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BILL ANALYSIS

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Senate Bill 1330 (as introduced 5-20-08)
Sponsor: Senator Jim Barcia
Committee: Agriculture

Date Completed: 6-16-08

CONTENT

The bill would amend Part 511 (Commercial Forests) of the Natural Resources and Environmental Protection Act to revise the formula for calculating the penalty for withdrawing commercial forestland from the operation of Part 511.

Part 511 allows the owner of forestland to apply to the Department of Natural Resources (DNR) to have that land determined to be a commercial forest. Commercial forests are not subject to the ad valorem general property tax, but instead are subject to an annual specific tax of \$1.20 per acre. (That tax rate is effective through December 32, 2011. Beginning January 1, 2012, and every five years after that date, the specific tax rate is to be increased by five cents per acre.)

An owner of commercial forestland may withdraw his or her land, in whole or in part, from the operation of Part 511 upon application to the DNR and payment of a withdrawal application fee and withdrawal penalty.

Currently, the withdrawal penalty must be calculated as follows:

- Multiply the number of withdrawn acres of commercial forestland by the average value per acre for comparable property acquired within the last 10 years under Subpart 14 of Part 21 (dealing with payments in lieu of taxes (PILTs) for certain State-owned land).
- Multiply the product of that calculation by the total millage rate levied by all taxing units in the local tax collecting unit in which the property is located.
- Multiply that product by the number of years, up to seven, in which the withdrawn property has been designated as commercial forestland.

(Subpart 14 of Part 21 requires the State Tax Commission each year to determine the valuation of all real property owned by the State and controlled by the DNR, and authorizes the State Treasurer to transfer PILTs to local units of government based on those valuations.)

Under the bill, for applications to withdraw commercial forestland filed on or after September 27, 2007, the withdrawal penalty would have to be calculated as follows:

- Multiply the number of acres withdrawn by the average taxable value per acre for timber-cutover real property within the township in which the commercial forestland was located as of December 31, 2006, as determined by the DNR.

- Multiply the product of that calculation by the total millage rate levied by all taxing units in the local tax collecting unit in which the property was located.
- Multiplying that product by the number of years, up to seven, in which the withdrawn property had been designated as commercial forestland.
- Multiply the product of that calculation by two.

If the DNR could not determine the average taxable value per acre on timber-cutover real property within the township because of the lack of sufficient quantities of timber cutover real property within the township, it would have to determine the average taxable value per acre using timber-cutover real property in the county in which the commercial forestland was located. If the DNR could not determine the average taxable value per acre on that basis due to the lack of sufficient quantities of timber-cutover real property in the county, it would have to make the determination using timber-cutover real property located in the Lower Peninsula if the commercial forestland were located in the Lower Peninsula, and by using the timber-cutover real property in the Upper Peninsula if the commercial forestland were located in the Upper Peninsula.

The average taxable value per acre on timber-cutover real property could not increase by more than the increase in the immediately preceding year in the general price level or 5%, whichever was less. Each year, the DNR would have to publish on its website the average taxable value per acre of timber-cutover real property for every township in which commercial forestland was located, and also would have to publish the formula to calculate the withdrawal penalty.

"General price level" would mean that term as defined in Article IX, Section 33 of the State Constitution, i.e., the consumer price index for the United States as defined and officially reported by the United States Department of Labor.

"Timber-cutover real property" would mean real property classified as timber-cutover real property under Section 34c of the General Property Tax Act. (Under that section, timber-cutover real property includes parcels that are stocked with forest products of merchantable type and size, cutover forestland with little or no merchantable products, and marshland or other barren land.)

MCL 324.51108

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would have no fiscal impact on the State.

The bill would have an indeterminate fiscal impact on local units of government, but most likely would result in a loss of revenue for local units. Revenue from penalties for withdrawal of land from the commercial forestland program is paid to the township in which the land is located. The amount collected for a withdrawal penalty would depend on the number of acres proposed for withdrawal and the value of the timber-cutover property applicable to the property. According to the Department of Natural Resources, the proposed formula would result in payments to townships that were somewhat less than payments under the current formula.

Fiscal Analyst: Jessica Runnels

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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.