
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 709 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Mike Goschka
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to specify that a transfer of ownership of property would not include a transfer of qualified agricultural property, if the person to whom the property was transferred filed an affidavit attesting that the property would remain qualified agricultural property for at least seven years from the date of transfer. (This means that annual assessment increases would remain limited to the lesser of 5% or the rate of inflation and the assessed value would not revert to 50% of true cash value upon the transfer.)

If the property ceased to be qualified agricultural property within the seven-year period, then the property would be assessed at 50% of true cash value and a tax bill would be issued, based upon that assessment, for the three-year period before the property ceased to be qualified agricultural property. (If the property ceased to be qualified agricultural property within three years after being transferred, then the adjusted assessment would apply from December 31 in the year of the transfer, to the point the property ceased to be qualified agricultural property.)

Under the Act, "qualified agricultural property" is unoccupied property and related buildings classified as agricultural, or other unoccupied property and related buildings located on that property devoted primarily to agricultural use. Related buildings include a residence occupied by a person who is employed in or actively involved in the agricultural use and who has not claimed a homestead exemption on other property. Property used for commercial storage, commercial processing, commercial distribution, commercial marketing, or commercial shipping operations or other commercial or industrial purposes is not qualified agricultural property. A parcel of property is devoted primarily to agricultural use only if more than 50% of the parcel's acreage is devoted to agricultural use.

MCL 211.27a

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce property taxes by \$3.4 million in calendar year 2000. Local government property tax revenue would decline by \$1.4 million and school property taxes would decline by \$1.2 million. The State fiscal impact would be a reduction of the State education tax revenue by \$0.8 million. The State also would have to pay an additional \$0.7 million to reimburse the schools for lost property tax revenue. The net fiscal impact on schools, therefore, would be a loss of \$0.5 million. In addition, to the extent property ceased to be qualified agricultural property and the taxable value was increased, property taxes would increase.

Date Completed: 10-12-99

Fiscal Analyst: R. Ross