



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 1034 (as reported without amendment)
Sponsor: Senator Darwin L. Boohar
Committee: Natural Resources

CONTENT

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

- Increase the total number of acres of qualified forest property that may be exempt from local school operating taxes, beginning in fiscal year 2018-19, from 1.2 million acres to 2.5 million acres.
- Require a parcel of qualified forest property to be at least 10, rather than 20, acres in size.
- Include in the definition of "productive forest" real property meeting certain tree density criteria.
- Require a qualified forest school tax affidavit to include a statement indicating that the property owner held the timber rights for the property.
- Permit the Michigan Department of Agriculture and Rural Development (MDARD), for multiple parcels owned by the same person and located in the same local tax collecting unit, to include required information in a single affidavit.
- Revise the process for rescinding the exemption for property that is no longer qualified forest property, and require the property owner to be billed for any recapture tax required under the Qualified Forest Property Recapture Tax Act.
- Require a property owner to notify MDARD if the owner no longer wished to keep property enrolled in the Qualified Forest Program.

MCL 211.7jj[1]

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have a negative fiscal impact on State and local government. The bill would lower local school revenue, and thus increase School Aid Fund expenditures in order to maintain per-pupil funding guarantees, by an unknown amount that would depend on the specific characteristics of any additional land enrolled in the program. It is unknown how many property owners would choose to seek qualified forest property status, due to the proposed increase in the total number of acres that can be categorized as qualified forest property. Assuming an average property tax rate of 33 mills and an average taxable value of \$1,000 per acre, if the entire increase in available acres became qualified forest property (an additional 1.3 million acres), the bill would reduce local school revenue by approximately \$21.0 million. It is not known how long it would take to reach the maximum number of acres, or if the maximum would ever be reached. In 2017, enrolled acres represented only 37% of the current 1.2-million-acre cap.

The bill would have no fiscal impact on the Department of Agriculture and Rural Development.

Date Completed: 6-4-18

Fiscal Analyst: Bruce Baker/Ryan Bergan/David Zin

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Bill Analysis @ www.senate.michigan.gov/sfa

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