

## REVISIONS TO QUALIFIED FORESTRY PROGRAM

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**Senate Bill 217 as enacted**

**Public Act 107 of 2015**

**Sponsor: Sen. Darwin L. Booher**

**House Committee: Natural Resources**

**Senate Committee: Natural Resources**

**Complete to 8-14-15**

Analysis available at  
<http://www.legislature.mi.gov>

## SUMMARY:

Senate Bill 217 amends Sections 7dd and 7jj of the General Property Tax Act to revise the criteria property must meet to be designated as *qualified forest property* when a parcel combines both *productive forest* and *agricultural use* property.

Qualified forest property is exempt from the tax levied by a local school district for school operating purposes. The act allows a maximum total of 1.2 million acres to be exempt as qualified forest property. (However, that cap does not apply to commercial forest property withdrawn from the commercial forest program under Part 511 of the Natural Resources and Environmental Protection Act and added to the qualified forest program, as recent legislation permitted.)

The bill also removes references to obsolete implementation dates in provisions of the act that were added in 2013. Further, it specifies that a parcel of property is considered "devoted primarily to agricultural use" only if more than 50% of the parcel's acreage is devoted to agricultural use, and removes a provision that says, "or if more than 50% of the parcel's acreage is devoted to a combination of agricultural use and is exempt...as qualified forest property."

Currently, if the owner of a parcel that is exempt under the act as qualified agricultural property wishes to also make that parcel exempt as qualified forest property, the qualified forest portion of the parcel must be at least 20 contiguous acres. If the qualified forest portion of the parcel is less than 40 acres, at least 80% must be stocked with productive forest capable of producing forest products, and if the qualified forest portion of the parcel is 40 acres or more, at least 50% must be stocked with productive forest capable of producing forest products.

Senate Bill 217 revises these requirements to say that if a parcel contains both productive forest and agricultural use property, an owner could apply for a designation as qualified forest property if the combined acreage meets all of the following:

- The parcel must be at least 20 contiguous acres. If a parcel is less than 40 acres, not less than 80% shall be the combined productive forest and agricultural use property. If the parcel is 40 acres or more, not less than 50% shall be the combined productive forest and agricultural use property.

- The acreage of agricultural use property on the parcel would be determined by the assessor in the local tax collecting unit in which the parcel is located. The property owner would have to request the determination. The assessor would then report the acreage of the agricultural use property in a form prescribed by the State Tax Commission to the property owner and the Department of Agriculture and Rural Development within 30 days of the date of the request for the determination. An owner that disagrees with an assessor's determination could appeal that determination to the local board of review. If the property owner converts all or part of the agricultural use property to forest property by planting trees or other means, the property owner would have to notify the Department of Agriculture and Rural Development and the assessor of the conversion and the forest management plan would have to be modified to reflect the change in use.

(Apparently, the previous language was interpreted so that an owner, in order to exempt the combined acreage, had to legally split the land into separate agricultural and forest parcels and obtain separate exemptions. The bill aims to allow a single exemption for a combined-use parcel.)

The bill also encourages property owners to consult with the local conservation district regarding the owner's obligations under the Qualified Forest Program before submitting an application for a qualified forest property exemption.

The terms "productive forest" and "agricultural use property" would be added by the bill.

"Productive forest" means "real property capable of growing not less than 20 cubic feet of wood per acre per year. However, if property has been considered productive forest, an act of God that negatively affects that property shall not result in that property not being considered productive forest." (The term was previously defined in the same way in a subparagraph defining "qualified forest property," though its definition is limited to that subparagraph. This limiting provision would be removed by the bill.)

"Agricultural use property" is defined as real property devoted primarily to agricultural use as that term is defined in Section 36101 of the Natural Resources and Protection Act, or NREPA. That section of NREPA defines "agricultural use" to mean the production of plants and animals useful to humans, including forages and sod crops; grains, feed crops, and field crops; dairy and dairy products; poultry and poultry products; livestock, including breeding and grazing of cattle, swine, captive cervidae, and similar animals; berries; herbs; flowers; seeds; grasses; nursery stock; fruits; vegetables; maple syrup production; Christmas trees; and other similar uses and activities. The term does not include the management and harvesting of a woodlot.

The bill modifies a requirement that an annual report be submitted to the legislature by MDARD by adding language stating the report shall include the number of acres of agriculture use property that is combined with productive forest in addition to the information currently required.

The term "converted by a change in use" is amended to reflect the revisions to eligibility requirements the bill makes by allowing a qualified forest property to have combined forest and agricultural uses.

**FISCAL IMPACT:**

As written, the bill could potentially reduce local school operating revenue by an unknown, but likely minimal, amount. To the extent school operating revenue declines, School Aid Fund expenditures would need to increase to maintain the foundation allowance.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.