

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 651

A bill to provide for exemption of certain property from certain taxes; to levy and collect a specific tax upon the owners of certain property; to provide for the disposition of the tax; to prescribe the powers and duties of certain local government officials; and to provide penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "transitional qualified forest property specific tax act".

3 Sec. 2. As used in this act:

4 (a) "Commission" means the state tax commission created by
5 1927 PA 360, MCL 209.101 to 209.107.

6 (b) "Conservation district" means that term as defined in
7 section 7jj of the general property tax act, 1893 PA 206, MCL
8 211.7jj[1].

1 (c) "Converted by a change in use" means that term as defined
2 in section 7jj of the general property tax act, 1893 PA 206, MCL
3 211.7jj[1].

4 (d) "Department" means the department of agriculture and rural
5 development.

6 (e) "Forest management plan" means that term as defined in
7 section 7jj of the general property tax act, 1893 PA 206, MCL
8 211.7jj[1].

9 (f) "Forest practice" means that term as defined in section
10 7jj of the general property tax act, 1893 PA 206, MCL 211.7jj[1].

11 (g) "Harvest" means that term as defined in section 7jj of the
12 general property tax act, 1893 PA 206, MCL 211.7jj[1].

13 (h) "Taxable value" means the taxable value as determined
14 under section 27a of the general property tax act, 1893 PA 206, MCL
15 211.27a.

16 (i) "Transitional qualified forest property" means forestland
17 that meets all of the following:

18 (i) The forestland is classified as commercial forest under
19 part 511 of the natural resources and environmental protection act,
20 1994 PA 451, MCL 324.51101 to 324.51120.

21 (ii) The forestland meets the definition of qualified forest
22 property under section 7jj of the general property tax act, 1893 PA
23 206, MCL 211.7jj[1].

24 (iii) The owner of the forestland has applied to and that
25 application has been approved by the department under section 4.

26 (j) "Transitional qualified forest property specific tax"
27 means the specific tax levied under section 6.

1 Sec. 3. For taxes levied after December 31, 2015, subject to
2 section 4, transitional qualified forest property is exempt from ad
3 valorem property taxes collected under the general property tax
4 act, 1893 PA 206, MCL 211.1 to 211.155, as provided under section
5 7vv of the general property tax act, 1893 PA 206, MCL 211.7vv, for
6 a period not to exceed 5 years.

7 Sec. 4. (1) An owner of forestland that withdraws commercial
8 forestland under section 51108(5) of the natural resources and
9 environmental protection act, 1994 PA 451, MCL 324.51108, may apply
10 to the department to have that forestland determined to be
11 transitional qualified forest property. The application process
12 shall include an application from the owner of the forestland on a
13 form created by the department, a forest management plan, and a fee
14 of \$50.00. The applicant shall file the application not later than
15 September 1 prior to the tax year in which transitional qualified
16 forest property will be taxed under this act.

17 (2) The department shall review the application and forest
18 management plan and determine whether the forestland is
19 transitional qualified forest property under this act. The
20 department shall review the forest management plan to determine if
21 the elements required in section 7jj(17)(f) of the general property
22 tax act, 1893 PA 206, MCL 211.7jj[1], are in the plan. Within 90
23 days of its receipt of the application, forest management plan, and
24 fee, the department shall review the application and if the
25 application and supporting documents are not in compliance, the
26 department shall deny the application and notify the property owner
27 of that denial. If the application and supporting documents are in

1 compliance with the requirements of this act, the department shall
2 approve the application and shall prepare a transitional qualified
3 forest property affidavit, in recordable form, indicating all of
4 the following:

5 (a) The name of the property owner.

6 (b) The tax parcel identification number of the property.

7 (c) The legal description of the property.

8 (d) The year the application was submitted for the exemption.

9 (e) A statement that the property owner is attesting that the
10 property is transitional qualified forest property and will be
11 managed according to the approved forest management plan.

12 (3) The department shall send a transitional qualified forest
13 property affidavit prepared under subsection (2) and a commercial
14 forest withdrawal certificate to the property owner. The property
15 owner shall execute the transitional qualified forest property
16 affidavit and the commercial forest withdrawal certificate and
17 return both to the department.

18 (4) If the application is denied, the property owner has 30
19 days from the date of notification of the denial by the department
20 to initiate an appeal of that denial. An appeal of the denial shall
21 be by certified letter to the director of the department.

22 (5) An owner may claim an exemption under this section for not
23 more than 160 acres maximum of transitional qualified forest
24 property per township. If an exemption is granted under this act
25 for less than 160 acres in a township, an owner of that property
26 may subsequently claim an exemption for additional property until
27 the 160-acre maximum in that township is reached if that additional

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property otherwise meets the requirements of this act.

(6) [Upon receipt of] a copy of the recorded transitional qualified forest property affidavit and a copy of the recorded commercial forest withdrawal certificate [by] the assessor, the assessor shall exempt the property from the collection of the tax as provided in section 3 until December 31 of the year in which the property is no longer transitional qualified forest property.

Sec. 5. The assessor of each local tax collecting unit in which there is transitional qualified forest property shall determine annually as of December 31 the value and taxable value of each parcel of transitional qualified forest property located in that local tax collecting unit.

Sec. 6. (1) There is levied upon the owner of each parcel or transitional qualified forest property a specific tax to be known as the transitional qualified forest property specific tax.

(2) The amount of the transitional qualified forest property specific tax in each year shall be the greater of an amount equal to the specific tax calculated under section 51106 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.51106, for that property or an amount determined as follows:

(a) Multiply the number of mills that would be assessed in the local tax collecting unit if the property were subject to the collection of taxes under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155, and if the property was exempt as provided under section 7jj of the general property tax act, 1893 PA 206, MCL 211.7jj[1], by the transitional qualified forest

1 property's taxable value.

2 (b) Multiply the result of the calculation in subdivision (a)
3 by the following:

4 (i) For the first year the transitional qualified forest
5 property is subject to this act, .20.

6 (ii) For the second year the transitional qualified forest
7 property is subject to this act, .40.

8 (iii) For the third year the transitional qualified forest
9 property is subject to this act, .60.

10 (iv) For the fourth year the transitional qualified forest
11 property is subject to this act, .80.

12 (v) For the fifth year the transitional qualified forest
13 property is subject to this act, 1.0.

14 (c) If a new millage is approved in the local tax collecting
15 unit in which transitional qualified forest property is located
16 after the effective date of this act, multiply the number of mills
17 that were approved that would be assessed if the transitional
18 qualified forest property were subject to the collection of taxes
19 under the general property tax act, 1893 PA 206, MCL 211.1 to
20 211.155, by the transitional qualified forest property's taxable
21 value. Repeat this calculation for each individual new millage
22 approved in the local tax collecting unit after the effective date
23 of this act. As used in this subdivision, "new millage" does not
24 include the renewal of some or all of a millage in existence on the
25 effective date of this act.

26 (d) Add the result of the calculation under subdivision (b)
27 and the result of all calculations under subdivision (c).

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1 (3) The transitional qualified forest property specific tax is
2 an annual tax, payable at the same times, in the same installments,
3 and to the same collecting officer or officers as taxes collected
4 under the general property tax act, 1893 PA 206, MCL 211.1 to
5 211.155.

6 (4) The collecting officer or officers shall disburse the
7 transitional qualified forest property specific tax to and among
8 this state and cities, townships, villages, school districts,
9 counties, or other taxing units, at the same times and in the same
10 proportions as required by law for the disbursement of taxes
11 collected under the general property tax act, 1893 PA 206, MCL
12 211.1 to 211.155.

13 (5) The collecting officer or officers shall send a copy of
14 the amount of disbursement made to each taxing unit under this
15 section to the department [of treasury] on a form provided by the
16 department [of treasury].

17 (6) Beginning in the year that transitional qualified forest
18 property is subject to tax under this act and each year thereafter,
19 a fee is imposed on each parcel of transitional qualified forest
20 property under this act. The fee shall be calculated in the same
21 manner, collected at the same time and in the same manner, and
22 disbursed in the same manner as the fee provided for under section
23 7jj(9) of the general property tax act, 1893 PA 206, MCL
24 211.7jj[1].

25 (7) Not more than 90 days after all or a portion of the
26 exempted property is no longer transitional qualified forest
27 property, the owner shall rescind the exemption for the applicable
portion of the property by filing with the register of deeds for

1 the county in which the exempted property is located a rescission
2 form prescribed by the department. A copy of the rescission form
3 shall be provided to the assessor. The rescission form shall
4 include a legal description of the property. An owner who fails to
5 file a rescission form as required by this subsection is subject to
6 a penalty of \$5.00 per day for each separate failure beginning
7 after the 90 days have elapsed, up to a maximum of \$1,000.00. This
8 penalty shall be collected under 1941 PA 122, MCL 205.1 to 205.31,
9 and shall be deposited in the private forestland enhancement fund
10 created in section 51305 of the natural resources and environmental
11 protection act, 1994 PA 451, MCL 324.51305.

12 Sec. 7. Unpaid transitional qualified forest property specific
13 taxes are subject to forfeiture, foreclosure, and sale in the same
14 manner and at the same time as taxes returned as delinquent under
15 the general property tax act, 1893 PA 206, MCL 211.1 to 211.155.

16 Sec. 8. (1) If forestland that was subject to the transitional
17 qualified forest property specific tax is not transitional
18 qualified forest property as determined by the department, the
19 department shall notify the local tax collecting unit and that
20 property shall be immediately placed on the tax roll by the local
21 tax collecting unit if the local tax collecting unit has possession
22 of the tax roll or by the county treasurer if the county has
23 possession of the tax roll as though the exemption had not been
24 granted. A corrected tax bill shall be issued for each tax year
25 being adjusted by the local tax collecting unit if the local tax
26 collecting unit has possession of the tax roll or by the county
27 treasurer if the county has possession of the tax roll.

1 (2) If forestland was subject to the transitional qualified
2 forest property specific tax for a period of 5 years as determined
3 by the department and the department also determines that the
4 forestland is still eligible for the exemption under section 7jj of
5 the general property tax act, 1893 PA 206, MCL 211.7jj[1], then
6 both of the following apply:

7 (a) That forestland shall be exempt from the tax levied by a
8 local school district for school operating purposes as qualified
9 forest property under section 7jj of the general property tax act,
10 1893 PA 206, MCL 211.7jj[1], upon completion of the procedures
11 required by section 7jj(16) of the general property tax act, 1893
12 PA 206, MCL 211.7jj[1].

13 (b) The owner of that forestland is not responsible for the
14 penalty described in section 9 for that forestland.

15 Sec. 9. If all or a portion of transitional qualified forest
16 property is converted by a change in use and is no longer
17 transitional qualified forest property, an owner shall immediately
18 notify the local tax collecting unit, the assessor, and the
19 department, on a form created by the department. The form shall
20 include a legal description of that property. A copy of the form
21 shall be filed with the register of deeds for the county in which
22 the property is located. Upon notice that property is no longer
23 transitional qualified forest property, the local tax collecting
24 unit and assessor shall immediately rescind the exemption under
25 this act and shall place the property on the tax roll as though the
26 exemption under this act had not been granted for the immediately
27 succeeding tax year and the department of treasury shall

1 immediately begin collection of any applicable tax and penalty
2 under the general property tax act, 1893 PA 206, MCL 211.1 to
3 211.155. The department of treasury shall also begin collection of
4 an amount equal to the application fee and penalty that would have
5 been assessed under section 51108 of the natural resources and
6 environmental protection act, 1994 PA 451, MCL 324.51108, to
7 withdraw that property from the operation of part 511 of the
8 natural resources and environmental protection act, 1994 PA 451,
9 MCL 324.51101 to 324.51120, in the year in which the property is
10 converted by a change of use, calculated as if the property had not
11 been withdrawn from the operation of part 511 of the natural
12 resources and environmental protection act, 1994 PA 451, MCL
13 324.51101 to 324.51120, and the treasurer shall credit these
14 proceeds to the private forestland enhancement fund created in
15 section 51305 of the natural resources and environmental protection
16 act, 1994 PA 451, MCL 324.51305.

17 Sec. 10. An owner of transitional qualified forest property
18 shall report to the department on a form prescribed by the
19 department when a forest practice or timber harvest has occurred on
20 the transitional qualified forest property during a calendar year.
21 The report shall indicate the forest practice completed and the
22 volume and value of timber harvested on that transitional qualified
23 forest property. One copy of the form shall be forwarded to the
24 conservation district, and 1 copy shall be retained by the
25 department for 7 years. If it is determined by the department that
26 a forest practice or harvest has occurred in a calendar year and no
27 report was filed, a fine of \$500.00 may be collected by the

1 department. Beginning December 31, 2015 and each year thereafter,
2 the department shall provide to the standing committees of the
3 senate and house of representatives with primary jurisdiction over
4 forestry issues a report that includes all of the following:

5 (a) The number of acres of transitional qualified forest
6 property in each county.

7 (b) The amount of timber produced on transitional qualified
8 forest property each year.

9 (c) The number of forest management plans completed by
10 conservation districts and the total number of forest management
11 plans submitted for approval each year.

12 Sec. 11. The owner of transitional qualified forest property
13 shall retain the current management plan, most recent harvest
14 records, recorded copy of a receipt of the tax exemption, and a map
15 that shows the location and size of any buildings and structures on
16 the property. The owner shall make the documents available to the
17 department upon request. The department shall maintain a database
18 listing all transitional qualified forest properties, including the
19 dates indicated for forest practices and harvests in the forest
20 management plan, and shall notify the property owner and the
21 conservation district in any year that forest practices or harvests
22 are to occur. If an owner does not accomplish forest practices and
23 harvests within 3 years after the time specified in the current
24 forest management plan and the plan has not been amended to extend
25 the date of forest practices and harvests, the property is not
26 transitional qualified forest property under this act, the
27 department shall notify the local tax collecting unit that the

1 property is not transitional qualified forest property, and the
2 property shall be placed on the tax roll as though the exemption
3 under this act had not been granted as provided in this section and
4 shall be subject to repayment as indicated in the qualified forest
5 property recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036.
6 Information in the database specific to an individual property
7 owner's forest management plan is exempt from disclosure under the
8 freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.
9 However, information in the database in the aggregate, including,
10 but not limited to, how much timber would be expected to be on the
11 market each year as a result of enrollees, is not exempt from
12 disclosure under the freedom of information act, 1976 PA 442, MCL
13 15.231 to 15.246.

14 Enacting section 1. This act does not take effect unless all
15 of the following bills of the 98th Legislature are enacted into
16 law:

17 (a) Senate Bill No. 652.

18 (b) Senate Bill No. 653.