



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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**BULLETIN NO. 15
EQUALIZATION OF DNR
REAL PROPERTY
DECEMBER 14, 2005**

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: Procedure for Equalization of Real Property Owned by the State and Controlled by the Department of Natural Resources

Public Act 451 of 1994, the Natural Resources Environmental Protection Act, as amended by Public Act 513 of 2004, revised the procedures used in the assessment, equalization, and taxation of real property owned by this State and controlled by the Department of Natural Resources. Such property is valued by the State Tax Commission pursuant to Section 2153 of Act 451 and is classified as agricultural property pursuant to Section 34c of Public Act 206 of 1893, the General Property Tax Act. This Bulletin specifies the procedures which local assessors and county equalization directors are to follow with regards to the treatment of such property for purposes of equalization during 2005-06.

Constitutional Requirements of Uniformity and Equalization

Section 3 of Article 9 of the State Constitution provides, in part, as follows:

The legislature shall provide for *the uniform general ad valorem taxation of real and tangible personal property not exempt by law* except for taxes levied for school operating purposes. The legislature shall provide for the determination of true cash value of such property; the proportion of true cash value at which such property shall be uniformly assessed, which shall not, after January 1, 1966, exceed 50 percent; and for a system of equalization of assessments...*The legislature may provide for alternative means of taxation of designated real and tangible personal property in lieu of general ad valorem taxation.* Emphasis supplied.

The rule of uniform taxation is the basic requirement in Michigan that underlies the entire property tax structure. While the requirement does not restrict the power of the Legislature to prescribe what property is taxable and what property is exempt, it does require that property taxed on an ad valorem basis be taxed in a uniform manner. Similarly, the foregoing constitutional provision requires that the Legislature provide for a system of equalization of assessments to correct for systematic under- or over-assessment of property in order to ensure uniformity in assessments among assessing jurisdictions within each county, as well as among the counties.

Provisions of Public Act 513 of 2004

Section 2153(7) of the Act provides, in part, that “[p]roperty valuations shall be established as follows:

(a) For property valuations established under this subpart in 2004, the 2004 valuation shall be the valuation of the property in 2004 through 2008.

“(b) In 2009 and each year after 2009, the valuation of property shall not increase each year by more than the increase in the immediately preceding year in the general price level or 5%, whichever is less. As used in this subdivision, “general price level” means that term as defined in section 33 of article IX of the state constitution of 1963.

“(c) If property is acquired after 2004, the initial property valuation determined under this section shall be the valuation for each subsequent year until the next adjustment under subdivision (b) occurs.”

Read literally, the foregoing provisions of Act 513 are contrary to the uniformity and equalization requirements of the State Constitution. Since it will not be presumed that the Legislature intended to adopt an unconstitutional Act, the intent of Act 513 must have been to subject real property owned by the State, controlled by the Department of Natural Resources, and valued by the State Tax Commission to an *alternative* means of taxation in lieu of general ad valorem taxation.

Provisions of State Board of Equalization Act

Section 5 of Public Act 44 of 1911, the State Board of Equalization Act, provides as follows:

(1) At the regular meeting of the boards of commissioners of the several counties held on the Tuesday following the second Monday in April each year, the boards of commissioners shall equalize the assessment rolls in the manner provided by law. The equalization shall be completed before the first Monday in May.

(2) Before these meetings each assessing officer shall add up the columns of his or her assessment roll, enumerating the number of acres of land and the value of the real and personal property assessed, to show the aggregate of each. The director of the tax or equalization department of each county shall prepare a tabular statement from the aggregates of the several rolls of the number of acres of land and the value of the personal property and each classification of real property in each township and city as assessed, and also the aggregate valuation of the personal property and each classification of real property appearing on each roll as equalized by the county board of commissioners pursuant to section 34 of the general property tax act, 1893 PA 206, MCL 211.34. The director of the tax or equalization department shall make a certified copy of the tabular statement, signed by the chairperson and clerk of the county board of commissioners and the director of the tax or equalization department, and shall transmit the statement to the secretary of the state

tax commission on or before the first Monday in May, who shall present the statement to the state board of equalization immediately following its organization. The statement and copy of the statement shall not embrace any property assessed under laws enacted pursuant to section 5 of article 9 of the state constitution of 1963, or on which specific taxes are imposed, *or for which alternative means of taxation in lieu of general ad valorem taxation are provided by law.* Emphasis supplied

Because the State Board of Equalization Act excludes from the equalization process property “for which alternative means of taxation in lieu of general ad valorem taxation are provided by law,” and because the intent of the Legislature, pursuant to Act 513, was to subject real property owned by the State, controlled by the Department of Natural Resources, and valued by the State Tax Commission to such an alternative means of taxation, the State Tax Commission directs assessors and county equalization directors as follows for the 2005-06 equalization process:

Changes to be made by assessors:

1. All real property owned by the State, controlled by the Department of Natural Resources, and valued by the State Tax 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. 2004 assessed and state equalized valuation or state equalized valuation in year following acquisition if acquired in 2004 or later.
 - f. From 2004 through 2008, the 2004 taxable valuation supplied by the State Tax Commission. Beginning in 2009, the previous year’s taxable valuation multiplied by the consumer price level supplied by the State Tax Commission.
2. All real property owned by the State, controlled by the Department of Natural Resources, and valued by the State Tax Commission shall be removed from the ad valorem assessment roll by taking an ‘equalization loss’ and ‘capped value (Headlee) losses’.

Changes to be made by equalization departments:

1. 2005 Form L-4018 (Agricultural). Include real property owned by the State, controlled by the Department of Natural Resources, and valued by the State Tax Commission, as in the past, in the Agricultural Classification section, but be sure that it is stratified (treated on a separate

line). Use the values supplied by the State Tax Commission for 2005 equalization at a 50% ratio.

2. 2006 Form L-4023 (Agricultural). Transfer the 2005 L-4018 total assessed value and indicated beginning true cash value to the L-4023 line 101. Separately calculate loss for real property owned by the State, controlled by the Department of Natural Resources, and valued by the State Tax Commission using a 50% ratio. Separately calculate any loss from the remaining Agricultural class at the equalization study ratio determined for the study of the non-DNR parcels. Calculate a weighted ratio for the loss of the two strata. The weighted ratio is to be used on the 2006 Form L-4023, line 102. Supply the supporting math calculations to the State Tax Commission. Combine the assessed value of real property owned by the State, controlled by the Department of Natural Resources, and valued by the State Tax Commission Loss and the remaining Agricultural Class Loss and report on line 102 of the 2006 L-4023.
3. All other required forms. Treat all real property owned by the State, controlled by the Department of Natural Resources, and valued by the State Tax Commission as Equalization Loss and Capped Value/Headlee Losses.

Additional Information:

1. The Department of Natural Resources has indicated the required method of payment, sample bills, and a question and answer document on its web page:

www.michigan.gov/dnr
then forests lands and water
then land management
then payment in lieu of taxes

2. Questions concerning payments in lieu of taxes billing may be submitted by email to: dnrpilt@michigan.gov.