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Senate Bill 372 (as introduced 5-21-13)  
Sponsor: Senator Bruce Caswell  
Committee: Finance

Date Completed: 9-24-13

### **CONTENT**

**The bill would amend the General Property Tax Act to require agricultural property to be excluded from sales studies if, upon a transfer of ownership, an affidavit attesting that the property would remain agricultural had not been filed.**

Specifically, the bill would require an assessor and equalization director, in finalizing sales studies for property classified under the Act as agricultural real property, to determine whether an affidavit for the property had been filed under Section 27a(7)(n). (As explained below, that section exempts a transfer of agricultural property from the "pop up" tax if the transferee files an affidavit attesting that the property will remain agricultural.)

If an affidavit had not been filed, the property would have to be reviewed to determine whether classification as agricultural real property was correct or should be changed. The assessor for the local tax collecting unit where the property was located would have to contact the property owner to determine why the owner did not file an affidavit.

Unless there were convincing facts to the contrary, the sale of property classified as agricultural real property for which an affidavit under Section 27a(7)(n) had not been filed could not be included in a sales study.

(Generally speaking, sales studies are studies of prices of similarly situated property that has been recently sold. Sales studies are used, for example, to determine market value or the accuracy of appraisals.)

MCL 211.8 & 211.27

### **BACKGROUND**

Under Michigan law, the taxable value of a parcel of property may not increase from one year to the next by more than 5% or the increase in the consumer price index, whichever is lower, until there is a transfer of ownership. At that time, the assessment is "uncapped" and the property is taxed upon its State equalized valuation, which is 50% of its true cash value. This is commonly referred to as the "pop-up" tax.

Section 27a of the General Property Tax Act defines "transfer of ownership" for this purpose and identifies types of conveyances that do or do not constitute a transfer of ownership. Under Section 27a(7)(n), "transfer of ownership" does not include a transfer of qualified agricultural property if the person to whom the property is transferred files an affidavit with

the local assessor and with the register of deeds for the county in which the property is located, attesting that the property will remain qualified agricultural property.

"Qualified agricultural property" means unoccupied property and related buildings classified as agricultural property, or other unoccupied property and related buildings located on that property devoted primarily to agricultural use as defined in Section 36101 of the Natural Resources and Environmental Protection Act (NREPA). Related buildings include a residence occupied by a person employed in or actively involved in the agricultural use, who has not claimed a principal residence exemption on other property.

(Section 36101 of NREPA defines "agricultural use", for the purpose of agricultural conservation easements, as the production of plants and animals useful to humans, including forages and sod crops; grains, feed crops, and field crops; dairy and dairy products; poultry and poultry products; livestock, including breeding and grazing of cattle, swine, captive cervidae, and similar animals; berries; herbs; flowers; seeds; grasses; nursery stock; fruits; vegetables; maple syrup production; Christmas trees; and other similar uses and activities.)

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would have an indeterminate and likely negligible impact on local unit and State revenue. The bill would apply to a minimal number of agricultural properties, which would be mixed with multiple nonagricultural properties when sales studies were conducted. The magnitude and direction of any impact would depend on the specific characteristics of the agricultural property and the number and characteristics of other properties involved in a sales study.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.