



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

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STATE TREASURER

DATE: January 25, 2005

TO: Assessors
Equalization Directors
Treasurers

FROM: State Tax Commission

SUBJECT: PAYMENT IN LIEU OF TAXES ON CERTAIN STATE LANDS

Public Act (P.A.) 513 of 2004 was signed by Governor Granholm on January 3, 2005 with an effective date of January 3, 2005. A copy of the Act is available on the Internet at www.michiganlegislature.org. When you reach the site, click on **Public Acts** and enter the act number and the year **2004**.

P.A. 513 of 2004 provides for a change in the Payment in Lieu of Taxes (PILOT) (sometimes also abbreviated PILT) made by the Department of Natural Resources (DNR) on certain real property owned by the State and controlled by the DNR.

NOTE: While the State Tax Commission is not generally authorized to supervise the administration of specific taxes, the following information is provided as a service to assessors.

A) Taxable Value of DNR Lands Subject to PILOT (PILT).

1) The State Tax Commission Provides Taxable Values to Assessors.

Prior to P.A. 513 of 2004, the law required that the State Tax Commission annually fix a **value** for the DNR lands subject to the PILOT (PILT).

Starting in 2005, P.A. 513 of 2004 states that the State Tax Commission shall provide a **Taxable Value** for all of the DNR lands subject to the PILOT (PILT), not an **Assessed Value**.

2) **Certain Taxable Values are Frozen Through 2008.**

P.A. 513 of 2004 provides that, STARTING IN 2005, the Taxable Value of those DNR lands which were already subject to the PILOT (PILT) in 2004 shall remain the same through the 2008 assessment year.

While the Taxable Values on these lands are frozen through 2008, P.A. 513 of 2004 provides that, STARTING IN 2009, the Taxable Values shall not increase by more than the increase in the general price level from the previous year or 5%, **whichever is less.**

3) **Taxable Values for Lands Acquired in 2004 or After 2004.**

If the State of Michigan acquires lands subject to the PILOT (PILT) in 2004 or thereafter, P.A. 513 of 2004 provides that the Taxable Value for the year following acquisition shall be set at ½ of the true cash value of the property. The Taxable Values for the years following the year in which the Taxable Value was set at ½ of true cash value shall be established in the same manner as described in paragraph 2 of this bulletin.

Example 1: A property is acquired by the State in 2004. The Taxable Value for 2005 is set at ½ of the true cash value. The Taxable Values for 2006 through 2008 are the same as the 2005 Taxable Value. The Taxable Values for 2009 and each year after 2009 shall not increase by more than the increase in the general price level or 5%, **whichever is less.**

Example 2: A property is acquired by the State in 2010. The Taxable Value in 2011 is set at ½ of its true cash value. The Taxable Value for 2012 and each year thereafter shall not increase by more than the general price level or 5% **whichever is less.**

B) **Millage Rate Used for the Calculation of the PILOT (PILT).**

The amount of the PILOT (PILT) is determined by multiplying the appropriate millage rate by the appropriate Taxable Valuation for the year.

P.A. 513 of 2004 and MCL 211.34c indicate that the millage rate SHALL NOT include any of the following:

- 1) Assessments for special improvements.
- 2) Any millage in excess of the millage rate levied in 2004.

- 3) The State Education Tax (SET) levied under the authority of MCL 211.901 to 211.906.
- 4) The 18 mills of local school operating tax.

C) The Bill for the PILOT (PILT).

The local treasurer or other officer charged with the collection of taxes for an assessing district shall annually forward a single statement of the assessment of all property for which the PILOT (PILT) is claimed to the Lansing office of the DNR at the same time that statements are mailed for a WINTER property tax levy under section 44 of the General Property Tax Act. The statement shall include an itemization of the valuation and assessment for each individual parcel for which payment is claimed under this subpart.

LOCAL TREASURERS WILL NO LONGER SEND SUMMER TAX BILLS TO THE DNR FOR DNR LANDS SUBJECT TO THE PILOT (PILT).

Questions about the tax bills which local treasurers send to the DNR for PILOT (PILT) payments should be addressed in writing to the DNR at Payment in Lieu of Taxes, Michigan Department of Natural Resources, P.O. Box 30735, Lansing, Michigan 48909-9976.

D) Inclusion of DNR PILOT (PILT) lands in the Equalization Process.

The Department of Treasury may seek legislation in 2005 which would remove DNR Lands from the equalization process required under the General Property Act.