

QUALIFIED FOREST PROPERTY EXEMPTIONS

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Senate Bill 1034 (S-1) as passed by the Senate

Sponsor: Sen. Darwin Booher

House Committee: Agriculture

Senate Committee: Natural Resources

Complete to 12-11-18

Analysis available at

<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 1034 would amend the General Property Tax Act to modify exemptions for qualified forest property.

Property exemptions under Revised School Code

Currently, qualified forest property is generally exempt from the tax levied by a local school district for school operating purposes as provided under the Revised School Code. However, the amount of qualified forest property in Michigan that is eligible for exemptions is limited.

The bill would increase the current limitation of 1,200,000 acres of qualified forest property that can be exempted to 2,500,000 acres, beginning with the 2018-19 fiscal year.

Applications

A property owner who is interested in obtaining an exemption for qualified forest property can currently file an application for exemption and submit certain supporting documents. If the application and supporting documents are in compliance, the Department of Agriculture and Rural Development (MDARD) must approve the application and prepare a qualified forest school tax affidavit indicating certain information.

The bill would add that MDARD must also include a statement indicating that the property owner holds the timber rights for the property for which the exemption is being claimed. Additionally, if the application and supporting documents that are in compliance and approved by MDARD extend to multiple parcels owned by the same person and located in the same local tax collecting unit, then MDARD could include the information required in the tax affidavit in a single tax affidavit instead of one for each parcel.

MDARD also would have to provide to the conservation district and the Department of Treasury a spreadsheet listing all parcels for which it has received a qualified forest school tax affidavit, which could be sent electronically. (MDARD is currently required to send "one copy" of the affidavit to each entity.)

Exemption acre limit

Currently, an owner may claim an exemption for up to 640 acres or the equivalent of 16 survey units consisting of $\frac{1}{4}$ of $\frac{1}{4}$ of a section of qualified forest property in each local tax

collecting unit. Additional provisions apply if an exemption is granted for less than 640 acres. The bill would eliminate these provisions.

Fees

A fee is currently collected on exempted qualified forest property. The fee is collected at the same time and in the same manner as other taxes collected. The bill would amend this provision by specifying that the fee would be collected on the summer tax bill or, if the local tax collecting unit does not collect summer taxes, on the winter tax bill at the same time and in the same manner as other taxes collected.

Rescission documents and notice

Currently, a landowner is required to provide rescission documents if all or part of the exempted property is no longer considered a qualified forest property. The bill would remove this requirement and instead have the property owner *notify* MDARD that all or part of the property is no longer qualified forest property, upon which MDARD would notify the county treasurer that a request has been made to remove the exemption and to calculate any recapture tax required under the Qualified Forest Property Recapture Tax Act (Public Act 379 of 2006). The county treasurer would then bill the landowner for any recapture tax required. When the proceeds are deposited as required, MDARD would be required to *prepare a rescission form* for the applicable portion of the property and file the form with the register of deeds as currently required.

Penalties are currently in place for property owners who fail to file a rescission form; the bill would apply the penalties to property owners who fail to notify MDARD that all or a portion of the property is no longer qualified forest property.

The bill also would add that if an owner of qualified forest property does not wish to keep all or a portion of the property enrolled in the Qualified Forest Program, then the owner would have to immediately notify MDARD as described above.

Definitions

Finally, the bill would change definitions used in the section, to do the following:

- Specify that qualified forest property is not considered *converted by a change of use* because of the construction of a residence and related structures on up to one acre of the property if the rest of the property would still meet the requirements for qualified forest property. However, the acre with the residence and related structures would not be eligible for the tax exemption.
- Specify that *harvest* of timber means cutting it for sale and does not include using it for firewood, fence posts, or other personal use.
- Provide additional criteria for real property to be considered *productive forest*. Currently, productive forest means property capable of growing at least 20 cubic feet of wood per acre per year. The bill would add other measures that would allow

property to be considered productive forest, such as seedlings per acre or amounts of board feet produced per acre of specified types of sawtimber.

- Specify that stocking density requirements (what percentage of a property is stocked with productive forest) that must be met for property to be considered *qualified forest property* apply on a per-parcel basis and cannot be averaged over multiple parcels.
- Allow membership in the Association of Consulting Foresters to qualify an individual to register as a *qualified forester*.

MCL 211.7jj[1]

FISCAL IMPACT:

As written, the bill would reduce local property tax collections and the 6-mill State Education Tax that accrues to the School Aid Fund (SAF). The amount cannot be determined because the specific properties, their taxable values, and millage rates are not known in advance.

Because the bill would also reduce revenue directed to local K-12 education, SAF expenditures would have 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.