

**Qualified Forest Program (QFP)
Frequently Asked Questions**

The Qualified Forest Program (QFP) is administered by the Michigan Department of Agriculture and Rural Development (MDARD) under MCL 211.7jj[1], as amended by PA 672 of 2018. The following questions and answers relate to QFP.

1. **Question:** What is the Qualified Forest Program?

Answer: The Qualified Forest Program (QFP) is a property tax incentive program that encourages private landowners to actively manage their forests for commercial harvest, wildlife habitat enhancement, and improvement of other non-timber resources. In exchange, the landowner receives an exemption from the local school operating millage. The land is enrolled in perpetuity or until removed.

2. **Question:** What are the tax benefits for enrolling in the Qualified Forest Program?

Answer: There are two ways the Qualified Forest Program may reduce your property taxes.

(a) When you execute a Qualified Forest School Tax Affidavit (QFSTA) it exempts you from paying certain local school operating millage. Typically, you would be exempt from 18 mills of school operation tax, although that amount may be less depending on the school districts within your community.

(b) You may also execute a Qualified Forest Taxable Value Affidavit (QFTVA) if you are purchasing forested land that is already enrolled in the program. If you are a new purchaser and execute a QFTVA, your taxable value would remain capped at the level of the previous owner.

3. **Question:** Does the QFP exemption apply to structures?

Answer: No, the QFP is a land value exemption only. Structures are allowed on QFP parcels, but the landowner will pay the local school operating millage on the value of the structures.

4. **Question:** Is there a fee to participate in the Qualified Forest Program?

Answer: Yes. A fee that is equivalent to 2 mills of the taxable value of the land is collected annually by the local tax collecting unit. This fee is deposited into the Private Forestland Enhancement Fund, which is used to operate the program and to provide forestry-related assistance to landowners.

5. **Question:** How do I apply for the QFP tax exemption for my land?

Answer: If you are interested in receiving a tax exemption for QFP, you may obtain information from either your local County Conservation District or MDARD, who will advise you on how to proceed. Information is also available at www.michigan.gov/qfp. The landowner should obtain a forest management plan written by a Qualified Forester for their property. Once that is completed, the landowner would submit 1) an application; 2) a copy of the forest management plan; 3) stand harvest schedule; 4) copies of current deeds and most recent tax bills for each of the parcels to be enrolled; and 5) a \$50.00 fee to payable to the "State of Michigan" and mailed to MDARD by September 1, for the exemption beginning in the following tax year. If the application is approved, you will receive a Qualified Forest School Tax Affidavit from MDARD to sign, notarize, and record. Once the Affidavit is recorded at your local County Register of Deeds office, you would present the document to the local taxing authority on or before December 31 of that year.

6. **Question:** How does a tax parcel qualify to be enrolled in the program?

Answer: To enroll, each tax parcel must be at least 20 acres in size. For parcels, less than 40 acres, no less than 80% is required to be stocked with productive forest (producing at least 20 cubic feet of wood per acre per year). For tax parcels 40 acres or more, no less than 50% is required to be stocked with productive forest.

7. **Question:** Am I required to have a forest management plan to enroll in the program?

Answer: Yes, a forest management plan is required to be prepared for your property by a Qualified Forester to enroll in the program. You must also agree to manage your forest following the forest management plan.

8. **Question:** What is a forest management plan?

Answer: Simply, a forest management plan is a written document that outlines the landowner's goals, resource conditions, and prescriptions. By statute, the forest management plan is required to include:

- the name and address of each owner of the property.
- the legal description and parcel identification number of each tax parcel of the parcel being enrolled.
- a statement of the owner's forest management objectives.
- a map, diagram, or aerial photograph that identifies both forested and non-forested areas of the property that includes the location of any buildings.
- a description of forest practices that will be undertaken which specifies the approximate period before each is completed.
- a description of soil conservation practices; and a description of activities undertaken for the management of forest resources other than trees. A more detailed listing of the required components of the forest management plan can be found at www.michigan.gov/qfp. Please note that a forest management plan must not exceed 20 years in length.

9. **Question:** How do I get a forest management plan written for my property?

Answer: Plans used for the Qualified Forest Program must be written by a Qualified Forester. Typically, Qualified Foresters will charge a fee to write a forest management plan. MDARD maintains a list of Qualified Foresters at <http://www.michigan.gov/qfp>. The preparation of a forest management plan can take a few months to create, depending on the time of the year.

10. **Question:** What is a Qualified Forester?

Answer: A Qualified Forester is a forester registered with MDARD who meets at least one of the following requirements: 1) is a forester certified by the Society of American Foresters; 2) is a Forest Stewardship Plan Writer; 3) is a Technical Service Provider as registered by the USDA for Forest Management Plan Development; 4) is a Registered Forester and/or 5) is a member of the Association of Consulting Foresters. MDARD provides a list of Qualified Foresters by county which is available at www.michigan.gov/qfp.

11. **Question:** I am a forester and wish to register. How do I register?

Answer: Go to www.michigan.gov/qfr. Click on the form titled "Qualified Forester Registration." Complete the form, save it, and email it back to MDARD-QFR@michigan.gov. You will then be registered under the Qualified Forest Program. Your information will be maintained in a database and will be available to landowners who wish to retain a Qualified Forester in your service area.

12. **Question:** Are there requirements for public access to QFP lands?

Answer: No, land with a QFP exemption is not required to be open to the public.

13. **Question:** Is it possible to build a structure on land enrolled in the QFP?

Answer: Structures are permitted to be built on land under a Qualified Forest Affidavit. However, the addition of any structure cannot reduce the stocking density below the minimum parcel requirement. This also assumes local zoning requirements are met. If a structure is built on land covered by an Affidavit, the exemption from local school operation millage will not apply to the value of the structures as QFP is a land value-only exemption. Please see State Tax Commission Memos dated April 8, 2014, and June 11, 2019, for further guidance.

14. **Question:** If my land is enrolled in QFP, what are my responsibilities?

Answer: Landowners of qualified forest lands are required to comply with their forest management plan. They must report to MDARD when a forest practice or timber harvest has occurred on the qualified forest property. The report will indicate the commercial practice completed with the volume and value of timber harvested on that qualified forest property. The owner is required to retain the current forest management plan, the most recent harvest records, a recorded copy of the QFP Affidavit, and a map that shows the location and size of any buildings and structures on the property. MDARD will notify the property owner and the local Conservation District in any year that forest practices or harvests are to occur, per the forest management plan.

If an owner does not accomplish forest practices and harvests within six years of the first year specified in the current forest management plan, the property is not eligible for the exemption. The property will be placed on the tax roll as though the exemption had not been granted and be subject to payment of recapture tax.

15. **Question:** Is it possible to change the size or configuration of an existing parcel that might not otherwise qualify for the Program?

Answer: Parcels might qualify to be split or combined. Those actions require local township or county approval. The local township assessor or County Equalization Department (CED) will confirm the new parcel information with a tentative parcel number, legal description, etc. to be used for the next tax year. Any proposed parcel size change is subject to stocking re-verification. Assessors should be careful NOT to allow any tax parcel splits or combinations without first contacting MDARD to avoid a tax exemption conflict.

16. **Question:** How does a landowner withdraw from QFSTA?

Answer: If the land is converted by a change in use, the landowner shall file a rescission request form, which is obtained and filed with MDARD. The property will be subject to a QFSTA recapture tax as follows:

Repayment = Taxable Value of Property X the number of operating mills levied by the school district (minus the 2 Mill equivalent fee) X the number of years the property has been under the exemption (not to exceed 7).

If a commercial harvest has not been conducted on the property, the recapture would be calculated in the same manner, but the repayment will be multiplied by 2.

17. **Question:** How does a landowner withdraw from QFTVA?

Answer: The landowner shall file a rescission request form as stated above with MDARD. The property will also be subject to a QFTVA recapture tax as follows:

Repayment = The amount of taxes that would have been paid had the taxable value not remained capped after the sale of the property (not to exceed 10 years).

18. **Question:** Why is the State of Michigan offering a tax incentive program for privately-owned forestlands?

Answer: Michigan's forests protect drinking water, provide habitat for wildlife, offer beautiful settings for recreation, and produce renewable resources that all Michiganders use daily. Michigan's forest products industry contributes more than \$20 billion annually to the state's economy. More than half of Michigan's forest is privately owned, and most of that is owned by individuals and families. The protection of Michigan's land and water hinges on keeping forests as forests. Helping family forest owners find new value streams in their forests through the harvest of forest products and property tax savings keeps forests as forests.

19. **Question:** Will the Summer tax bill collection of the annual 2 Mill QFP fee affect the ability of local tax units to retain the \$2.50 per parcel SET collection fee for those that qualify?

Answer: No, PA 672 of 2018 does not affect the retention of the \$2.50 collection fee. The 2 Mill QFP charge is considered a fee, not a property tax.

20. **Question:** Does QFP harm the local school funding?

Answer: Generally, Michigan schools are funded on a per-pupil basis. While QFP does provide a tax exemption for qualified property owners from the 18 mills School Operation Tax levied at the local level, payments from the state School Aid Fund are based on the difference between locally generated revenue and a district's foundation allowance. If local funding sources do not equal the funding required on a per-pupil basis, the State of Michigan's School Aid Fund will make up the difference to ensure the per-pupil amount is met.

21. **Question:** Who pays Recapture Tax when a tax parcel is removed from QFP?

Answer: The current QFP landowner at the time the parcel is to be removed. That could be the Seller before closing or the Buyer after a closing sale of the QFP tax parcel to be removed. The Buy/Sell purchase agreement should address the permanent QFP Exemption and who pays Recapture Tax if the parcel is to be removed from the program. QFP tax parcels CANNOT be removed until Recapture Tax is paid and the QFP Rescission Affidavit has been recorded.

22. **Question:** What is considered a reportable commercial timber harvest for QFP?

Answer: Harvest means the point at which timber has been cut, severed, or removed for purposes of sale and is first measured in the ordinary course of business as determined by reference to common practice in the timber industry. The term does not include the cutting, severance, or removal of timber for firewood, fence posts, or other personal use. The landowner receives an IRS-1099-S for a timber harvest sale from the timber purchaser.

23. **Question:** When do I begin to receive my QFP property tax benefit?

Answer: Property tax benefits begin January 1 of the year AFTER recording your Affidavit.

24. **Question:** How do I know that my tax parcel is enrolled in QFP to receive tax benefits?

Answer: The Assessment Change Notice received in mid-February of each year will confirm the tax exemption. The July summer tax bill will also show a charge for the annual QFP 2 Mill fee to confirm QFP enrollment.

25. **Question:** Can a QFP-enrolled parcel also receive another tax exemption or become exempt from taxation?

Answer: No

26. **Question:** Do I need to disclose that my property is enrolled in QFP when selling?

Answer: Yes, MCL 211.27a(7)(p) requires that an owner of QFP shall inform a prospective buyer that QFP property is subject to Recapture Tax if a parcel is ever removed from QFP.

27. **Question:** Will I be allowed to sell carbon credits while enrolled in the Qualified Forest Program?

Answer: While participation in carbon market opportunities is not expressly prohibited by the Qualified Forest Program statute, there are certain considerations that a Qualified Forest Program enrollee (or potential enrollee) should take regarding carbon program participation. Harvest of timber products is a requirement of Qualified Forest Program enrollment. This requirement may be at odds with certain carbon programs, while complimentary to others. Participation in the Qualified Forest Program requires that landowners follow a written forest management plan. While forest management plans are eligible to receive amendments, QFP will not automatically approve amendments that delay a timber harvest to enroll in a carbon program.