

The Michigan Qualified Forest Program

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The Michigan Qualified Forest Program

The Michigan Qualified Forest Program, or QFP, is a property tax exemption program for private landowners who agree to actively and sustainably manage their forestland for:

- Commercial harvest
- Wildlife habitat enhancement
- Other nonforest resources improvement

The program is authorized by Public Act 42 of 2013 (MCL 211.7jj[1]), as amended by Public Act 672 of 2018, and is administered by the Michigan Department of Agriculture and Rural Development, or MDARD. It offers two significant tax benefits for enrolled landowners:

- **School Tax Affidavit, or QFSTA**—Authorizes the property's exemption from up to 18 mills of school operating taxes a year.
- **Taxable Value Affidavit, or QFTVA**—After a transfer of ownership, keeps the previous owner's property taxable value from uncapping on enrolled land. (This is a substantial difference from most exemption programs, which expire when the property changes hands.)

Owners of QFP properties must pay an annual fee that is equivalent to 2 mills on the taxable value of the enrolled property. The money is collected by the local taxing unit for deposit into the state Private Forestland Enhancement Fund, which supports QFP operations and provides educational programming and technical assistance to private forest landowners (MCL 324.51305).

Identifying eligible forestland

To qualify for QFP, forestland must meet size, productivity, and management requirements:

- **Size**—Must include at least 20 acres to help ensure that the property is large enough to be placed under forest management.
- **Productivity**—Must be productive forest, which is defined in the authorizing statute (MCL 211.7jj[1][17][j]) as able to produce at least 20 cubic feet of wood per acre per year (about a quarter cord of wood). Parcels from 20 to 39.99 acres must be at least 80%

productive forest. Properties of 40 acres or more must be at least 50% productive forest. Buildings are allowed on properties enrolled in QFP, but their taxable value is not eligible for the QFP exemption. Unlike the Commercial Forest Program (another tax-related program for forest landowners), the QFP does not require landowners to allow public access for hunting and fishing.

- **Management**—Must be managed under an approved forest management plan, the content of which is described in the next section.

Developing a forest management plan

Public Act 42 of 2013 requires forest management plans submitted with QFP applications to be written by a forester qualified through MDARD to write such plans, not extend for more than 20 years, and include:

- The name and address of each owner of the property.
- The 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 stands or management units and forest practices including harvesting, thinning, and reforestation that will be undertaken and the schedule for completing each step.
- A description of the soil conservation practices that will be used to control soil erosion.
- A description of activities that may be undertaken to manage forest resources other than trees.

The landowner must perform the forest practices stipulated in the plan within three years of when they're scheduled in the plan. Landowners must notify MDARD when a forest practice occurs, supplying information such as harvest volume and value.

A list of foresters who are qualified to write management plans for this program is available online at www.michigan.gov/QFP.

Applying for the program

Landowners of eligible forest property must submit the following QFP application package to MDARD for each parcel **by September 1** for property to be considered for the tax exemption in the next tax year:

- Completed application form.
- Copies of the following documents:
 - Approved forest management plan
 - Stand forest practice schedule
 - Most recent tax bill on the property
 - Deed or land contract indicating ownership of the property

- Nonrefundable \$50 application fee per forest management plan. If the forest management plan covers land in more than one township, the fee is \$50 per township.

MDARD and local conservation district officials will review the application. If they approve it, MDARD will send a QFP school tax affidavit to the landowner. The landowner must record a notarized copy of the form at the county register of deeds office and send recorded copies to MDARD and to the local unit assessor **by December 31**.

To keep a QFP property in the program after a transfer of ownership, the new landowners must:

1. Submit a completed transfer application form to MDARD. The application must include a copy of the executed deed or land contract conveying ownership to the new landowner and a copy of the forest management plan.
2. File a copy of the revised QFP taxable value affidavit in the county register of deeds office.

The affidavit is provided by MDARD and includes a tax parcel number and legal description, the name of the new property owner, and a statement that the property qualifies for the exemption and that the new landowner will continue to manage the property according to the forest management plan on file.

Withdrawing from the program

To withdraw a QFP property from the program, the landowner files a request form with MDARD and pays a recapture tax whose formula varies based on whether timber has been harvested on the property since it was enrolled in the program.

A second withdrawal tax is also due on QFP properties that stayed in the program after an ownership transfer. This tax is based on the *benefit period* (the number of years the property stayed in the program after changing hands, to a maximum of 10 years) and what the uncapped taxable value of the property would have been.

The proceeds from the recapture and withdrawal after transfer taxes are deposited into the Private Forestland Enhancement Fund described earlier.

The recapture and withdrawal tax formulas are explained and illustrated in the following section.

Calculating Recapture Taxes

All QFP properties are subject to a recapture tax when they are withdrawn from the program.

If there has been a harvest on the property, the recapture tax formula is:

(school operating millage* - 2 mills) × taxable value of property at time of conversion**

× years in program***

If there has been no harvest on the property, the recapture tax formula is:

$$\begin{aligned} & \text{[(school operating millage - 2 mills**) × taxable value of property at time of conversion} \\ & \qquad \qquad \qquad \times \text{ years in program**]} \times 2 \end{aligned}$$

*1 mill = 1/10 of a cent, or \$0.001.

**Annual administrative fee.

***Maximum 7 years.

There is a separate recapture tax for QFP properties that changed hands while enrolled in the program. This withdrawal after transfer tax is calculated in two stages: the annual benefit for each year after the ownership transfer and the total benefit.

Stage 1 is the annual benefit for each year after the ownership transfer:

$$\begin{aligned} & \text{local millage} \times (\text{uncapped taxable value for year after transfer} - \text{QFP taxable value} \\ & \qquad \qquad \qquad \text{at time of ownership transfer}) \end{aligned}$$

Stage 2 is the total benefit after the ownership transfer:

$$\text{sum of annual benefits in the years† after ownership transfer}$$

†Up to a maximum of 10 years.

Sample calculations: Recapture & withdrawal after ownership transfer taxes

The following table includes information that can be used to calculate the recapture and withdrawal after ownership transfer taxes for four sample parcels that are being withdrawn from the Qualified Forest Program after 10 years. Ownership of Parcel A stayed the same throughout the 10-year enrollment period and Parcel B changed hands in year 7. Timber was harvested once from Parcel A and once from Parcel B. Parcel C had one owner and no timber harvests while enrolled. Ownership of Parcel D changed in year 6 and no timber was harvested from the parcel while enrolled.

Table: Calculation Data for Four Parcels of Forest Land Being Withdrawn From the Qualified Forest Program.

Data Type	Parcel A	Parcel B	Parcel C	Parcel D
Parcel size	20 acres	20 acres	20 acres	20 acres

Years enrolled in QFP	10	10	10	10
Transfer of ownership	No	Yes, in year 7	No	Yes, in year 6
Benefit period after ownership transfer	Not applicable	3 years	Not applicable	4 years
Harvest during enrollment	1	1	No	No
Uncapped state equalized value	\$27,000	Year 8 = \$11,000 Year 9 = \$12,100 Year 10 = \$13,310	\$44,000	Year 7 = \$38,500 Year 8 = \$39,308 Year 9 = \$42,728 Year 10 = \$44,000
QFP (capped) taxable value	\$10,000	\$10,000	\$30,000	\$30,000
Total local millage	48 mills (30 local + 18 school operating)	48 mills (30 local + 18 school operating)	26 mills (15 local + 11 school operating)	26 mills (15 local + 11 school operating)

Tax formulas

Recapture tax due with harvest = (school operating millage - 2 mills) × taxable value of property at time of conversion × years in program

Recapture tax due with no harvest = [(school operating millage - 2 mills) × taxable value of property at time of conversion × years in program] × 2

Annual benefit after ownership transfer = local millage × (uncapped taxable value for year after transfer - QFP taxable value at time of ownership transfer)

Total benefit after ownership transfer tax due = sum of annual benefits after ownership transfer

(**Note:** You may need to contact your local tax assessor for help with compiling the data necessary to calculate the total withdrawal tax due.)

Parcel A (1 harvest, 0 ownership transfers)

Calculating recapture tax due:

$$(18 \text{ mills school operating tax} - 2 \text{ mills}) \times \$10,000 \text{ QFP taxable value} \times 7 \text{ years}$$

$$16 \text{ mills} \times \$10,000 \times 7$$

$$\$0.016 \times \$10,000 \times 7 = \$1,120 \text{ recapture tax due}$$

Calculating withdrawal after ownership transfer tax due:

Not applicable.

Total taxes due on Parcel A after withdrawal from QFP: \$1,120

Parcel B (1 harvest, 1 ownership transfer)

Calculating recapture tax due:

$$(18 \text{ mills} - 2 \text{ mills}) \times \$10,000 \times 7$$

$$16 \text{ mills} \times \$10,000 \times 7$$

$$\$0.016 \times \$10,000 \times 7 = \$1,120 \text{ recapture tax due}$$

Calculating withdrawal after ownership transfer tax due:

$$\text{Year 8 benefit: } \$0.030 \times (\$11,000 - \$10,000) = \$30$$

$$\text{Year 9 benefit: } \$0.030 \times (\$12,100 - \$10,000) = \$63$$

$$\text{Year 10 benefit: } \$0.030 \times (\$13,310 - \$10,000) = \$99$$

Sum of annual benefits = \$192 total withdrawal after ownership transfer tax due

Total taxes due on Parcel B after withdrawal from QFP: \$1,312

Parcel C (0 harvests, 0 ownership transfers)

Calculating recapture tax due:

$$[(11 \text{ mills} - 2 \text{ mills}) \times \$30,000 \text{ taxable value} \times 7 \text{ years}] \times 2$$

$$(9 \text{ mills} \times \$30,000 \times 7) \times 2$$

$$(\$0.009 \times \$30,000 \times 7) \times 2 = \$3,780 \text{ recapture tax due}$$

Calculating withdrawal after ownership transfer tax due:

Not applicable.

Total taxes due on Parcel C after withdrawal from QFP: \$3,780

Parcel D (0 harvests, 1 ownership transfer)

Calculating recapture tax due:

$$[(11 \text{ mills} - 2 \text{ mills}) \times \$30,000 \times 7] \times 2$$

$$(9 \text{ mills} \times \$30,000 \times 7) \times 2$$

$$(\$0.009 \times \$30,000 \times 7) \times 2 = \$3,780 \text{ recapture tax due}$$

Calculating withdrawal after ownership transfer tax due:

$$\text{Year 7 benefit: } \$0.015 \times (\$38,500 - \$30,000) = \$128$$

$$\text{Year 8 benefit: } \$0.015 \times (\$39,308 - \$30,000) = \$140$$

$$\text{Year 9 benefit: } \$0.015 \times (\$42,728 - \$30,000) = \$191$$

$$\text{Year 10 benefit: } \$0.015 \times (\$44,000 - \$30,000) = \$210$$

$$\text{Total withdrawal after ownership transfer tax due} = \$669$$

Total taxes due on Parcel D after withdrawal from QFP: \$4,449

Find out more

To find out more about the Qualified Forest Program, contact your local conservation district (macd.org/find-your-district) or MDARD (www.michigan.gov/QFP).

(IMPORTANT NOTE: 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, visit <http://www.michigan.gov/QFP>.)

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