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BILL ANALYSIS

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Senate Bills 1021 and 1022 (as introduced 3-15-12)
Sponsor: Senator Tom Casperson (S.B. 1021)
Senator Darwin L. Booher (S.B. 1022)
Committee: Natural Resources, Environment and Great Lakes

Date Completed: 5-10-12

CONTENT

Senate Bill 1021 would amend Part 21 (General Real Estate Powers) of the Natural Resources and Environmental Protection Act (NREPA) to do the following:

- **Require an annual increase in the tax paid by the State to each county in which the State owns certain land, and require the State to make payment in full.**
- **Revise the formula for assessing a parcel's value for the purpose of State payments in lieu of taxes (PILT) to local assessing districts.**

Senate Bill 1022 would amend Parts 21 and 511 (Commercial Forests) of NREPA to do the following:

- **Prescribe a time frame for approval and payment of PILT to local assessing districts.**
- **Require the State to make full PILT to local assessing districts, and to counties for commercial forestland.**

The bills are described below in further detail.

Senate Bill 1021

Tax on State-Owned Land

On December 1 of each year, the Department of Treasury must pay a tax to each county that contains tax reverted, recreation, forest, or other lands under the control and supervision of the Department of Natural Resources (DNR) (commonly referred to as swamp and tax-reverted land). The tax is in lieu of all other taxes levied against the land under any existing law. The tax does not apply to land purchased after January 1, 1933, for natural resource purposes or State land on which PILT are made (as described below).

The amount of the tax is $2 per acre or major portion of an acre on all land that belongs to the State on that December 1.

Under the bill, beginning on January 1, 2012, the $2 tax would have to be adjusted annually by the lesser of 5% or the inflation rate. ("Inflation rate" would mean that term as defined in Section 34d of the General Property Tax Act.)

The Department of Treasury must make a detailed statement of account between the State and each applicable county, and submit the statement to the county treasurer. The Department must cause a warrant to be drawn payable to the county for the amount indicated on the statement. The tax must be paid from the General Fund (GF). The bill would require the State to make payment in full for the amount indicated in the statement.

PILT: Purchased Land

Under Part 21, the DNR must give the State Tax Commission a list of all real property owned by the State and controlled by the DNR that was or is acquired by purchase on or after January 1, 1933. The Commission must determine the valuation of this property annually, and report to the assessing districts in which the property is located. Upon receiving the valuation, the assessing officer must enter upon the assessment rolls of each municipality or assessing district, and assess the property at the same rate as other real property in the district. The assessing officer may adjust the valuation determined by the Commission, upon certification to the DNR of certain information.

Currently, property valuations must be established as follows:

-- For valuations established in 2004, the 2004 valuation was the valuation of the property in 2004 through 2008.
-- In 2009 and each year after that, the valuation may not increase each year by more than the increase in the immediately preceding year in the general price level or 5%, whichever is less.
-- If property is acquired after 2004, the initial valuation is the valuation for each subsequent year until the next adjustment occurs.

Under the bill, beginning in 2012, property valuations would be the greater of the value of the property calculated as described above, or the taxable value of the property calculated under Section 27a of the General Property Tax Act.

(Under that section, the taxable value is the lesser of the following:

-- The property's taxable value in the immediately preceding year minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus all additions.
-- The property's current State equalized valuation (SEV).

Upon a transfer of ownership, the property's taxable value for the calendar year following the year of the transfer is the property's SEV for the calendar year following the transfer.)

Senate Bill 1022

Payment in Lieu of Taxes

Under Part 21, the treasurer or other officer charged with the collection of taxes for an assessing district annually must forward a single statement of the assessment of all property for which payment is claimed to the respective county by December 1. The statement must include an itemization of the valuation and assessment for each individual parcel for which payment is claimed. The county must forward the statements to the Lansing DNR office by December 15. The Lansing office must review each one and, if the assessment has been determined properly, authorize the State Treasurer to pay the amount of the assessment. The bill would require the DNR to authorize payment within 10 days after receiving the assessment.

Part 21 requires the State Treasurer annually to forward a separate payment to each affected assessing district in the county by February 14. Under the bill, the State Treasurer would have to forward the payment within 10 days after the DNR authorized it. All payments would have to be made by February 14.

For payments made to assessing districts before 2012, the aggregate amount for all payments to all assessing districts must be charged as follows:

-- The portion that represents an assessment by a local school district, intermediate school district (ISD), or community college district must be charged against the School Aid Fund.
-- Of the remaining balance, up to 50% must be charged from DNR restricted revenue sources, and the rest must be charged from the GF.

For payments made after 2011, the same formula applies if the property was not purchased with funds from Natural Resources Trust Fund (NRTF). If the property was purchased with NRTF funds, the payment must be charged against the Trust Fund.

If the amount available for payment to all local assessing districts from the GF or any restricted fund is less than the amount required for payment, the amount available for payment to each district must be distributed in the same proportion from the respective fund that the payment is to the total of all required payments from that fund. Under the bill, this requirement would apply before 2012. Beginning in 2012, the State would have to make payment in full to all local assessing districts.

<u>Commercial Forestland</u>

Under Part 511, the DNR annually must certify to the State Treasurer the number of acres that are commercial forestland in each county, and the State Treasurer must transmit to each county treasurer a warrant for an amount equal to $1.25 per acre, which the county treasurer must distribute among townships as prescribed in Part 511. (This amount must be increased by five cents per acre every five years.)

The bill would require the State to make payment in full to each county for commercial forestland.

MCL 324.2150 & 324.2153 (S.B. 1021)
324.2154 & 324.51106 (S.B. 1022)

Legislative Analyst: Julie Cassidy

<u>FISCAL IMPACT</u>

The proposed PILT calculation would increase the eligibility amounts for local governments in each of the three PILT programs: Commercial Forest, Purchased Lands, and Swamp and Tax Reverted Property. Payments, however, would remain subject to appropriation. In the absence of increased appropriations, the higher amounts calculated pursuant to the bills would not be made. The budgets for the Department of Treasury and School Aid include PILT appropriations.

If the funding were appropriated in accordance with the proposal, State payments to local governments would increase by approximately $2.9 million in FY 2012-13. This consists of three parts. An inflationary increase in the payments for Swamp and Tax Reverted Lands would increase payments from $2.00 to about $2.052 per acre, an increase of approximately $200,000. The proposal to allow the taxable value to increase to current year taxable value would increase payments by approximately $1.5 million. The requirement that payments for all programs be made in full with no proration would increase payments by an estimated $1.2 million. The proposed changes would increase appropriations by approximately $800,000 from School Aid Fund revenue and $2.5 million from General Fund/General Purpose revenue. The estimates by line item and fund source are shown in the table below. The estimates depend in particular on assumptions related to taxable value growth. In addition, parcels covered by the PILT programs vary from year to year with acquisitions and sales.

Estimated Fiscal Impact of Proposals to Change the Payments in Lieu of Taxes Programs

	Revised Year-to-Date FY 2011-12[a]	Estimated FY 2012-13 Proposed	Estimated Change from FY 2011-12
PILT Appropriations in Treasury Budget			
Commercial Forest Reserve	$2,334,100	$2,800,000	$465,900
Purchased Lands	5,695,500	6,300,000	604,500
Swamp and Tax Reverted Lands	6,227,300	7,300,000	1,072,700
Total Appropriations in Treasury	$14,256,900	$16,400,000	$2,143,100
Fund Sources in the Treasury Budget:			
Game & Fish Protection Fund	$1,475,000	$2,100,000	$625,000
Michigan Natural Resources Trust Fund[1]	2,505,500	1,400,000	(1,105,500)
Michigan State Waterways	120,000	200,000	80,000
GF/GP	10,156,400	12,700,000	2,543,600
Total Fund Sources in Treasury	$14,256,900	$16,400,000	$2,143,100
PILT in School Aid - School Aid Fund	$3,000,500	$3,800,000	$799,500
Total PILT, Treasury and School Aid	$17,257,400	$20,200,000	$2,942,600

[a] This includes supplemental appropriations from Public Act 89 of 2012 (H.B. 4289) and assumes approval of the PILT School Aid Fund transfer requested by the State Budget Office on May 4, 2012.
[1] Restricted fund sources were adjusted based on 2011 data provided by the Department of Treasury.

The proposed requirement that Purchased Lands payments be made by the Department of Treasury within 10 days of the receipt of the tax bills would increase the administrative costs of the Department by an unknown amount.

Fiscal Analyst: Elizabeth Pratt

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