



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Bulletin 8 of 2013
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DNR PILT Property

TO: Assessors, Equalization Directors and Treasurers
FROM: State Tax Commission
SUBJECT: Department of Natural Resources Property and Payment in Lieu of Tax

Bulletins 15 of 2005, 17 of 2006 and 2 of 2011 are rescinded.

The purpose of this Bulletin is to provide guidance to assessors, equalization directors, and treasurers regarding the formula for calculating the Payment in Lieu of Tax (PILT) to local units of government for certain land purchased by the State of Michigan and controlled by the Department of Natural Resources (DNR).

A. Statutory Definitions

P.A. 513 of 2004 provided that certain property owned by the State and controlled by the DNR is valued by the State Tax Commission (Commission) pursuant to Section of 2153 of P.A. 451 and classified as agricultural pursuant to MCL 211.34c. The Act also established that the Commission shall provide a Taxable Value for all DNR lands subject to the PILT.

P.A. 646 of 2006 removed language specifically classifying parcels assessed to the DNR and valued by the Commission as agricultural real. The act clarified that the status of these properties was not to change regarding school operating mills levied. Therefore, the State Tax Commission has determined that these properties owned by the State, controlled by the DNR, and valued by the Commission will continue to be classified agricultural real.

P.A. 603 of 2012 provides that beginning in 2013, the property values shall be the greater of the following: the prior value established which shall not increase by more than the CPI as defined in the Constitution or 5% whichever is less; or the taxable value calculated under MCL 211.27a. P.A. 603 of 2012 also allows PILT to apply to special assessments and to base PILT on current millage rates.

B. Determining the Value of Real Property Owned by the DNR

MCL 324.2152 requires the Department of Natural Resources to provide the Commission with a list of all real property owned by the state and controlled by the DNR that was purchased on or after January 1, 1933.

MCL 324.2153 requires the Commission to annually determine the valuation of real property described in section 2152 before February 1 of each year. The value determined by the Commission shall not include improvements made or placed upon the real property.

In the year following acquisition, the Commission shall establish a value that is 50% of the true cash value. The value determined by the Commission is to take into account value of land in the surrounding area.

In order to make its valuation determinations, the Commission requires Equalization Directors to submit annually by December 31, the Commission-approved Certification of Vacant Agricultural Land Study for DNR/PILT Property and the State Tax Commission Vacant Agricultural Land Study forms. Timely submittal of the report is vital to calculating the value of newly acquired parcels and calculating changes in assessed value of DNR/PILT parcels. The State Tax Commission Agricultural Vacant Land Study should include the mean per acre value for each local unit as well as the mean of the entire county. The Vacant Agricultural Land Study must be sent separately from other sales studies provided to the Assessment and Certification Division.

Per MCL 324.2153, the Commission places a value on these properties that would otherwise be considered exempt pursuant to MCL 211.71. Although this valuation is adjusted annually in a manner similar to a taxable value, it should not be construed as necessarily equating to 50% of the True Cash Value of the property. These properties are excluded from the equalization process as property “for which alternative means of taxation in lieu of general ad valorem taxation are provided by law” (MCL 209.5). Because these parcels are excluded from the equalization process, the assessed value shall be treated as the state equalized value for determining value per MCL 211.27a.

Beginning in 2013, Section 8 of P.A. 603 of 2012 required the property valuation determined by the Commission is to be the greater of:

- a. The prior year value established by the Commission (which cannot increase each year by more than the CPI as defined in the Constitution or 5%, whichever is less).
- b. The taxable value calculated under MCL 211.27a which is the lessor of the following:
Prior year taxable value minus any losses, multiplied by the lessor of 1.05 or the inflation rate multiplier, plus any additions or the property’s state equalized value.

In order to determine the value for the 2013 year as required by P.A. 603 of 2012 under section 8(b), the inflation rate multiplier was applied each year to the frozen values that had been established between 2004 and 2008 and the average increase in agricultural values by County was applied to each parcel. This has the same effect as not freezing the values and subjecting them to changes in agricultural land values and the inflation rate multiplier. The Commission then determined which value was greater; the value calculated under section 8a or 8b.

In 2014 and subsequent years, the Commission will calculate changes in the assessed value of PILT parcels using the ratio of change between the previous year’s and current year’s vacant agricultural land values, as reported by each county’s equalization department in their Vacant Agricultural Land Study for DNR/PILT property. MCL 324.2153(8) requires that the calculated assessed value be utilized in the 27a reported value. The Commission will then determine which value is greater; the value under section 8a or 8b.

C. Assessor Responsibilities

The Commission annually prepares a report to the assessing districts in which the DNR real property specified in Section 2152 is located. This report contains a description of the real property in the assessing district held by the DNR, and the valuation as determined by the Commission under section 8.

After the assessor receives the Commission valuation, all real property purchased by the State, controlled by the DNR and valued by the Commission shall be recorded on a separate roll to be known as the "Act 513 Roll," be attached to the ad valorem assessment roll, and consist of the following minimum information:

- a. Local unit identification number.
- b. DNR payment in lieu of taxes identification number.
- c. DNR mailing address: Michigan Department of Natural Resources, Office of Financial Services, P.O. Box 30735, Lansing, MI 48909.
- d. Legal/tax description.
- e. The values calculated under MCL 324.2153 and MCL 211.27a and approved by the State Tax Commission.

Once transferred to the DNR, these properties are removed from the ad valorem assessment roll by taking an 'equalization loss' and 'capped value (Headlee) losses'.

It is important to note that a local taxing unit may by resolution permanently exempt that real property from any tax levied by the local taxing unit. (MCL 324.2153(4)).

If an adjustment to the valuation certified by the Commission is made, the assessor must certify to the DNR, no later than the first Wednesday after the first Monday in March all of the following:

- a. The amount and percentage of any general adjustment of assessed valuation of property located in the assessing district other than property described in section 2152.
- b. The amount and percentage of any change in the assessment roll.
- c. The relation of the total valuation to that reported by the State Tax Commission.
- d. The adjusted total of conservation land.

The assessor shall not include the following in any adjustment:

- a. Any general adjustment of assessed valuation of property located in the assessing district.
- b. The tax levied under the state education tax act, 1993 PA 331, MCL 211.901 to 211.906.

D. Statement of Assessment and Levy of Taxes

As required by P.A. 31 of 2010, in order to receive a Payment in Lieu of Tax for DNR parcels, the Treasurer or other officer charged with the collection of taxes for an assessing district shall annually forward a **single statement** of the assessment to the respective County by December 1. Included in the statement shall be an itemization of the valuation and assessment for each

individual parcel for which payment is claimed under this subpart (MCL 324.2154). The County shall forward the statements received from all affected assessing districts to the Department of Treasury by December 15 annually.

Once the Department of Treasury determines the assessment complies with MCL 324.2154, the State Treasurer will authorize payment in the amount of the assessment by warrant on the state treasury subject to the limitations outlined in MCL 324.2154 regarding the aggregate amount for all payments to all assessing districts by February 14 annually.

Any billing or payment questions should be addressed to the PILT Program at TreasuryPILT@michigan.gov or Michigan Department of Treasury, PILT Program, PO Box 30722, Lansing MI 48909.