

Legislative Analysis



FORESTRY PACKAGE

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House Bill 4069 as enrolled
Public Act 48 of 2013
Sponsor: Rep. Frank Foster

House Bill 4243 as enrolled
Public Act 49 of 2013
Sponsor: Rep. Ed McBroom

House Bill 4244 as enrolled
Public Act 50 of 2013
Sponsor: Rep. Bruce Rendon

Senate Bill 51 as enrolled
Public Act 42 of 2013
Sponsor: Sen. Darwin Booher

Senate Bill 54 as enrolled
Public Act 43 of 2013
Sponsor: Sen. Tom Casperson

Senate Bill 55 as enrolled
Public Act 44 of 2013
Sponsor: Sen. Mike Green

Senate Bill 56 as enrolled
Public Act 45 of 2013
Sponsor: Sen. Darwin Booher

Senate Bill 57 as enrolled
Public Act 46 of 2013
Sponsor: Sen. Arlan Meekhof

Senate Bill 58 as enrolled
Public Act 47 of 2013
Sponsor: Sen. John Moolenaar

House Committee: Natural Resources

Senate Committee: Natural Resources, Environment, and Great Lakes

Complete to 9-3-13

A SUMMARY OF HOUSE BILLS 4069 & 4243- 4244 AND SENATE BILLS 51, & 54-58 AS ENACTED

BRIEF BACKGROUND:

Part 511 (Commercial Forestland) of the Natural Resources and Environmental Protection Act (NREPA) allows land to be registered as commercial forest and to be subject to a specific tax of \$1.25 per acre, rather than the standard ad valorem property tax. Land enrolled in this **Commercial Forest Program** must be open to the general public for hunting and fishing. According to the department, there are approximately 2.2 million acres enrolled in the CF Program, and all but roughly 45,000 are located in the Upper Peninsula. The Commercial Forest Program provides a property tax reduction to private landowners as an incentive to retain and manage forestland for long-term timber production.

In 2006, the General Property Tax Act was amended to add the **Qualified Forest Property** tax exemption (Public Acts 378-380 of 2006). The program was intended to encourage private land owners to manage their land for forestry by exempting qualified

land from some school operating taxes. Land owners participating in this program do not have to allow access to the general public, and land must be managed according to a department-approved forest management plan. The amount of land eligible statewide for the qualified forest property tax exemption was capped at 1.2 million acres for the fiscal year ending September 30, 2011. According to the department, the Qualified Forest Property Program currently has approximately 70,000 enrolled acres.

The Commercial Forest Program and the Qualified Forest Program are two separate property tax incentive programs. Land cannot have both a Commercial Forest and a Qualified Forest Property tax designation. The legislative proposal in these bills, generally speaking, aims at encouraging more acreage to be placed in the **Qualified Forest Program**, and is intended to stimulate improved management and utilization of private forestland and private forest resources within the state.

BRIEF SUMMARY:

According to testimony, only 20% of the non-industrial private forestland in the state is managed. In an effort to promote the continued health and productivity of the forestland, as well as encourage new development of non-industrial private forestland, the bills would make various changes to the Commercial and Qualified Forest programs to encourage greater participation. Among the changes, the bills would allow land owners in the Commercial Forest Program to move to the Qualified Forest Property Program without penalty, under certain conditions.

The bills would, among other things, also:

- Transfer responsibilities from the Department of Natural Resources to the Department of Agriculture and Rural Development.
- Provide for a fee on each parcel of qualified forest property. Under Senate Bill 51, local tax collecting units would be required to collect a fee on each parcel of qualified forest property, which would be determined by multiplying 2 mills by the taxable value of the property. The fee would be deposited into a newly created Private Forestland Enhancement Fund.
- Exclude property that is eligible for an exemption as qualified forest property as a result being withdrawn from Part 511 (Commercial Forests) from being credited against the 1.2 million acre cap, beginning in the fiscal year ending September 30, 2013.
- Alter the requirements for a transferee to file an affidavit upon transferring property. Under House Bill 4244, among other things, owners of qualified forest property enrolled prior to January 1, 2013, could execute a new qualified forest taxable value affidavit with MDARD without having to pay the \$50 fee. Additionally, if a property owner chose not to execute a new affidavit, the existing affidavit would be rescinded without subjecting the property to the

recapture tax, and the taxable value of the property would be adjusted accordingly.

- Revise the recalculation and distribution of the Qualified Forest Property Recapture Tax. Currently, proceeds from the recapture tax are deposited in the General Fund. Senate Bill 54 would redirect those proceeds to the newly created Private Forestland Enhancement Fund, beginning on January 1, 2014.
- Create the Private Forestland Enhancement Fund, which could spend money, through an appropriation of the Legislature, only for direct assistance, indirect assistance, and/or administrative costs (which are defined later, on page 11 of this summary). MDARD would be required to develop criteria and procedures for approved proposed expenditures from the fund.
- Provide a tool for landowners to use in assessing (evaluating) the value of managing areas of land not used for traditional or production agriculture practices for environmental, ecological, and economic benefits (including wetland restoration, habitat restoration, and forest management).
- Require for parcels that are smaller than 40 acres that at least 80% would have to be stocked with productive forest; for parcels of 40 acres or more, at least 50% would have to be stocked with productive forest.
- Allow parcels where more than 50% of the acreage is devoted to a combination of (1) property that is in agricultural use and (2) property that is exempt as qualified forest property to be considered "qualified agricultural property" under the General Property Tax Act. (Previously, a parcel of property was considered devoted primarily to agricultural use only if more than 50% of the parcel's acreage was devoted to agricultural use.)
- Provide for the legislative intent of the program. Senate Bill 56 provides that the intent of the program is to stimulate improved management and use of the state's private forestland resources and enhance economic development by ensuring a future supply of high-quality timber, increased job opportunities and a diversified economy, and the conservation and maintenance of the forest resource system for the public benefit of current and future generations.

All of the bills would take effect on June 1, 2013.

FISCAL IMPACT:

The bill would have a mix of fiscal impacts on state and local revenue, including on school revenue. It would also have a fiscal impact on the Department of Agriculture and Rural Development. Ultimately, the fiscal impacts, positive and negative, will depend on how much land is placed in the Qualified Forest Program. For more information, see **Fiscal Information** (See page 13).

DETAILED SUMMARY:

A detailed description of each bill follows.

House Bill 4069 would amend Part 511 (Commercial Forests) of NREPA to alter the operation of the Commercial Forest program.

The bill removes the requirement that the Department of Natural Resources prepare a forest management plan for an applicant that is unable to secure a registered forester. It also removes a provision requiring the approval of the State Administrative Board for all expenses incurred and staff employed to implement the Commercial Forest Program. In addition, the bill would exempt all forest management plans submitted to the department or a local tax collecting unit from disclosure under the Freedom of Information Act (FOIA).

Until one year after the bill takes effect, the owner of commercial forestland would be allowed to withdraw the land from the Commercial Forest program and not be subject to a withdrawal penalty if all of the following occur:

- The owner of the property withdraws the land from the Commercial Forest program as provided for Part 511 and in Section 51108.
- The withdrawn land is placed on the assessment roll in the local tax collecting unit in which the land is located.
- The owner of the land applies for and is granted admission to the Qualified Forest program. The owner would have to submit a copy of the recorded qualified forest school tax affidavit by December 31 of the year in which the land was withdrawn.

The department would be able to withdraw land from the Commercial Forest program if it has been acquired by a federally recognized Indian tribe and the associated property taxes are subsequently preempted under federal law. In this instance, a withdrawal is not subject to the withdrawal application fee or penalty.

The department would also be able to withdraw land from the Commercial Forest program if a determination is made that the land owner has taken an action that has the effect of denying access to the land for public hunting and fishing. The land could remain as commercial forest land even if there is no access in cases where the lack of access is not because of an action taken by the land owner, if the conditions in the bill are satisfied.

The bill would include wind energy development among the generally prohibited uses of Commercial Forest land, but then allow exploration for wind energy development under certain circumstances. After applying and being approved, meteorological towers could be built and wind energy exploration or development leases, easements, or license agreements could be entered into without affecting the land's eligibility as Commercial Forest. Land owners could be compensated. The land owner would be required to

withdraw the portion of the land from the Commercial Forest program before any wind turbines are built as follows:

- Actual physical footprint of each turbine, buildings, and adjacent areas that will be permanently removed from forest production must be removed.
- Land under a development lease, easement, or license agreement where forest production will continue could remain in the program.
- Land containing road and utility rights-of-way could remain in the program.

House Bill 4243 would amend the Qualified Forest Property Recapture Tax Act (MCL 211.1034) to revise the calculation of the recapture tax that is imposed on qualified forest property that has been converted by a change in use and is no longer eligible for the tax exemption.

Currently, if there have been one or more harvests of forest products, the recapture tax is calculated as follows:

- The property's state equalized value at the time it is converted by a change in use is multiplied by the total millage rate levied by all taxing units in the local tax collecting unit where the property is located.
- The product of the above calculation is multiplied by seven.

If no harvest has occurred on the property, the recapture tax is determined in the same manner, with the total of the above calculation being multiplied by two.

Under House Bill 4243, if there have been one or more harvests of forest products, the recapture tax would be calculated as follows:

- The property's taxable value at the time it is converted by a change in use is multiplied by the number of operating mills that are levied by the local school district in which the property is located and reduced by the number of mills collected as a fee for qualified forest property.
- The product of the above calculation would be multiplied by the number of years the property had been exempt as qualified forest property before the property was converted by a change in use, not to exceed the seven years immediately preceding the year in which the property was converted by a change in use.

As is currently in place, if no harvest occurred on the property, the recapture tax would be doubled.

If the property was eligible for exemption as qualified forest property as a result of the withdrawal of that property from the operation of Part 511 (Commercial Forest) of NREPA and then is converted by a change in use within seven years after the withdrawal, the recapture tax would be equal to the application fee and penalty that would have been assessed under Part 511 to withdraw the property from Part 511 in the year in which the property is converted by a change in use, calculated as if the property had not been

withdrawn. If the property were converted by a change in use more than seven years after the withdrawal from Part 511, the recapture tax would be calculated according to the bill's provisions based on the property's taxable value.

House Bill 4244 would amend the General Property Tax Act to revise the requirements for an individual transferring qualified forest property to file an affidavit in order to avoid an adjustment in the property's taxable value.

The bill would require the Department of Agriculture and Rural Development to prescribe the form (currently, this is a responsibility of the Department of Treasury) and it would have to contain the following:

- Legal description of the property.
- Name of the new property owner and year in which the transfer occurred.
- Statement indicating the property owner is confirming that the property for which the exemption is claimed is qualified forest property and that it will be managed according to the approved management plan.
- Any other information pertinent to the parcel and owner.

The property owner would have to provide a copy of the affidavit to the department, which in turn would have to provide a copy to the local tax collecting unit, the conservation district, and the Department of Treasury. The bill specifies that the exception to the recognition of a transfer of ownership would extend to the land only of the qualified forest property; if qualified forest property is improved by buildings, structures, or land improvements, those improvements would be recognized as a transfer of ownership.

Beginning June 1, 2013, and ending on November 30, 2013, owners of property enrolled as qualified forest property prior to January 1, 2013, may execute a new qualified forest taxable value affidavit with MDARD without having to pay the \$50 fee. If a property owner chooses not to execute a new affidavit, the existing affidavit would be rescinded without subjecting the property to the recapture tax, and the taxable value of the property would be adjusted accordingly.

Senate Bill 51 would amend the General Property Tax Act (MCL 211.7jj [1]) regarding qualified forest property in order to do the following:

- Not count toward the 1.2 million acre cap any property that is eligible for an exemption as qualified forest property as a result of the land being withdrawn from Part 511 (Commercial Forests), beginning in the fiscal year ending September 30, 2013.
- Transfer responsibilities from the Department of Natural Resources to the Department of Agriculture and Rural Development.

- Require the local conservation district or the department to advise an interested applicant on the exemption process and provide a list of qualified foresters, upon request. The department would be required to maintain a list of qualified foresters.
- Require conservation districts to review applications to determine if the land meets the minimum requirements for enrollment. A determination would have to be made within 45 days of receipt. A property would be considered eligible if a determination is not made in the required time frame.
- Require the department, upon determination that the application and supporting documents are in compliance, to approve the application and prepare a qualified forest school tax affidavit and send it to the land owner for execution.
- Establish time frames to file an appeal if an application is denied.
- Increase the maximum number of acres for which an owner can claim an exemption in each local tax collecting unit from 320 to 640 acres.
- Require a local tax collecting unit to collect a fee on each parcel of qualified forest property within its jurisdiction. The fee would be determined by multiplying 2 mills by the taxable value of the property and would be collected at the same time and in the same manner as taxes collected under the act. The fee would be deposited into the newly created Private Forestland Enhancement Fund. The fee would be subject to the property tax administration fee established by the local tax collecting unit.
- Redirect the penalty for an owner who fails to file a rescission from the General Fund to the Private Forestland Enhancement Fund.
- Require a land owner to notify the local tax collecting unit, the assessor, the department, and the Department of Treasury if all or a portion of property for which an exemption has been granted is converted by a change in use and is no longer qualified. Upon rescission of the exemption, the land would be placed back on the tax roll and collection would begin of any applicable tax and penalty.
- From June 1, 2013, to November 30, 2013, allow land owners to execute a new qualified forest school tax affidavit without having to pay the \$50 fee. If a land owner does not file a new affidavit, the existing affidavit would be rescinded without penalty and the property would be placed back on the tax roll. The property would not be subject to the recapture tax.
- Require an owner of qualified forest property to report to the department when a forest practice or timber harvest has occurred on the property during a calendar year, indicating the practice completed or the volume and value of the harvested timber. If a land owner fails to file a report, a fine of \$500 could be collected by

the department. Currently, land owners are required to file annual reports detailing the amount of timber produced and whether any buildings or structures have been constructed.

- By December 31, 2013, and every year after, require the department to submit a report to the House and Senate standing committees with primary jurisdiction over forestry issues. In addition to the report requirements already in statute, it would have to include the number of forest management plans completed by conservation districts and the total number of plans submitted for approval each year.
- Require a land owner to retain the current management plan, most recent harvest records, recorded copies of a receipt of the tax exemption, and a map showing any structures on the property for as long as the property is exempt.
- Provide that property would no longer be eligible for an exemption as qualified forest property if the land owner has not accomplished forest practices and harvests within three years after the time specified in the forest management plan, and the plan has not been amended to extend the date. Upon being determined ineligible, the land would be placed back on the tax roll.
- Require forest management plans submitted to the department to be for a maximum length of 20 years and any succeeding plan would have to be submitted along with a \$50 fee. The first amendment to the plan would not be subject to a fee but additional amendments would be subject to the \$50 fee.
- Eliminate the requirement that at least 80% of qualified forest property parcels be productive forest capable of producing wood products. Instead, for parcels smaller than 40 acres, at least 80% would have to be stocked with productive forest; for parcels of 40 acres or more, at least 50% would have to be stocked with productive forest.
- Require the qualified forest portion of a parcel that is exempt as qualified agricultural property to be at least 20 contiguous acres. If the qualified forest portion is less than 40 acres, at least 80% would have to be stocked with productive forest; for parcels where the qualified forest portion is 40 acres or more, at least 50% would have to be stocked with productive forest.
- Exclude buildings, structures, or land improvements located on qualified forest property from the property's exemption from school operating taxes.

Senate Bill 54 would amend the Qualified Forest Property Recapture Tax Act (MCL 211.1035) to redirect proceeds from the recapture tax from the General Fund to the newly created Private Forestland Enhancement Fund. Currently, the proceeds from the recapture tax are deposited into the General Fund, and would continue to be until January

1, 2014. Beginning on January 1, 2014, proceeds collected from the recapture tax would be deposited into the Private Forestland Enhancement Fund.

Land enrolled in the qualified forest program is exempt from the tax levied by a local school district for operating purposes. Property that is converted by a change in use and is no longer qualified forest property is subject to the recapture of taxes.

Senate Bill 55 would amend the General Property Tax Act (MCL 211.7dd) to expand the definition of "qualified agricultural property" for tax exemption purposes. Agricultural property has to be devoted "primarily to agricultural use." Prior to the bill, a parcel of property would be considered devoted primarily to agricultural use only if more than 50% of the parcel's acreage was devoted to agricultural use. Under the bill, a parcel would also meet the definition if more than 50% of the acreage is devoted to a combination of (1) property that is in agricultural use and (2) property that is exempt as qualified forest property.

Senate Bill 56 would amend Parts 93 (Soil Conservation Districts) and 513 (Private Forestry) of NREPA to allow for the review of conservation district budgets and financial information, establish grant eligibility criteria, prohibit certain conduct by professional foresters employed as under an MDARD grant, require MDARD to maintain a list of qualified foresters, and establish the Private Forestland Enhancement Fund, among other things. The bill is described in detail below.

Budget and financial information review

The bill would authorize MDARD to review the budgets and financial information of soil conservation districts.

Grant eligibility

In order to be eligible for grants of \$50,000 or more, a conservation district would have to do all of the following:

- Submit an annual budget to MDARD describing the purpose and amount of the expenses expected to be incurred and the source and amount of revenue expected to be received during the ensuing fiscal year.
- Maintain accurate financial records of receipts and disbursements and uniform accounting in accordance with generally accepted accounting principles.
- Provide for a biennial independent certified audit by a certified public accountant of the financial records, accounts, and procedures of the conservation district. Audit reports would have to show profits and losses and the overall financial condition of the district. Currently, conservation districts are required to provide for an annual audit of the receipts and disbursements.
- Agree to comply with the new requirements pertaining to hiring professional foresters with grant funds (described below) and to return the funds if found in violation.

MDARD would be able to promulgate rules to implement these provisions but the rules would only remain in effect for three years after the bill takes effect.

Employment of professional foresters with grant funds

Professional foresters who are hired by a conservation district using MDARD grant funds (described above) would be prohibited from using the position to (1) compete with a private sector business or (2) develop a client base for forestry consultation during hours when not employed by the conservation district.

The bill also states a conservation district board is responsible for the exercise of the powers and the performance of the duties of a conservation district under Part 93.

Powers of conservation districts

The bill would add the following to the already existing powers of a conservation district:

- To collaborate with MDARD in reviewing applications for the Qualified Forest Program.
- To evaluate nonindustrial private forestlands.
- To provide landowners (1) technical assistance regarding potential environmental, ecological, and economic benefits of forestry, wildlife habitat and wetland development and restoration; (2) contact information for qualified foresters; and/or (3) contact information for other forest resource professionals that may have voluntarily provided information to MDARD.

Management plans for nonindustrial private forestlands

Conservation districts would have to provide landowners with a list of qualified foresters, upon request, to develop management plans. The district would have to post on its website notice that a landowner is seeking forest management plan preparation, timber harvesting, marketing, or thinning if the landowners make such a request. With MDARD's approval, a conservation district could prepare a forest management plan for a landowner if a notice has been posted for at least 30 days and the landowner is unable to identify a private forester willing to perform the tasks. Except under this condition, conservation districts are prohibited from developing management plans for nonindustrial private forestlands.

Legislative intent

The bill states it is intended to stimulate improved management and utilization of private forestland and private forest resources within the state. The bill says that economic and community development opportunities based on the private forest resource will be enhanced by ensuring adequate future high-quality timber supplies, increased employment opportunities, a diversified economy, and other economic benefits and the conservation, maintenance, and enhancement of a productive and stable forest resource system for the public benefit of present and future generations.

The bill specifies that the primary purpose of Part 93 is to assist private landowners in understanding the value of forest resources and the potential threats to forest resources and to provide management guidance.

The Department of Agriculture and Rural Development would be allowed to enter into cooperative agreements with federal agencies that have been given authority by an act of Congress for the management of forestlands to assist landowners in the management of their nonindustrial private forestlands.

Private Forestland Enhancement Fund

The bill would create the Private Forestland Enhancement Fund within the state treasury. The fund could receive money from any source, including General Fund/General Purpose appropriations, gifts, grants, and bequests. Interest and earnings from fund investments would be credited back to the fund.

Money remaining in the fund at the end of the fiscal year would remain in the fund and would not lapse to the General Fund. MDARD would be the administrator of the fund for auditing purposes.

MDARD could spend money from the fund, through an appropriation of the Legislature, only for direct assistance, indirect assistance, and/or administrative costs. The department would be required to develop criteria and procedures for approved proposed expenditures from the fund. Before November 1 of each year, the Department of Treasury would be required to notify MDARD of the balance in the fund at the close of the preceding fiscal year.

"Administrative costs" would include costs incurred in administering the Qualified Forest Program.

"Direct assistance" would include programs that would provide for any of the following:

- Programs devoted to nonindustrial private forestlands to encourage the judicious management of forestlands to maximize economic and ecological value.
- Incentive and cost-share programs to assist landowners.
- Programs that enhance investment of private and federal funds in sustainable forest management.
- Other programs established under this part.

"Indirect assistance" would include programs that would provide any of the following:

- Public education and demonstration programs on sustainable management of private forestland for increasing value for wildlife habitat and/or timber management.
- Educational programs.
- Technical assistance programs.
- The promotion of on-site evaluation systems and management practices.

Qualified forester list

MDARD would be required to prepare and maintain a list of the state's qualified foresters. Individuals wishing to be included on the list would have to submit a registration form that includes all of the following:

- Category of forester for which the individual meets the requirements.
- Continuing education required for the individual to maintain status as a qualified forester, including the date on which the continuing education was completed.
- A place to certify the individual meets the requirements of a qualified forester and is up-to-date with any continuing education requirements.
- A place to designate whether the form is for a new or renewal registration.

Registered individuals who no longer meet the requirements to be included as a qualified forester would have to notify the department in writing, at which time the department would remove the individual from the list of qualified foresters.

The list of qualified foresters would have to be published on the MDARD website.

Enacting Section 1

The bill would repeal Sections 50110, 50112, and 50136 of NREPA. Generally speaking, these sections (1) define terms regarding forest restoration pilot projects, (2) provide requirements for the Western Upper Peninsula Forest Improvement District, and (3) require state agencies to cooperate with a forest improvement district board.

Senate Bill 57 would amend Part 87 (Groundwater and Freshwater Protection) of the Natural Resources and Environmental Protection Act to do the following:

- Add the following individuals to the Environmental Assurance Advisory Council: a private consulting forester, a member of the forest products industry, and a member of the logging profession.
- In addition to the other requirements for MAEAP on-site evaluations, require they provide landowners with the ability to voluntarily assess the value of managing areas of the land that are not utilized for traditional or production agriculture practices for environmental ecological, and economic benefits.
- In addition to the other requirements of the Environmental Assurance Advisory Council, require it to advise the director on on-site evaluations of potential environmental, ecological, and economic benefits that can be realized by managing areas of the land that are not utilized for traditional or production agriculture practices.
- Require the Environmental Assurance Advisory Council to submit a recommendation to the director for an assessment tool designed to help landowners to voluntarily assess (evaluate) the value of managing areas of the land that are not utilized for traditional or production agriculture practices for environmental, ecological, and economic benefits. At the very least the recommendation would have to assess (1) forest management for timber, habitat development, or both; (2) wetland restoration development potential; and (3) habitat restoration development.

- Require an environmental assurance team to provide technical assistance to the on-site evaluation of potential environmental, ecological, and economic benefits that can be realized by managing areas of the land that are not utilized for traditional or production agriculture practices.

Senate Bill 58 would amend Part 503 (State Forest Products Industry Development Council) of NREPA to require MDARD to jointly perform duties with the DNR. Currently the DNR is required to (1) advise the Legislature and governor on forest management, (2) develop a forestry development plan, (3) identify the needs of the forest products industry, (4) promote and encourage development of the forest products industry, (5) promote and encourage the expansion of existing forest products companies and attract new companies, and (6) annually report to the Legislature on its activities to promote the development of the state's forest products industry.

Under the bill, MDARD would be required to jointly perform all of above mentioned duties with the DNR. Additionally, the bill would add "to promote and encourage the use of the state's value-added forest products in Michigan, other states, and internationally" to the list of required duties. The bill would also require both departments to promote and encourage the retention of existing forest products companies, in addition to promoting expansion of the industry.

FISCAL INFORMATION:

The proposal, generally speaking, encourages more acreage be placed in the Qualified Forest Program. Properties in that program are exempt from local school operating taxes (typically 18 mills). Thus, as written, the proposed legislation would reduce local school operating revenue by an unknown amount depending on the taxable values of the parcels converted into qualified forest property. The School Aid Fund (SAF) would be required to make up for the reduction to maintain the foundation allowance. In the event that there is inadequate SAF revenue to make up for the shortfall, the foundation allowance would be reduced on a pro rata basis.

The proposal also, generally speaking, encourages properties to be transferred from the Commercial Forest Program to the Qualified Forest Program. Owners of land enrolled in the Commercial Forest Program currently pay a tax of \$1.25 per acre to local units in lieu of property taxes. In addition, the state is required to pay an additional \$1.25 per acre in an annual payment to county treasurers from the state's General Fund. This means the state's annual payments to county treasurers would be reduced. The amount of any reduction depends on the amount of land that might be transferred. Any reduction in land enrolled in the Commercial Forest would result in a direct savings to the state through a reduced annual General Fund payment with a loss of this revenue to local units.

However, the transfer of land from the Commercial Forest Program to the Qualified Forest Program should result in an increase in local tax revenue overall because while the land would still be exempt from the taxes levied by local school districts, the land would be added to the ad valorem tax roll of the other local units of government. As noted, in the Commercial Forest Program, property pays only the \$1.25 per acre specific tax.

Also under the proposed legislation, local tax collecting units would be required to collect a fee on each parcel of qualified forest property, which would be determined by multiplying 2 mills by the taxable value of the property. The fee would be deposited into the newly created Private Forestland Enhancement Fund. That newly created fund could be used, through an appropriation of the Legislature, only for direct assistance, indirect assistance, and/or administrative costs (which are defined later, on page 11 of this summary). The Department of Agriculture and Rural Development would be required to develop criteria and procedures for expenditures from the fund.

Currently, proceeds from any recapture tax—paid by properties that leave the programs—are deposited in the General Fund. Senate Bill 54 would redirect those proceeds to the newly created Private Forestland Enhancement Fund, beginning on January 1, 2014, resulting in a loss to the state's General Fund.

The Department of Agriculture and Rural Development would be given greater responsibilities in the administration of forestland programs in the legislative proposal, resulting in an increase in costs to the department. Proceeds in the new Enhancement Fund are intended to be applied, in part, to administrative costs.

The Department of Agriculture and Rural Development estimates that funding for FY 2012-13 of \$350,000 is needed for program operations and \$1.7 million for FY 2013-14, and again in FY 2014-15. The FY 2013-14 and FY 2014-15 costs include additional funding of \$250,000 per year for a project to convert the data to a new server and platform system. The Department estimates that fee revenue may not be available to the Department until February 2015.

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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.