

# Legislative Analysis

---



## CLASSIFICATION OF DNR ASSESSED LAND

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

### House Bill 4536

**Sponsor: Rep. Darwin Booher**

**Committee: Tax Policy**

**Complete to 1-20-06**

## A SUMMARY OF HOUSE BILL 4536 AS INTRODUCED 3-22-05

Under the General Property Tax Act, real property may be assessed as one of six classifications: (1) agricultural; (2) commercial; (3) developmental; (4) industrial; (5) residential; and (6) timber-cutover. Agricultural real property includes parcels used partially or wholly for agricultural operations and "parcels assessed to the Department of Natural Resources and value by the State Tax Commission."

The bill would remove property assessed to the DNR from the agricultural real property classification and place it in its own separate classification.

MCL 211.34c

### FISCAL IMPACT:

The bill would have no impact on state revenue and no mandatory impact on state expenditures. The impact on local units of government would be indeterminate. PILT payments are subject to annual appropriation by the legislature. If an insufficient amount is appropriated for PILT payments, the payments made to local governmental units are prorated.

### BACKGROUND INFORMATION:

The bill primarily affects "purchased lands" for which the state makes payments in lieu of taxes (PILT payments) under Subpart 14 of Part 21 of the Natural Resources and Environmental Protection Act. Under NREPA, the State Tax Commission is required to annually determine the value of the property, although the valuation for tax years through 2008 is frozen at the 2004 level. Beginning in 2009, year-to-year increases in the valuation of the property are capped at the rate of inflation or five percent, whichever is less. The payment is not a tax per se, but is essentially calculated in the same manner as ad valorem property taxes. However, the land is not subject to any special assessments, the State Education Tax, or any millage above the 2004 level. Additionally, by virtue of currently being assessed as "agricultural real property," the land is also not subject to the 18-mill local school operating millage.

PILT payments are annually provided for through the DNR's budget, with funding being provided by the School Aid Fund, various restricted funds, and the General Fund. The

Natural Resources and Environmental Protection Act specifies that, for payments made in FY 2006 and each year thereafter, taxes imposed by a local school district, intermediate school district, or community college district are charged to the state School Aid Fund. Of the balance, not more than half shall be paid from restricted funds, with the remaining balance being paid from the General Fund. The act further provides that if an insufficient amount is appropriated to make full payments, the payments made to local units shall be prorated.

Public Act 154 of 2005 (House Bill 4831) appropriates just over \$5 million in payments for “purchased lands.”

Legislative Analyst: Mark Wolf  
Fiscal Analyst: Jim Stansell

---

■ 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.