House
Legislative
Analysis
Section

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INCREASE "SWAMP TAX"

House Bill 4245 as passed by the House
Sponsor: Rep. Ken Bradstreet

House Bill 4246 as passed by the House
Sponsor: Rep. Scott Shackleton

Committee: Tax Policy
Second Analysis (7-21-00)

THE APPARENT PROBLEM:

Under current law, the state pays $2 per acre (or major portion of an acre) to counties for certain state-owned land under the control of the Department of Natural Resources. The revenue is disbursed 50 percent to the county general fund and 50 percent to the general fund of the appropriate township. The payment, sometimes called the "swamp tax", is for recreation and forest lands purchased by the state before 1933 or deeded to the state for nonpayment of taxes. There are about 3.5 million acres subject to the swamp tax, according to information from the DNR. (The term "swamp tax" is a misnomer as much of the land is forested.) The payments from the state are made in lieu of property taxes (which apply to state land purchased after 1933). The payments to counties and townships have not been increased since 1986, and some people think they should be increased, at least to correspond to increases in inflation. For some counties and townships, this kind of land is a considerable proportion of total acreage. (Nearly 60 percent of Roscommon County is owned by the DNR, with over 50 percent subject to the swamp tax! Probably 20 counties have more than 20 percent of total acreage in DNR ownership.) The local units depend on the revenue to provide basic services. Legislation has been introduced to bring the payment level up to date and tie annual increases to increases in the consumer price index, so that counties and townships do not have to face the burden of inflationary increases in expenses with stagnant swamp tax revenues.

THE CONTENT OF THE BILLS:

House Bills 4245 and 4246 would amend the Natural Resources and Environmental Protection Act (MCL 324.2150 and 324.2150a) to increase the "swamp tax" from $2 to $3 per acre or major portion of an acre, and to require that the amount be adjusted annually. This is a payment made to the state to counties and townships in lieu of property taxes. House Bill 4245 would increase the tax payment to $3 per acre. House Bill 4246 would require the state treasurer to adjust this figure each year to reflect the cumulative annual percentage change in the consumer price index, with the new amount to take effect annually on December 1. The bills each would take effect January 1, 2000.

BACKGROUND INFORMATION:

The swamp tax payment rate was dropped from $2.50 per acre to $2 acre as part of Proposal A of 1994, which created the new state property tax/school finance system, but counties and townships were unaffected by this reduction. The part of the payment eliminated went entirely to local school districts.

FISCAL IMPLICATIONS:

The House Fiscal Agency estimates that House Bill 4245 would increase state costs by slightly more than $3.5 million annually. This amount would be split evenly between the counties and townships in which the land was located. House Bill 4246 would increase state costs by slightly less than $425,000 in 2001, assuming a 4 percent inflation rate, which has been the average over the past 30 years. (Information obtained from HFA on 7-19-00)

ARGUMENTS:

For:

The two bills would provide for an inflation-based increase in the swamp tax payments that the state makes to counties and townships on certain state-owned land in lieu of property taxes. Counties and townships have not seen an increase in this payment since 1986. The bills would ensure that the payment keeps pace with inflation. For some local units, these payments are a very important source of revenue. It is unrealistic to expect them to cover the increasing cost

of basic public services, including services provided on state-owned land, with stagnant revenues. It should be noted that people from all over the state enjoy the use of these lands for recreational purposes.

Against:

State budget officials note that these payments are not provided for in the current budget and note that local units are gaining an increase in the budget in local revenue sharing. Because the "swamp tax" payments would require an appropriation, this issue is, in essence, an appropriations issue rather than a tax issue and should be part of budget deliberations. Note that the bills have retroactive effective dates. Furthermore, state land officials have suggested that increasing the payments on these lands, and thus increasing state expenditures, could increase the pressure to release them for sale, and they point out that the payment increase could affect restricted funds. While the state does sometimes release lands at the request of local officials, it does not want to lose recreational lands for budgetary reasons.

POSITIONS:

The Michigan Association of County Treasurers supports the bills. (5-23-00)

The Michigan Townships Association strongly supports the bills. (5-23-00)

The Michigan Association of Counties supports the bills. (5-23-00)

The Department of Management and Budget has indicated opposition to the bills. (5-23-00)

Analyst: C. Couch

■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.