Commercial Forest Act Overview

What is the Michigan Commercial Forest Act?

- A private forest land Tax Program
- Law enacted 1925, last amended 2006
- Available to qualifying private landowners
- Provides significant property tax reduction
- Designed to encourage long-term timber production
- Provides for public access for certain uses

Forest land in the CF program

- Must be managed with an approved forest management plan
- Commercial use is restricted to timber management
- Cannot be used for agriculture, Christmas tree farms, grazing or mineral extraction
- Cannot be used for other commercial purposes or developed recreation (where a fee is charged)
- Must be open to public hunting, fishing, and trapping with public access available to at least foot traffic.

Some CF land requirements

- Must be at least 40 contiguous acres
- Must be at least 50% productive forest land, capable of producing 20 cubic feet per acre per year
- Only buildings used exclusively for commercial forest management operations are allowed
**2006 CFA Amendments**

- Increased the specific tax from $1.10 to $1.20/ac
- Changed the withdrawal penalty
- Changed the definition of contiguous land
- Additional tax incentive and rules for CF land covered by a conservation easement (Part 512)

**What the CF Program is not**

- The Commercial Forest Act is not a forest practices act
- It is a Tax Act

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**Who is enrolled in the CF program?**

- 1,790 private landowners own 16,842 parcels
  - Private individuals
  - Hunting clubs
  - Forest product companies (Vulcan Timberlands)
  - Forest investment (LPs, LLCs, REITs, TIMOs)
  - Other organizations and businesses (Michigan Nature Conservancy for instance)

**Top 10 CF landowners 2001**

<table>
<thead>
<tr>
<th>LANDOWNER</th>
<th>ACRES</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESCANABA PAPER COMPANY</td>
<td>647,429</td>
</tr>
<tr>
<td>ESTATE OF BERNICE PAUAHI BISHOP</td>
<td>392,330</td>
</tr>
<tr>
<td>INTERNATIONAL PAPER COMPANY</td>
<td>272,677</td>
</tr>
<tr>
<td>LAKE SUPERIOR LAND COMPANY</td>
<td>205,144</td>
</tr>
<tr>
<td>KEWEENAW LAND ASSOCIATION, LTD.</td>
<td>143,787</td>
</tr>
<tr>
<td>HEARTWOOD FORESTLAND FUND III, LP</td>
<td>87,764</td>
</tr>
<tr>
<td>HEARTWOOD FORESTLAND FUND II, LP</td>
<td>74,777</td>
</tr>
<tr>
<td>LONGYEAR REALTY CORPORATION</td>
<td>34,179</td>
</tr>
<tr>
<td>CLEVELAND CLIFF IRON COMPANY</td>
<td>19,423</td>
</tr>
<tr>
<td>LONGYEAR REALTY CORP. AND TURNER PROP.</td>
<td>17,723</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,885,233</strong></td>
</tr>
</tbody>
</table>
Top 10 CF landowners 2006

<table>
<thead>
<tr>
<th>LANDOWNER</th>
<th>ACRES</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLUM CREEK TIMBERLANDS, L.P.</td>
<td>596,528.38</td>
</tr>
<tr>
<td>HEARTWOOD FORESTLAND FUND IV, LP</td>
<td>366,044.43</td>
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<tr>
<td>INTERNATIONAL PAPER COMPANY</td>
<td>269,559.46</td>
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<td>LAKE SUPERIOR LAND COMPANY</td>
<td>206,212.68</td>
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<tr>
<td>KEWEENAW LAND ASSOCIATION, LTD</td>
<td>151,926.60</td>
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<tr>
<td>HEARTWOOD FORESTLAND FUND III, LP</td>
<td>90,232.36</td>
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<tr>
<td>HEARTWOOD FORESTLAND FUND II, LP</td>
<td>73,009.66</td>
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<tr>
<td>PLUM CREEK LAND COMPANY</td>
<td>37,376.54</td>
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<tr>
<td>NATURE CONSERVANCY</td>
<td>28,067.41</td>
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<tr>
<td>LONGYEAR REALTY CORPORATION</td>
<td>17,605.80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,836,593.32</strong></td>
</tr>
</tbody>
</table>

Some CFA Statistics for 2006

- 2,212,800 acres listed in 59 Michigan counties
- 2,167,200 acres in Upper Peninsula
- 45,500 acres in Lower Peninsula
- $2,655,386 state payment at $1.20 per acre (general fund)

CFA payment to local government (starting 2006)

- Landowner pays $1.20 per acre
- State pays $1.20 per acre
- Total tax payment to local government $2.40 per acre annually
- Payments are distributed by local government in the same manner as ad valorem taxes

Some charts and graphs showing trends

### CF Acres By Year

- 1995: 2,150,000.00
- 1997: 2,200,000.00
- 1999: 2,250,000.00
- 2001: 2,300,000.00
- 2003: 2,300,000.00
- 2005: 2,300,000.00
Average Size of CF Parcels

CF listings and withdrawals

Summary of Trends in the CF Program

- Total acreage listed in CFA is stabilizing around 2.2 million acres
- Number of owners are increasing slightly
- Number of parcels is decreasing
- Average size of parcels is increasing slightly

Thank You

www.michigan.gov/dnr