



# Michigan's Qualified Forest Property Tax Program

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## Qualified Forest Property Program

Public Acts 378, 379 and 380 of 2006 created the Qualified Forest Property (QFP) program. Public Acts 42, 43, 44, 45, 49 and 50 of 2013 changed the administration of the program and some of its major provisions. The benefit to landowners from enrolling in the QFP is that the enrolled forestland is exempt from school operating taxes (up to 18 mills) if it meets specified size, productivity and management requirements. In addition, those acquiring QFP-enrolled property may be exempt from the “uncapping” of the taxable value, which would normally occur at the time of transfer of property. The first benefit is executed through the Qualified Forest School Tax Affidavit (QF STA), and the second is through the Qualified Forest Taxable Value Affidavit (QF TVA).

## Eligibility

Parcels must be at least 20 contiguous acres to be eligible for the program. This ensures that the property is large enough for forest management. Additionally, no more than 640 acres per landowner may be enrolled in any single tax unit. To meet QFP qualifications, the property must be productive forest, which is defined as that being able to produce forest products of at least 20 cubic feet per acre per year, which is about one-fourth of a cord of wood per year. Parcels of more than 20 acres but less than 40 acres must be at least 80 percent stocked in productive forest. Properties of 40 acres or more must be at least 50 percent stocked in productive forest. Unlike the Commercial Forest Program (another tax-related program for forestland owners), the QFP program

does not require public access for hunting and fishing. Buildings are allowed on the property but are not exempt from the school operating millage or the pop-up deferral.

## Requirements

Owners of QFP forestland must follow the management plan that was submitted with the QFP application. The plan must include a legal description and parcel identification number of the property; a statement of the owner's forest management objectives; a map, diagram or aerial photograph of the forested and unforested areas of the property, including the location of any buildings; a description of forest practices including harvesting, thinning and reforestation that will be undertaken and the period of time before each is completed; a description of the soil conservation practices to be used; and a description of activities that may be undertaken for the management of forest resources other than trees (P.A. 42 of 2013). The landowner must perform the forest practices stipulated in the plan within three years of that scheduled by the plan. Landowners must also notify the Michigan Department of Agriculture and Rural Development (MDARD) when a forest practice, including harvest, occurs.

The plan must be written by a qualified forester, such as a Michigan registered forester, a Society of American Foresters certified forester, a Forest Stewardship plan writer or a U.S. Department of Agriculture registered forest management plan technical service provider. Local conservation districts can provide a list of qualified foresters on request and will post a landowner's request for the services of a

forester on its website. MDARD will also maintain a master list of all qualified foresters in the state, which will be available to landowners. If the landowner has not been able to locate a qualified forester within 30 days of posting the request, the conservation district forester may write the forest management plan.

## Application

Owners of productive forest property of at least 20 acres may apply for the QF STA and the QF TVA by applying to MDARD on the appropriate forms and including an approved forest management plan and a \$50 fee. The application is reviewed by MDARD, which sends a copy to the conservation district to confirm that the land meets the qualifications of the program. If MDARD approves the application, it sends a QF STA to the landowner, who signs it, records it with the county register of deeds and sends a signed copy to MDARD.

Landowners who are acquiring property that is already enrolled in QFP can choose to keep the property in the program and have the school tax affidavit (QF STA) transferred to them. To prevent an uncapping of the taxable value, the new landowner must also file a qualified forest taxable value affidavit (QF TVA) with the county register of deeds. This affidavit is provided by MDARD and includes a legal description, the name of the new property owner, and a statement that the property qualifies for the exemption and that the new owner will continue to manage the property according to the forest management plan on file.

## Withdrawal from QFP and Transfer of Ownership

To withdraw property from QFP, the landowner files an application with MDARD and pays a recapture tax. If there had been a harvest on the property since enrollment, the recapture tax is calculated as: (the school operating millage minus a two-mill fee) times (the property's taxable value) times (the number of years enrolled in QFP [not to exceed seven years]). If there had been no harvest of forest products during enrollment, the calculation above is multiplied by two. There is a second withdrawal tax due for QFP properties that had a transfer of ownership and for which a qualified forest taxable value affidavit was

### Recapture Tax

#### Part 1

Taxable value at time of conversion x school operating millage x # of years enrolled, not to exceed 7 **if** there has been **at least one harvest**.

Taxable value at time of conversion x school operating millage x # of years enrolled, not to exceed 7 x 2 **if** there have been **no harvests**.

#### Part 2

The difference between the tax that was paid and what would have been paid if the taxable value of the property had uncapped after a transfer of ownership for up to 10 years.

filed stating that the property would stay in QFP with the transfer. This additional tax is a function of how many years the property has been in the program since it was transferred — called the “benefit period” — and what the taxable value of the property would have been if it had not stayed in QFP when the ownership was transferred.

### Recapture Tax Example 1

A 20-acre parcel enrolled in QFP for 10 years is being withdrawn. It currently has a taxable value capped at \$10,000 and a SEV of \$27,000. There was one harvest on the property during enrollment. There were no transfers of the property during this time. The school operating tax is 18 mills.

#### Recapture Tax Part 1=

taxable value at time of conversion x  
 $(18 \text{ mills} - 2 \text{ mills}) \times 7$   
 $= \$10,000 \times 16 \text{ mills} \times 7$   
 $= \$1120.$

Without a harvest, the recapture tax would be \$2240.

**Recapture Tax Part 2 =** not applicable.

### Recapture Tax Example 2

A 20-acre parcel enrolled in QFP for 10 years is being withdrawn. There was one harvest on the property

during enrollment. The property was sold after it had been enrolled for seven years. The new owner applied for and was granted continuance of QFP enrollment and a taxable value affidavit. Thus there are three years for which the new owner received the benefit of the taxable value being capped. The current taxable value of the property is \$10,000. There was one harvest on the property during enrollment. The local tax unit's millage is 38 mills, with the school operating tax being 18 mills of this.

#### Recapture Tax Part 1 =

taxable value at time of conversion x (18 mills-2 mills)  
x 7 = \$1120.

#### Recapture Tax Part 2 =

the local millage levied on the property (30 mills) for each year enrolled since a transfer (the "benefit period") multiplied by the difference between the taxable value during that period and what would have been the taxable value if uncapped. This is summed for each year of the benefit period up to most recent 10 years (see Table 1).

**Table 1. Calculation of QFP Recapture Tax Part 2.**

Year	QFP taxable value	Uncapped taxable value	Difference	Benefit = millage (30 mills) x difference
8	\$10,000	\$11,000	\$1,000	\$30
9	\$10,000	\$12,100	\$2,100	\$63
10	\$10,000	\$13,310	\$3,310	\$99

Total Part 2 Recapture Tax

\$192

Enrollees should contact their local tax assessor for help in calculating this part of the recapture tax.

## Private Forestland Enhancement Fund

Any recapture taxes collected after Dec. 30, 2013, and the two-mill fees will be deposited into the Private Forestland Enhancement Fund. This fund will be administered by MDARD to provide educational programming and technical assistance to private forestland owners.

## Additional information

Landowners should contact their local conservation district ([macd.org/local-districts.htm](http://macd.org/local-districts.htm)) or MDARD ([www.michigan.gov/QFP/](http://www.michigan.gov/QFP/)) for additional information on applying for QFP exemption. MDARD can also supply a list of qualifying foresters with whom landowners may wish to discuss QFP enrollment.

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*This fact sheet is not intended to replace the counsel of your attorney or tax consultant. As always, confer with them before making any decisions that would affect your financial well-being. For clarification of the requirements of the Qualified Forest Program, consult the Michigan Department of Agriculture and Rural Development.*