

# Legislative Analysis



## FOREST INDUSTRY DEVELOPMENT

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5453 (Substitute H-1)**  
**House Bill 5628 (Substitute H-1)**  
**Sponsor: Rep. Tom Casperson**

**House Bill 5454 (Substitute H-1)**  
**Sponsor: Rep. Kevin Elsenheimer**

**House Bill 5457 (Substitute H-1)**  
**Sponsor: Rep. Judy Emmons**

**House Bill 5455 (Substitute H-1)**  
**Sponsor: Rep. Bill Huizenga**

**House Bill 5458 as introduced**  
**Sponsor: Rep. David Robertson**

**House Bill 5456 (Substitute H-2)**  
**Sponsor: Rep. Howard Walker**

**House Bill 5462 (Substitute H-1)**  
**Sponsor: Rep. David Farhat**

**Committee: Conservation, Forestry, and Outdoor Recreation**  
**First Analysis (2-7-06)**

**BRIEF SUMMARY:** The forest industry development legislation would, among other things, add renaissance zones for forestry product facilities; provide property tax relief for private land owners who harvest their lands for timber, and open them up to the public; and divert a front-end portion of timber revenue from the Forest Management Fund to the School Aid Fund.

**FISCAL IMPACT:** See the information found under the heading Fiscal Information.

### **THE APPARENT PROBLEM:**

According to a recent review of timber harvest levels prepared by Dr. Larry Pedersen for the Department of Natural Resources, Michigan has 19.3 million acres of forest covering more than half its lands. Private land owners hold more than 12 million acres, the State of Michigan holds 3.9 million acres, and the federal government just under 3 million acres. These forests teem with plant and animal life, provide outdoor recreation opportunities, support 400,000 jobs, and contribute over \$13 billion to Michigan's economy each year. See Background Information below.

Michigan's 3.9 million acres of state forest land are managed by the Department of Natural Resources for a broad range of uses and benefits. The objective is to have healthy, sustainable forest ecosystems which support fundamental ecological processes and functions, and are available to current and future generations to provide services for a variety of human values. Each year, the DNR reviews 10 percent of the state forestlands—or, 390,000 acres—to identify timber on the acreage that can be harvested for sale. Annually, about 60,000 acres are designated as ready for harvest.

Pederson reports that over the next two to three decades, timber harvesting on state forest lands will be most strongly influenced by the level of treatments in five primary forest types: aspen, jack pine, oak, red pine, and northern hardwoods. He concludes there will be lower harvest levels in the jack pine forests, while hardwood forest harvests will remain relatively stable, their quality and subsequent timber value increasing. Acres dominated by oak, red pine and aspen will also have increased harvest potential. Finally, Pedersen notes that additional potential exists for increased harvest levels in spruce-fir, mixed swamp conifer, and white pine.

In May 2004, Governor Granholm signed into law Public Act 125 which requires Michigan's state forests to be certified as being sustainably managed. The certification process was undertaken to ensure that Michigan timber sales remain steady, since large buyers such as Home Depot and Lowes only purchase timber produced from logging in certified forests. The act also requires a report on the state forests' number of harvestable acres, the number of acres actually harvested, and the number of cords of wood harvested. In addition and as the act requires, forest management unit analyses must be completed to assess trends, and eco-regional plans must further delineate choices and objectives—choices that may influence long-run timber trends.

The majority of Michigan's forest lands—12 million acres of the more than 19 million acres, or about 63 percent—are owned privately. Private owners can receive property tax breaks for their acreage (or portions of their acreage), under the Commercial Forest Act. In return, their forestlands must be open to the public for hunting and recreational purposes. According to committee testimony, 2.2 million acres of private land are enrolled in the program (all but 135,000 of those acres enrolled before 1995), and 1.8 million of those acres are owned by 10 landowners. In recent polling, the Michigan Nature Conservancy reports that among those with large private land holdings, 85 percent intend to keep the land in the family, rather than sell it.

In his September 2005 report to the DNR, Dr. Pederson notes that Michigan's timber growth is increasing while timber harvests are fairly steady. The result is that Michigan has one of the greatest absolute amounts of timber net growth in excess of removal of any state. Indeed, he estimates that Michigan may lead the nation in this regard—that is, both in the absolute amount, and the ratio of growth exceeding removals. He observes that from a timber utilization perspective, this represents untapped potential. Estimates in committee testimony suggested that across all types of ownership, the state is using about 30 percent of the timber that is available for harvest.

In order to realize the untapped timber production potential in the state—strengthening the wood products industry which is vital for jobs throughout much of the northern two-thirds of Michigan—legislation has been introduced.

### ***THE CONTENT OF THE BILLS:***

The forest industry development legislation comprises eight bills. The bills would, among other things, add renaissance zones for forestry product facilities; provide a tax incentive

to private land owners so they would allow timber harvests on their lands, and also open them to the public; require the Department of Agriculture (and not the Department of Natural Resources) to review and approve private landowners' forest management plans; and divert a front-end portion of timber revenue from the Forest Management Fund to the School Aid Fund. A description of each follows.

House Bill 5453 (H-1) would amend the Natural Resources and Environmental Protection Act (MCL 324.52512) to specify that when the Department of Natural Resources evaluates acreage within a state forest for purposes of management activities, it would be required to put up for timber sale all acreage meeting silvicultural criteria that are designed to maximize forest economics and forest growth. The timber would have to be put up for sale within 18 months following completion of the evaluation, however this provision would not apply to acreage restricted from harvesting under state or federal law, or requirements necessary to maintain certification with sustainable forestry standards.

The bill also specifies that when the department puts timber sales up for bid as provided above, it would be required to provide to all bidders, for educational purposes only, the acreage included in the timber sale that had been identified by the department (prior to the effective date of the bill) as containing factor limitations.

Further, not later than October 1 of each year, the department would be required to submit a report to the standing committees of the Senate and House that handle forestry issues. The report would have to include all of the following:

- the total number of acres in the state forest that had been identified by the department as containing factor limitations;
- the specific reasons for the factor limitations;
- recommended actions to remove the factor limitations from lands listed, and return those lands to active forest management.

Under the bill, "factor limitations" are defined as any legal requirements that restrain timber sales within the state forest on acres meeting silvicultural criteria that are designed to maximize forest economics and forest growth.

House Bills 5454 (H-1) and 5455 (H-1) would amend the Natural Resources and Environmental Protection Act to modify the Commercial Forest Act. Among other things, the bills would set the penalty rate for owners of commercial forestland who withdrew their property; require that the public have access to the forestland for hunting and fishing; and modify the eligibility criteria to designate commercial forestland. The bills are tie-barred to each other so that neither could go into effect unless both are enacted. Further, House Bill 5454 is tie-barred to House Bills 5462 and 5628, so that it could not go into effect unless those bills also were enacted.

Currently under the law, commercial forests are not subject to the ad valorem general property tax. Instead, the forests are subject to an annual specific tax that between 1981

and now, ranged from 15 cents per acre to 1.10 per acre. House Bill 5454 (H-1) (MCL 324.51105 et al) would retain the specific tax and the \$1.10 per acre rate for commercial forests.

Currently under the law, commercial forestland can be withdrawn from this taxing arrangement if the landowner pays the township treasurer a penalty per acre equal to the product of the current average property tax per acre on timber cutover property within the township (as determined by the township assessor) multiplied by either 1) the number of years, to a maximum of seven, that the land was assessed the specific tax (this method applied to forestlands designated before January 1994), or 2) the number of years, to a maximum of 15 years (applied to more recently designated forest lands). The law also specifies how the penalty is calculated in townships having no real property classified as timber cutover. House Bill 5454 would eliminate these provisions and specify, instead, that the penalty per acre would be equal to the sum of the ad valorem general property tax from which the forestland was exempted for the preceding 10 years, but not longer than the period for which the property had been designated as commercial forestland.

However, for a period of one year after the effective date of this legislation, the withdrawal penalty would be one of the following:

- the withdrawal penalty that was in effect immediately prior to the effective date of this legislation; or,
- if any of the following occurred, an owner of commercial forest property would not be subject to a withdrawal penalty:
  - a) an owner of commercial forestland withdrew his or her land from the operation of this legislation;
  - b) the former commercial forestland was placed on the assessment roll in the local tax collecting unit in which the forestland was located; and
  - c) the owner of the former commercial forestland claimed and was granted an exemption from the tax levied by a local school district for school operating purposes under the General Property Tax Act.

House Bill 5454 (H-1) requires that, for land classified as commercial forest after March 30, 1995, the owner provide the Department of Natural Resources with documentation that he or she would provide access to the general public for hunting and fishing. The documentation would have to include one or more of the following:

- if through land owned by the owner of the commercial forestland, a statement certifying the area or areas through which the general public could access the commercial forestland;
- if through land owned by a person other than the owner of the commercial forestland, a copy of an easement that granted rights to the general public to access the commercial forestland; or
- if through public land, a statement identifying those public lands through which the general public could access the commercial forestland.

- if portions of commercial forestland were contiguous only at a point, then documentation of public access would have to be provided for each portion of land as provided above.

For land classified as commercial forestland after March 30, 1995, if the location of the public access for hunting and fishing changes by an act of the owner, the owner of the commercial forestland would be required to provide the department with an update of the documentation. Failure to maintain access to the general public for hunting and fishing would subject the commercial forestland to declassification.

House Bill 5455 (H-1) would modify the eligibility criteria under the Commercial Forest Act (MCL 324.51101 et al).

Currently under the law, the owner of forestland can apply to the Department of Natural Resources to have the land determined to be a commercial forest. House Bill 5455 (H-1) would modify this section specifying, instead, that an owner of at least 40 contiguous acres or a survey unit consisting of one-quarter of one-quarter of a section could apply. "Contiguous" would mean land that touches at any point. The existence of a public or private road, a railroad, or a utility right-of-way that separates any part of the land does not make the land non-contiguous.

Currently under the law, a forestland owner submits an application to the department, accompanied by a non-refundable application fee in the amount of \$1 per acre (or fraction of an acre), not to exceed \$1,000. Under House Bill 5455 (H-1), the application would have to be postmarked or delivered not later than April 1 to be eligible for approval as commercial forest for the following tax year. Further, the application fee would be in the amount of \$1 per acre (or fraction of an acre), but not less than \$200 and not more than \$1,000.

The application to the department must also be accompanied by a legal description and the amount of acreage considered for determination as a commercial forest; a statement certifying that a forest management plan covering the forestland has been prepared and is in effect; and a statement certifying that the owner of the forestland owns the timber rights to the standing timber. House Bill 5455 (H-1) would retain all of these provisions, and also require documentation that the owner of the commercial forestland would provide access to the general public for hunting and fishing.

Upon receipt of the application, the forest management certification, the timber rights certification, and the application fee, the Department of Natural Resources must evaluate the forestland that is offered, and set a date for a public hearing to determine the eligibility of the forestland as a commercial forest. The hearing must be held in the county where the land is located not later than November 1 following receipt of the application, accompanying fee, and certifications. House Bill 5455 (H-1) would retain these provisions, and also require that public access documentation be filed with the application before a hearing date was established.

In addition, not later than three months after the effective date of this legislation, the Department of Treasury would be required to notify all owners of forestland classified as commercial forest of the amendments to this part of the act that were enacted in 2006.

Finally, the bill would delete outdated language in the law concerning the requirement that owners of forestland designated before January 1994 develop a forest management plan, and file a statement that the plan was complete with the Department of Natural Resources before January 1997.

House Bill 5456 (H-2) would amend the Michigan Renaissance Zone Act (MCL 125.2683 et al.) to allow for the designation of up to 20 additional renaissance zones, specifically for forest products processing facilities. Not more than five such zones could be created each year until the maximum is reached. The designations would be made by the State Administrative Board, upon recommendation of the board of the Michigan Strategic Fund. The creation of a zone would require the consent of the affected city, village, or township (or a combination of cities, villages, or townships).

*A forest products processing renaissance zone would have to be one contiguous geographic area. The term "forest products processing facility" would refer to one or more facilities or operations that harvest, transform, package, sort, recycle, or grade forest products into goods that are used for intermediate or final use or consumption, and surrounding property. Forest products processing facility does not include an existing facility or operation that is located in this state that relocates to a renaissance zone for a forest products processing facility.*

The language of House Bill 5456 (H-2) is parallel to that currently found in Section 8c of the Renaissance Zone Act, which allows for the creation of 20 zones for agricultural processing facilities. Public Act 259 of 2000 allowed for the creation of 10 agricultural processing zones, and the maximum number was raised to 20 by Public Act 93 of 2003.

Under the Renaissance Zone Act, businesses in renaissance zones get exemptions for up to 15 years from the single business tax, state and local income taxes, the state education tax, property taxes, various specific taxes, and the city utility users tax (in Detroit only).

House Bill 5462 (H-1) would amend the General Property Tax Act to exempt qualified forest property from local school operating taxes and provide the process and criteria for claiming the exemption. House Bill 5458 would make necessary complementary amendments to the Revised School Code. House Bill 5457 (H-1) would create the Qualified Forest Property Recapture Tax Act to impose a recapture tax on property that had been granted an exemption but no longer qualified due to a change in the use of the property. The state treasurer would annually pay from the General Fund to the State School Aid Fund an amount equal to the total amount of the tax exempted under this section each year.

Each of the bills is tie-barred to the others so that none could go into effect unless the others also were enacted. The bills are described in more detail below.

House Bill 5462 (H-1) would amend the General Property Tax Act (MCL 211.7jj et al) to provide a tax incentive for managing private forestland through a development rights agreement. The bill specifies that qualified forest property would be exempt from the tax levied by local school district for school operating purposes.

The term "qualified forest property" means a parcel of real property that meets all of the following conditions, as determined by the Department of Agriculture:

- Is not less than 20 contiguous acres in size, of which not less than 80 percent is productive forest capable of producing wood products. Contiguity is not broken by a road, a right-of-way, or property purchased or taken under condemnation proceedings by a public utility for power transmission lines, if the two parcels separated by the purchased or condemned property were a single parcel prior to the sale or condemnation. As used in this subparagraph, "productive forest" means real property capable of growing not less than 50 cubic feet of wood per acre per year.

- Is stocked with forest products.

- Is subject to an approved forest management plan.

To claim an exemption, the owner of the property would file an affidavit claiming the exemption with the local tax collecting unit by December 31. Under the bill, an owner could claim an exemption for not more than 200 acres of qualified forest property. If an exemption were granted for less than 200 acres, an owner could subsequently claim an exemption for additional property if that property met the requirements. Under the bill, the Department of Agriculture would determine if the property was qualified forest property, and if it did so, the assessor would exempt the property from the collection of the tax until December 31<sup>st</sup> of the year in which the property was no longer qualified. Not more than 90 days after all or a portion of the exempted property was no longer qualified, the owner would rescind the exemption by filing with the local tax collecting unit a rescission form. An owner who failed to do so would be subject to a penalty of \$5 a day for each separate failure beginning after the 90 days had elapsed, up to a maximum of \$1,000. (The penalty would be deposited in the General Fund of the state, and could be waived by the Department of Treasury.)

Under the bill, an owner of property that was qualified forest property on May 1 for which an exemption was not on the tax roll could file an appeal with the July or December Board of Review in the year the exemption was claimed, or the immediately succeeding year. If an exemption were denied by the assessor in the year the affidavit was filed, the owner could file an appeal with the July Board of Review for summer taxes or, if there was not a summer levy of school operating taxes, then with the December Board of Review.

If the assessor believed that the property was not qualified forest property, he or she could deny or modify an existing exemption by notifying the owner in writing. A taxpayer could appeal the assessor's determination to the Board of Review, and a decision of the Board of Review could be appealed to the Residential and Small Claims Division of the Michigan Tax Tribunal. If the property for which an exemption had been granted was not qualified forest property, then the property would be immediately placed on the

tax roll as though the exemption had not been granted, and a corrected tax bill would be issued for each tax year being adjusted by the local tax collecting unit.

If the property for which an exemption had been granted was converted by a change in use, and was no longer qualified forest property, then the property would be subject to the qualified forest property recapture tax that would be levied under the act created by House Bill 5457. Under the bill, an owner of qualified forest property would be required to inform a prospective buyer that the qualified forest property was subject to the recapture tax, if the property is converted by a change in use.

Under the bill, the state treasurer would annually pay from the General Fund to the State School Aid Fund, an amount equal to the total amount of the tax exempted under this section each year.

If qualified forest property were exempt, an owner of that property would be required to annually report to the Department of Treasury on a form prescribed by the department, the amount of timber produced on that property. Beginning in 2008 and every three years thereafter, the Department of Treasury would be required to provide to the standing committees of the Senate and House with primary jurisdiction over forestry issues, a report that included both of the following: a) the number of acres of qualified forest property in each county; and b) the amount of timber produced on the property each year.

The bill would define "proposed forest management plan" to mean a proposed plan for harvesting, planting, and regeneration of forest products on a parcel of property that is prepared by a qualified forester or by the Department of Agriculture. A proposed forest management plan shall include all of the following: the name and address of each owner of the property; the legal description of the property or of the parcel on which the property is located; a statement of the owner's forest management objectives; a map, diagram, or aerial photograph that identifies both forested and unforested areas of the property, using conventional map symbols indicating the species, size, and density of vegetation and other major features of the property; a description of the forestry practices, including harvesting, thinning, and reforestation, that will be undertaken specifying the approximate period of the time before each is completed; and a description of soil conservation practices that may be necessary to control any soil erosion that may result from the forestry practices. A proposed forest management plan may also include a description of activities that may be undertaken for the management of forest resources other than trees, including wildlife habitat, watershed, and aesthetic features.

The bill would define "approved forest management plan" to mean a forest management plan approved by the Department of Agriculture. An owner of property may submit a proposed forest management plan to the Department of Agriculture for approval. The proposed forest management plan shall include a statement signed by the owner that he or she agrees to comply with all terms and conditions contained in an approved forest management plan. The department may charge a nonrefundable \$20 fee for consideration of each proposed forest management plan submitted. The Department of Agriculture shall review and either approve or disapprove each proposed forest



management plan submitted within 30 days after submission. If a proposed forest management plan is not approved or disapproved within 30 days after submission, the proposed forest management plan shall be considered approved. If the Department of Agriculture disapproves a proposed forest management plan, it shall indicate the changes necessary to qualify the proposed forest management plan for approval on subsequent review. At the request of the owner submitting a proposed forest management plan, the department may agree to complete a proposed forest management plan. An owner and the Department of Agriculture may mutually agree to amend a proposed forest management plan or an approved forest management plan.

A "natural resources professional" and "registered forester" mean those terms as defined in section 51101 of the Natural Resources and Environmental Protection Act. "Forest products" includes, but is not limited to, timber and pulpwood-related products.

The current law sets the tax rate at which property must be assessed, and describes how ownership of property can be transferred by defining the term "transfer of ownership." Current law also describes what the transfer of ownership does *not* include. House Bill 5462 (H-1) would retain these provisions, and also add a section to specify that transfer of ownership would not include a transfer of qualified forest property, if the person to whom the property was transferred filed an affidavit with the assessor of the local tax collection unit, and with the county register of deeds, attesting that the qualified forest property would remain so. The affidavit would have to be in a form prescribed by the Department of Treasury. An owner of qualified forest property would be required to inform a prospective buyer of the property that the property was subject to the recapture tax, if the property were converted by a change in use. If property ceased to be qualified at any time after being transferred, then all of the following would occur: the taxable value of that property would be adjusted as of the December 31 in the year that the property ceased to be qualified forest property; and the property would be subject to the recapture tax.

House Bill 5458 would make a necessary amendment the Revised School Code (MCL 380.1211) in order to exempt qualified forest property from a school district's operating mills. Specifically, it would treat "qualified forest property" in the same manner as a principal residence and qualified agricultural property in Section 1211 of the code and would cite the definition of "qualified forest property" found in House Bill 5462.

House Bill 5457 (H-1) would create a new act, the Qualified Forest Property Recapture Tax Act, which would be administered by the Department of Treasury. Under the act, beginning January 1, 2006, a qualified forest property recapture tax would be imposed on property that is converted by a change in use after December 31, 2006. Under the bill, "converted by a change in use" means that due to a change in use the property is no longer qualified forest property as determined by the assessor of the local tax collecting unit.

Under the bill, the recapture tax is the obligation of the person who owned the property at the time the property was converted. If a recapture tax were imposed on the owner, the tax would be a lien on the property until paid. If the recapture tax was not paid within 90

days of the date the property was converted, the treasure could bring a civil action against the owner of the property (as of the date the property was converted). If the recapture tax remained unpaid on March 1 of the year immediately succeeding the conversion, the property would be returned as delinquent to the county treasurer. Property returned as delinquent and upon which recapture tax, interest, penalties, and fees remained unpaid after the return would be subject to forfeiture, foreclosure, and sale as provided in sections 78 and 79a of the General Property Tax Act.

The recapture tax would be imposed as follows.

- If the property were converted by a change in use and there had not been harvests of forest products on that property, then 200 percent of the total amount exempted from school operating taxes would be recaptured.
- If the property were converted by a change in use within 20 years after the exemption were first claimed, then 100 percent of the total amount that had been exempted from school operating taxes would be recaptured.
- If the property were converted by a change in use 20 or more years but less than 30 years after an exemption was first claimed, then 75 percent of the amount exempted would be recaptured.
- If the property were converted by a change in use 30 or more years but less than 40 years after an exemption were first claimed, then 50 percent of the total exempted would be recaptured.
- If the property were converted by change in use 40 or more years after exemption was first claimed, than no recapture tax would be due under the act.

The bill requires that the recapture tax be collected by the county treasurer and deposited with the state treasurer. By the 15<sup>th</sup> day of each month, the county treasurer would be required, on a form provided by the state treasurer, to itemize the recapture taxes collected, and the recapture taxes that are delinquent in the preceding month, and transmit the form and the recapture taxes collected to the state treasurer. The county treasurer could retain the interest earned on the money collected as reimbursement for the costs incurred by the county in collecting and transmitting the recapture tax. The state treasurer would credit the proceeds of the recapture tax collected by county treasurers to the General Fund of the state

House Bill 5628 (H-1) would amend the Natural Resources and Environmental Protection Act (MCL 324.50507) to allocate, in each state fiscal year, the money that was received by the Forest Development Fund from the proceeds of the sale of the first 90,000 cords of wood harvested from the state forest, to the School Aid Fund in counties with land classified as commercial forests.

## ***BACKGROUND INFORMATION:***

To read the 75-page report entitled "Michigan State Forest Timber Harvest Trends" written by Dr. Larry Pedersen and published by the Department of Natural Resources in September 2005, visit the department's website at <http://www.michigan.gov/dnr> From the left menu select Forests, Land & Water and review the site called Forest Management.

## ***FISCAL INFORMATION:***

House Bill 5454 and 5455 would have no fiscal impact on the state, and an indeterminate impact on local governmental units, given that the PILT provision is a "Hold Harmless" for local tax revenue, and the penalty revenue would depend on the value of the property listed as a Commercial Forest Reserve at the time it is withdrawn from the program.

House Bill 5456 will result in an indeterminate reduction in State of Michigan and local tax revenue in the short term. The long term fiscal implications are also indeterminate. The location and size of these zones, and the identities of each business affected, including its current state and local tax liabilities, must be known in order to reasonably estimate the fiscal impact.

Concerning House Bill 5628, the Department of Natural Resources estimates that the amount deposited into the School Aid Fund would be \$4.4 million. The Forest Development Fund received \$33.4 million in revenue in FY 2004-05. If this bill were enacted in its present form, revenues to the Forest Development Fund would be reduced by about 13 percent.

## ***ARGUMENTS:***

### ***For:***

According to committee testimony, wood costs in the Great Lake States are among the highest in the country, due primarily to a relative shortage of timber on the market. These high wood costs adversely affect the competitiveness of Michigan wood product companies in the global market, and put existing and potential jobs at risk.

Proponents of this legislation note that our state has been blessed with an abundance of natural resources. Today we have the knowledge to manage those resources for the long-term benefit of the citizens. Through the resiliency of our forests and with the help of forestry professionals and conservation leaders, Michigan's forests have returned to a point where they can provide more economic benefit than in the past.

Proponents also note that our forests are growing three times the amount of timber that is harvested each year. Indeed, Michigan has the largest surplus of timber of any state in the country, yet businesses must import forest products every day. Proponents say that Michigan has the resources, the people, and the ability to provide much more timber and many more forest products, while improving the economic stability of northern communities and the state as a whole. They note there are 100,000 jobs in the forest

industry, ranking it number two behind auto manufacturers and auto suppliers. One in ten manufacturing jobs is forest-related; however, proponents caution that over the last 30 years, that percentage has declined. The bill to create Forest Product Renaissance Zones can help reverse that trend.

Proponents also point out that many of the acres in the state forests that could be harvested are designated as off-limits to loggers each year. They say that the Department of Natural Resources places "limiting factors" on many acres in the forests, and does so in a manner that denies the industry access to harvestable trees. When the DNR inventories the trees on 390,000 state-owned acres each year, it notes whether they are ready for logging, making a determination based on any of 40 "limiting factors" such as "too wet," "deer yards," "inferior quality," "too steep," "road needed," "denied access," "no market for species," or "regeneration technology inadequate" and others. Given modern harvesting methods and equipment, proponents of the legislation say the DNR's limiting factors are too conservative, and deny access to stands of trees that could be properly harvested while sustaining the forest's future viability.

For these and other reasons, proponents of these bills urge that they be enacted into law.

***Against:***

Opponents of this legislation argue that the bills are too costly to the state, and to local units of government, because of the incentive that would be offered to landowners to harvest timber on their private lands. Opponents point out that if even half of those who were eligible for property tax relief took advantage of it, the program would reduce general fund tax revenue each year by about \$32 million.

The opponents also note that House Bill 5628 would divert about \$4.4 million out of the Department of Natural Resource's Forest Management Fund, the money going to local school districts. Conservationists claim the money in the Forest Management Fund should be used only for natural resource purposes, most especially for activities designed to promote sustainable forests.

Opponents note, too, that the enactment of House Bill 5453 would likely jeopardize Michigan's recent Forest Certification program, since it requires the Department of Natural Resources to put up for timber sale far more of the forest land it reviews in a given year. Certification is threatened because the bill would diminish the department's authority to carefully manage the state forests by reducing state foresters' authority to make harvesting decisions based on limiting factors. Conservationists argue there are legitimate reasons why timber might not be available for harvest in any one year, and consequently, entry to that forest land would be justifiably denied.

Opponents of the legislation including conservation groups also argue that the oversight of programs about the state's forests should stay with the Department of Natural Resources, and not be moved to the jurisdiction of the Department of Agriculture. While they agree that timber can be regarded as a crop that is readied for harvest, they point out that there are many more uses of Michigan's forest land. Consequently, they argue that private landowners' forest management plans should be continue to be approved by the

Department of Natural Resources which has a program in place, and not the agriculture department which is unaccustomed to forest management.

Opponents also ask why the promise of public access in trade for tax relief specified under House Bill 5454 would be required only of those who have enrolled their private forest lands under the Commercial Forest Act since 1995—only 135,000 acres of the 2.2 million acres currently designated. Further, they question whether local units of government can, indeed, calculate the tax relief and tax requirements that are specified under House Bill 5454 since local officials do not keep Commercial Forest Act ad valorem tax records for land that is assessed a specific tax. Further, due to the lack of accountability under the bills, they worry that taxpayers who get the tax relief may never log the forest lands they enroll.

***POSITIONS:***

The Michigan Forest Association supports the bills as substituted. (2-2-06)

The Michigan Association of Timbermen supports the bills. (2-2-06)

The Timber Producer's Association supports the bill. (2-2-06)

Decorative Panels, Inc. supports the bills. (12-8-05)

Georgia-Pacific Corporation supports the bills. (12-8-05)

Louisiana-Pacific supports the bills. (12-8-06)

Weyerhaeuser Company supports the bills. (12-8-05)

New Page supports the bills. (12-8-05)

Michigan Tree Farm System supports the bills. (12-8-05)

The Michigan Small and Rural Schools supports all bills but House Bill 5456. (2-2-06)

The Michigan Farm Bureau supports the legislation in concept. (2-2-06)

The Michigan Forest Products Council supports the bills. (2-2-06)

J. M. Longyear LLC supports the bills. (1-19-06)

Smurfit-Stone Container supports the bills. (1-19-06)

Besse Forest Products supports the bills. (1-19-06)

The Michigan Manufacturers Association supports the bills. (12-1-05)

The Northern Michigan Schools Legislative Association supports House Bill 5628. (2-2-06)

The Department of Natural Resources opposes the bills. (2-2-06)

The Department of Treasury opposes House Bill 5458 and 5462, and is neutral on House Bill 5457. (2-2-06)

The Michigan Economic Development Corporation is neutral on House Bill 5456. (2-2-06)

The Michigan Environmental Council opposes the bills. (12-1-05)

The Sierra Club supports House Bill 5427 and opposes House Bill 5453. (12-1-06)

The Michigan Assessors Association opposes House Bill 5457 and 5462. (1-19-06)

The Michigan Association of County Treasurers opposes the bills. (2-2-06)

Heart of the Lakes is neutral on the bills. (1-19-06)

The Michigan United Conservation Clubs opposes House Bills 5468, 5453, 5457, and 5458, but supports House Bills 5454 and 5455. (2-2-06)

The Michigan Townships Association opposes the bills. (2-2-06)

The Michigan Association of Counties opposes the bills. (2-2-06)

Legislative Analysts: J. Hunault/C. Couch  
Fiscal Analysts: Kirk Lindquist/  
Richard Child

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.