Commercial Forest program provides a property tax reduction to private landowners as an incentive to retain and manage forestland for long-term timber production. Landowners participating in this program pay a reduced property tax. Commercial forestland is not subject to the ad valorem general property tax, but instead is subject to an annual specific tax of \$1.20 per acre (which is increased by \$0.05 per acre in 2012 and every 5 years after) paid to the township treasurer. Further, the state transmits the same amount per acre to the affected counties. According to the DNR there are currently 2,217,137.38 acres enrolled in the Commercial Forest program.

FISCAL IMPACT:

House Bill 4913 would allow the withdrawal of lands from the Commercial Forest Program without the payment of a withdrawal application fee or a penalty, under certain conditions.

The withdrawal application fees that are required under current law are deposited into the Commercial Forest Fund within the DNR. The Fund received approximately \$25,000 in revenues in FY 2009-10. Expenditures from the Fund may only be used for the enforcement, administration, and monitoring of Part 511 (Commercial Forest Program) and Part 12 (Sustainable Forest Conservation Easement Program) of the Natural Resources and Environmental Protection Act (NREPA).

House Bill 4913 would have an indeterminate fiscal impact on the DNR. Under the provisions of the bill, the Commercial Forest Fund within the DNR would not receive the withdrawal application fee for land parcels that meet the listed conditions in the future. The fee ranges from a minimum of \$200 to a maximum of \$1,000 per parcel, depending on the amount of acreage.

In addition, for any parcel of land withdrawn from the Commercial Forest Program, the State of Michigan would no longer be required to make the Payment in Lieu of Taxes (PILT) payment from the General Fund to county treasurers. By statute, the State Treasurer is required to transmit an annual PILT payment of \$1.20 per acre in the

program until December 31 of 2011. After that date, the payment is increased to \$1.25 per acre with a five cent adjustment every five years afterwards. In FY 2010-11, the State will pay an estimated \$2.3 million in PILT payments for the Commercial Forest Program.

The fiscal impact of House Bill 4913 on local units of government would be indeterminate and would depend upon how many land parcels would be withdrawn from the Commercial Forest Program under the bill's provisions.

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■ 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.