



STATE OF MICHIGAN

John Engler, Governor

DEPARTMENT OF TREASURY

Douglas B. Roberts, State Treasurer



MICHIGAN
DEPARTMENT OF
TREASURY

Bulletin No. 9
July 9, 2002
Tree Farming

DATE: July 9, 2002

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROPER INTERPRETATION OF THE TERM “TREE FARMING”
CONTAINED IN THE DEFINITION OF THE AGRICULTURAL
CLASSIFICATION CONTAINED IN MICHIGAN COMPILED LAW
(MCL) 211.34c(2)(a).**

The State Tax Commission has received many inquiries regarding the proper interpretation of the term “tree farming” contained in the definition of the Agricultural Real Property Classification Contained in MCL 211.34c(2)(a).

The definition of the Agricultural Real Property Classification is printed below with the words “tree farming” capitalized for easy reference.

- (a) Agricultural real property includes parcels used partially or wholly for agricultural operations, with or without buildings, and parcels assessed to the department of natural resources and valued by the state tax commission. As used in this subdivision, “agricultural operations” means the following:
- (i) Farming in all its branches, including cultivating soil.
 - (ii) Growing and harvesting any agricultural, horticultural, or floricultural commodity.
 - (iii) Dairying.
 - (iv) Raising livestock, bees, fur-bearing animals, or poultry.
 - (v) Turf and TREE FARMING.
 - (vi) Performing any practices on a farm incident to, or in conjunction with, farming operations. A commercial storage, processing, distribution, marketing, or shipping operation is not part of agricultural operations.

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“Tree Farming”

It is the opinion of the State Tax Commission that “TREE FARMING”, as that term is used in section 34c of the General Property Tax Act, generally includes the growing of nursery stock and Christmas Trees. “TREE FARMING” does NOT include the growing of timber for the harvesting of lumber or pulp. This opinion by the State Tax Commission is supported by Attorney General Opinion No. 5702 (copy attached). This is also the interpretation of agricultural use contained in Public Act 116 of 1974 (MCL 324.36101) where the definition specifically says that agricultural use does not include the management and harvesting of a woodlot.

STATE OF MICHIGAN

FRANK J. KELLEY, ATTORNEY GENERAL

TAXATION: Ad valorem property taxes--
exemption

LOGGING EQUIPMENT: Exemption of logging equipment

Logging equipment of commercial operators growing or harvesting trees and other timber is not exempt from ad valorem property taxes.

Opinion No. 5702

MAY 06 1980

Honorable Russell R. Hellman
State Representative
The Capitol
Lansing, Michigan

Dear Representative Hellman:

You have requested my opinion as to whether or not logging equipment used in the growing or harvesting of trees is exempt from taxation under the general property tax act, 1893 PA 206, MCLA 211.1 et seq; MSA 7.1 et seq.

1893 PA 206, supra, § 1, provides:

"That all property, real and personal, within the jurisdiction of this state, not expressly exempted, shall be subject to taxation."

In 1893 PA 206, supra, § 9, the legislature has provided for the exemption of certain designated personal property. No specific mention is made of timber or logging operations or the personal property used in connection therewith.

The closest reference to timber or logging operations is contained in 1893 PA 206, § 9, supra, subdivision (j), which deals with property used in agricultural operations and agricultural operations are therein defined as:

"...farming in all its branches, including cultivation of the soil, growing and harvesting of an agricultural, horticultural, or floricultural commodity, dairying, raising of livestock, bees, fur-bearing animals, poultry or fish, turf and tree farming, and any practice performed by a farmer or on a farm as an incident to, or in conjunction with, farming operations."

As is evident, there is no mention of timber or logging operations. The term "tree farming" as it is used in 1893 PA 206, § 9, supra, does not embrace logging operations. Traditionally, the legislature has observed a distinction between agriculture and forestry. The term "tree farm" has been limited to orchards and ornamental tree farms. For example, 1893 PA 206, supra, § 7e(1), of the general property tax act [MCLA 211.7e; MSA 7.7(4b)] exempts from real property taxation:

"The value of deciduous and evergreen trees, shrubs...growing on agricultural land devoted to agricultural purposes..."
(Emphasis supplied.)

However, 1893 PA 206, supra, § 7e(1), also provides:

"...Nothing herein contained shall affect the taxation of growing timber."

It is noteworthy that 1893 PA 206, supra, § 7e(1), was added to the general property tax act by 1966 PA 268, and that the same legislature also amended 1893 PA 206, supra, § 9, by means of 1966 PA 205. In framing and enacting both 1966 PA 268 and 1966 PA 205, the legislature had full knowledge of the provisions of each. Reichert v Peoples State Bank for Savings, 265 Mich 668; 252 NW 484 (1934). Thus, the intent of the legislature is clear that the exemption for "tree farming", which includes the growing of ornamental, Christmas and fruit trees contained in 1893 PA 206, supra, § 7e(1), does not include "growing of timber" for harvest of lumber or pulp.

It is also necessary to consider two legislative enactments dealing with forest reservations. 1917 PA 86, § 1, MCLA 320.271; MSA 13.201, provides:

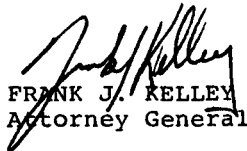
"Upon any tract of land not exceeding 160 acres, where at least 1/2 is improved and devoted to agricultural purposes in this state, there may be selected by the owner or owners thereof, as a private forest reservation, a portion thereof not exceeding 1/4 of the total area of said tract..."
(Emphasis supplied.)

While such lands are exempt from all taxation by 1917 PA 86, § 11, MCLA 320.281; MSA 13.211, but made subject to a stumpage payment for cut timber, the statute contains no exemption from ad valorem property taxes for personal property used in timber or logging operations.

Consideration must also be given to 1925 PA 94, MCLA 320.301 et seq; MSA 13.221 et seq, which provides for the establishment of commercial forest reserves and which are defined as tracts of land "containing no material natural resources other than forest growth, no portion of which is used for agricultural...purposes,...". 1925 PA 94, supra, § 2.

Eligible commercial forest reserve lands are exempt from ad valorem property taxation pursuant to 1925 PA 94, supra, § 5, but are made subject to a specific tax per acre based upon the total millage rate levied in the township. In addition, a stumpage tax is imposed upon the forest products cut as permitted by the act. This statute contains no provision for exemption from ad valorem property tax of timber or logging equipment utilized to remove forest products from the commercial forest reserve.

It is, therefore, my opinion that the answer to your question is in the negative.


FRANK J. KELLEY
Attorney General