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Senate Bill 217 (as reported without amendment)
Sponsor: Senator Darwin L. Booher
Committee: Natural Resources

CONTENT

The bill would amend the General Property Tax Act to do the following:

- Specify that a parcel of property that contained a combination of agricultural use property and productive forest would be considered qualified forest property (rather than qualified agricultural property), with regard to eligibility for an exemption from school operating taxes.
- Provide that real property that contained agricultural use property combined with productive forest could not be credited against the 1.2 million-acre statewide limit on exempt qualified forest property, beginning in fiscal year 2014-15
- Require an annual report by the Michigan Department of Agriculture and Rural Development (MDARD) to the Legislature to include the number of acres of agricultural use property that was combined with productive forest.

Under the Act, qualified agricultural property and qualified forest property are both exempt from the tax levied by a local school district for school operating purposes to the extent provided in the Revised School Code. To be considered "qualified agricultural property", more than 50% of the parcel's acreage must be devoted primarily to agricultural use, or to a combination of agricultural use and exempt qualified forest property. The bill would delete the reference to a combination of agricultural use and exempt qualified forest property.

The eligibility criteria for "qualified forest property" include requirements pertaining to parcel size and acreage of productive forest. For a parcel exempt as qualified agricultural property, the qualified forest portion of the parcel must be at least 20 contiguous acres and meet the applicable threshold for productive forest stock.

The bill would eliminate the criteria related to a parcel exempt as qualified agricultural property. Instead, if a parcel contained both productive forest and agricultural use property, an owner could apply for a designation as qualified forest property if the combined acreage of the parcel met the contiguous acreage and applicable productive forest stock requirements; and the acreage of the agricultural use property were determined by the assessor in the local tax collecting unit in which the parcel was located. The assessor would have to report that acreage to MDARD within 30 days after the application for the designation was made. An owner who disagreed with the assessor's determination could appeal it to the board of review as provided in the Act.

MCL 211.7dd & 211.7jj

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would lower local school revenue, and likely increase School Aid Fund expenditures, by an unknown and likely minimal amount. Under current law, the total number of acres that can be categorized as qualified forest property is capped at 1.2 million. Presently, approximately 225,000 acres are enrolled as qualified forest property. It is unknown how

many owners of property would choose to seek qualified forest property status under the bill or the number and size of properties that would be excluded from being counted toward the cap as a result of the bill. Assuming an average property tax rate of 33 mills and average taxable value of \$1,000 per acre, if the bill allowed the qualification of an additional 25,000 acres that would not have otherwise qualified either because of the current definitions of eligible property or due to the cap, the bill would reduce local school revenue by approximately \$450,000.

If per-pupil funding guarantees were to be maintained, School Aid Fund expenditures would need to rise by the amount of any local school revenue loss.

Date Completed: 4-20-15

Fiscal Analyst: David Zin

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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.