

EXCLUDE CERTAIN AGRICULTURAL LAND FROM SALES STUDIES WHEN SOLD

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 372

Sponsor: Sen. Bruce Caswell
House Committee: Agriculture
Senate Committee: Finance

Complete to 10-15-13

A SUMMARY OF SENATE BILL 372 AS PASSED BY THE SENATE 10-3-13

Generally speaking, assessors and county equalization departments perform sales studies that consider the sale prices of similarly classified property that has recently been sold to ensure that properties within a classification are assessed equally and in proportion to fair market value. Senate Bill 372 would exclude from such sales studies agricultural property that is sold for a non-agricultural use (such as industrial or commercial development), as such a sale could increase the land's value and distort the assessment of that particular classification of property.

Specifically, the bill would amend the General Property Tax Act (at MCL 211.8 & 211.27) to exclude agricultural property from sales studies if, at the time of an ownership transfer, an affidavit attesting that the property will remain in agricultural use has not been filed.*

Under the bill, when finalizing sales studies for agricultural real property, an assessor and equalization director would have to determine if an affidavit for the property has been filed under Section 27a(7)(n). If an affidavit has not been filed, the property would have to be reviewed to determine if its classification as agricultural property is correct or if it needs to be reclassified. The assessor for the local tax collecting unit where the property is located would have to contact the property owner to determine why an affidavit was not filed. Under the bill, unless there are convincing facts to the contrary, the sale of qualified agricultural real property for which an affidavit has not been filed would be excluded from a sales study.

[*The affidavit referred to in the bill is the one that is filed by the new owner when property is sold in order to attest that the land will remain in agricultural use; this protects the property from being subject to the uncapping (or "pop-up") of taxable value that otherwise occurs when property is transferred. Although this bill does not deal directly with the "pop-up" of taxable value, it uses the same affidavit as the basis for whether property will be included in sales studies.

Under Section 27a(7)(n), when such an affidavit is filed, the sale of property does not qualify as a "transfer of ownership" for the purpose of uncapping taxable value. Under the state's property tax laws, there is a cap on how much taxable value can increase from

one year to the next for one owner. When property is sold the taxable value "pops up" for the new owner to 50% of market value. Qualified agricultural property that remains in agricultural use under a new owner is exempt from this increase in taxable value.]

FISCAL IMPACT:

As written, the bill would likely have an indeterminate, but minimal impact on state and local revenues. Because the number of agricultural properties affected is expected to be small, it is unlikely that excluding them would have a significant impact on sales studies.

Legislative Analyst: Jeff Stoutenburg
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.