

Michigan Forest Association

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To: The Honorable Senator Tom Casperson, Chair, Natural Resources, Environment and Great Lakes committee

From: Debra Huff, Assistant Executive Director, Michigan Forest Association
Subject: Forestry bills: SB 51, 52, 53, 54, 55 56, 57

Re: **Opposition** to SB51 We do not support a new fee or tax on landowners enrolled in the Qualified Forest program.

Re: **Neutral** to SB 52

Re: **Support** of SB 53. This bill amends the Recapture Tax to make it fairer to landowners enrolled in the QF program, as well as eliminates the double taxation clause of the current Recapture tax.

Re: (Support if SB 51 passes) **SB 54. We do not support the new 2 mill tax on landowners. This bill creates a fund to deposit those monies into.**

Re: **Support** of SB 55.

Re: **SB 56.** We have questions.

Re: **SB 57.** We have questions.

In order for private forest owners in Michigan to continue to provide these benefits to the people of Michigan, they need the support of the tax programs and fair treatment under the Tax Code.

SB 51. Overall, we oppose this amendment, which adds a 2 mill tax (re-named a fee) onto each landowner enrolled in the Qualified Forest program. This is an annual fee paid which reduces the tax exemption for forest owners to 16 mills from 18 mills. While it is understood that forestry assistance for private landowners is severely underfunded in Michigan as compared to neighboring states, it is not fair to tax landowners who are doing the right thing by managing their forests to provide not only forest products, but wildlife habitat, maintenance of clean air and soil stabilization, which benefit all citizens. A more fair tax would be one that was spread across all citizens who benefit from these forests.

We support the expansion of the allowable acreage to 640 acres (up from 320)

SB52. This is needed if all bills pass.

SB 53. We strongly favor this amendment. This is the most important of the forestry related bills, because it modifies the tax penalty for withdrawal from the Qualified Forest Program, which was unfair to forest owners. MFA supports the passage of this amendment to the Tax

Code, so that the withdrawal penalty for the Qualified Forest Property is based on the amount of tax the owner was exempted from, and is not penalized on both the exemption AND the amount that they continued to pay. As this provision is now written, a forest owner will be penalized for the taxes from which he was exempted, as well as penalized for the taxes he paid.

Although the amendment revises the penalty to be calculated based on the Taxable Value rather than the SEV, which is needed, we would also like to see the another provision changed. That is:

On page 2, change the penalty calculation to reflect that it would be based on the amount of mills from which the property owner has been exempted. Although rare, it is possible that the mills charged for school operating taxes would exceed the 18 mills from which forest owners can be exempted. They will still pay the rest. Therefore, they should not have to repay those taxes as a penalty when they withdraw. Also, we strongly suggest that if a 2 mill fee (tax) is passed, to be paid annually, then the Recapture should not exceed 16 mills .

We also believe a \$500 penalty for failure to report a timber harvest, which is a reporting requirement, is excessive.

SB 54. This bill allows the proceeds of the new tax on forest owners to be deposited into a fund called the Private Forestland Fund. If this tax on landowners is passed, MFA would support the proceeds to be deposited into a fund dedicated to forest owner assistance.

SB 55. This allows more property to be enrolled under joint Agriculture and Forest Management.

SB. 56. This bill authorizes Conservation Districts to collaborate with MDARD to evaluate private forestlands. We question the exclusion of foresters from the Department of Natural Resources, and whether this provision belongs in legislation, since it is an operational issue.

SB 57. This bill authorizes the development of conservation practices for approval by an Environmental Assurance Advisory Council, of forestry practices and conservation species, but does not include the Department of Natural Resources on the Council. Since this includes the development of an assessment tool of forestlands, as well as an on-site technical assistance team for forestlands, it would be prudent to include our state's forestry, wildlife, and conservation experts in the Department of Natural Resources.

Finally, we question whether it is prudent to transfer forestry authority from the Department of Natural Resources, Forest Resources Division; which is the state forestry agency, to the Department of Agriculture and Rural Development. While there may be efficiencies of scale within one department or another, it may not be in the best interest of forest owners to mandate which Department of state government outside of the state forestry agency will provide private forestland assistance. This matter, perhaps, is an organizational matter that is best not dictated in legislation.

Finally, we believe that funding for Private Forestland Assistance should not rest on the shoulders of owners who enroll in the Qualified Forest Program alone. There is no statewide program to require farmers to pay a 2 mill fee for assistance that they receive from the State, nor is there a requirement that forest owners enrolled under the Commercial Forest Act pay a 2 mill fee. While the program deserves funding, a statewide method of funding needs to be found that does not require a small group of Michigan forest owners, who are already providing the state with clean air, water, and aesthetic values along with forest products, to fund this initiative.