

## Commercial Forest Act Overview



Presentation developed by Ernie Houghton, Shirley Businski and  
Richard Stevenson of Forest, Mineral and Fire Management  
June 2007

## 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*



## 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

<u>LANDOWNER</u>	<u>ACRES</u>
ESCANABA PAPER COMPANY	647,429
ESTATE OF BERNICE PAUAHI BISHOP	382,330
INTERNATIONAL PAPER COMPANY	272,677
LAKE SUPERIOR LAND COMPANY	205,144
KEWEENAW LAND ASSOCIATION, LTD.	143,787
HEARTWOOD FORESTLAND FUND III, LP	87,764
HEARTWOOD FORESTLAND FUND II, LP	74,777
LONGYEAR REALTY CORPORATION	34,179
CLEVELAND CLIFF IRON COMPANY	19,423
LONGYEAR REALTY CORP. AND TURNER PROP.	17,723
	<hr/> 1,885,233



## Top 10 CF landowners 2006

LANDOWNER	ACRES
PLUM CREEK TIMBERLANDS, L.P.	596,528.38
HEARTWOOD FORESTLAND FUND IV LP	366,044.43
INTERNATIONAL PAPER COMPANY	269,589.46
LAKE SUPERIOR LAND COMPANY	206,212.68
KEWEENAW LAND ASSOCIATION, LTD.	151,926.60
HEARTWOOD FORESTLAND FUND III, LP	90,232.36
HEARTWOOD FORESTLAND FUND II, LP	73,009.66
PLUM CREEK LAND COMPANY	37,376.54
NATURE CONSERVANCY	28,067.41
LONGYEAR REALTY CORPORATION	17,605.80
	<hr/> 1,836,593.32



## 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)



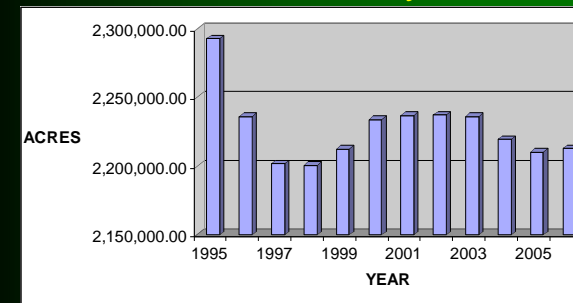
## CFA payment to local government (starting 2006)

- 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



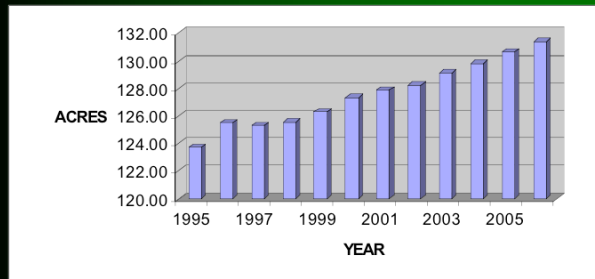
## Some charts and graphs showing trends

### CF Acres By Year

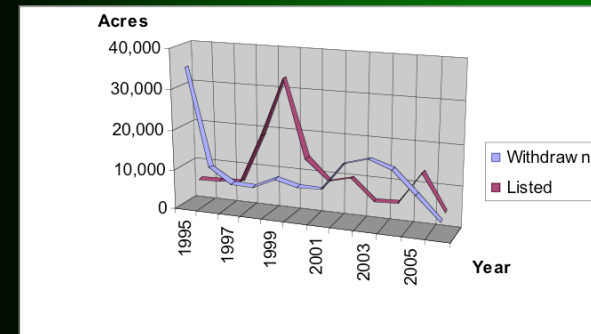




## Average Size of CF Parcels



## 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](http://www.michigan.gov/dnr)