

# HOUSE BILL No. 4456

March 13, 2001, Introduced by Reps. Gilbert, Meyer, Van Woerkom, Shackleton, Allen and Sanborn and referred to the Committee on Agriculture and Resource Management.

A bill to provide for the establishment of alternative agricultural production districts in local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of agricultural property; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of the state tax commission and certain officers of local governmental units; and to provide penalties.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1. This act shall be known and may be cited as the  
2 "alternative agricultural production tax act".

3       Sec. 2. As used in this act:

4       (a) "Agricultural production district" or "district" means  
5 an area designated by a local governmental unit under section 3.

1 (b) "Agricultural production exemption certificate" or  
2 "certificate" means a certificate issued pursuant to sections 4,  
3 5, and 6.

4 (c) "Alternative agricultural production tax" means the spe-  
5 cific tax levied under section 10.

6 (d) "Agricultural property" means farmland as that term is  
7 defined in section 36101 of the natural resources and environmen-  
8 tal protection act, 1994 PA 451, MCL 324.36101.

9 (e) "Agricultural use value" means 50% of the value of the  
10 agricultural property based on all of the following:

11 (i) Quality of soil.

12 (ii) Existing use.

13 (iii) Present economic income of structures and farm  
14 structures.

15 (iv) Present economic income of real property.

16 (f) "Commission" means the state tax commission created by  
17 1927 PA 360, MCL 209.101 to 209.107.

18 (g) "Local governmental unit" means a city, village, or  
19 township.

20 Sec. 3. (1) A local governmental unit, by resolution of its  
21 legislative body, may establish an agricultural production dis-  
22 trict that consists of 1 or more parcels or tracts of agricul-  
23 tural property.

24 (2) The legislative body of a local governmental unit may  
25 establish an agricultural production district on its own initia-  
26 tive or upon a written request filed by the owner or owners of  
27 75% of the state equalized value of the agricultural property

1 located within a proposed agricultural production district. This  
2 request shall be filed with the clerk of the local governmental  
3 unit.

4 (3) Before adopting a resolution establishing an agricul-  
5 tural production district, the legislative body shall give writ-  
6 ten notice by certified mail to the owners of all real property  
7 within the proposed agricultural production district and shall  
8 hold a public hearing on the establishment of the agricultural  
9 production district at which those owners and other residents or  
10 taxpayers of the local governmental unit shall have a right to  
11 appear and be heard.

12 (4) An agricultural production district established by a  
13 township shall be only within the unincorporated territory of the  
14 township and shall not be within a village.

15 Sec. 4. (1) After the establishment of an agricultural pro-  
16 duction district, the owner of agricultural property may file an  
17 application for an agricultural production exemption certificate  
18 with the clerk of the local governmental unit that established an  
19 agricultural production district. The application shall be filed  
20 in the manner and form prescribed by the commission. The appli-  
21 cation shall contain or be accompanied by a general description  
22 of the agricultural property, a general description of the pro-  
23 posed use of the agricultural property, and a legal description  
24 of the real property of the agricultural property.

25 (2) Upon receipt of an application for an agricultural pro-  
26 duction exemption certificate, the clerk of the local  
27 governmental unit shall notify in writing the assessor of the

1 assessing unit in which the agricultural property is located and  
2 the legislative body of each taxing unit that levies ad valorem  
3 property taxes in the local governmental unit in which the agri-  
4 cultural property is located. Before acting upon the applica-  
5 tion, the legislative body of the local governmental unit shall  
6 afford the applicant, the assessor, and a representative of the  
7 affected taxing units an opportunity for a hearing.

8       Sec. 5. The legislative body of the local governmental  
9 unit, not more than 60 days after receipt by its clerk of the  
10 application, shall by resolution either approve or disapprove the  
11 application for an agricultural production exemption certificate  
12 in accordance with section 8 and the other provisions of this  
13 act. If disapproved, the reasons shall be set forth in writing  
14 in the resolution. If approved, the clerk shall forward the  
15 application to the commission within 60 days of approval or  
16 before October 31 of that year, whichever is first, in order to  
17 receive the agricultural production exemption certificate effec-  
18 tive for the following year. If disapproved, the clerk shall  
19 return the application to the applicant. The applicant may  
20 appeal the disapproval to the commission within 10 days after the  
21 date of the disapproval.

22       Sec. 6. (1) Within 60 days after receipt of an approved  
23 application or an appeal of a disapproved application that was  
24 submitted to the commission before October 31 of that year, the  
25 commission shall determine whether the agricultural property com-  
26 plies with section 8 and with the other provisions of this act.  
27 If the commission so finds, it shall issue an agricultural

1 production exemption certificate. Before issuing a certificate,  
2 the commission shall notify the state treasurer of the applica-  
3 tion and shall obtain the written concurrence of the department  
4 of consumer and industry services that the application complies  
5 with the requirements in section 8. The effective date of the  
6 certificate for agricultural property is the immediately succeed-  
7 ing December 31 following the date the certificate is issued.

8 (2) The commission shall send an agricultural property  
9 exemption certificate, when issued, by certified mail to the  
10 applicant, and a certified copy by certified mail to the assessor  
11 of the assessing unit in which the agricultural property is  
12 located and that copy shall be filed in his or her office.

13 Notice of the commission's refusal to issue a certificate shall  
14 be sent by certified mail to the same persons.

15 Sec. 7. (1) Agricultural property for which an agriculture  
16 production exemption certificate is in effect, for the period on  
17 and after the effective date of the certificate and continuing so  
18 long as the agricultural production exemption certificate is in  
19 force, is exempt from ad valorem property taxes and the lessee,  
20 occupant, user, or person in possession of that agricultural  
21 property for the same period is exempt from ad valorem taxes  
22 imposed under 1953 PA 189, MCL 211.181 to 211.182.

23 (2) Personal property that is exempt from the collection of  
24 ad valorem property taxes under the general property tax act,  
25 1893 PA 206, MCL 211.1 to 211.157, is exempt from the alternative  
26 agricultural production tax imposed under section 10.

1 (3) If the agricultural production exemption certificate is  
2 terminated or revoked, the agricultural property is subject to  
3 the collection of taxes under the general property tax act, 1893  
4 PA 206, MCL 211.1 to 211.157.

5 Sec. 8. The legislative body of the local governmental  
6 unit, in its resolution approving an application, shall set forth  
7 a finding and determination that the granting of the agricultural  
8 production exemption certificate, considered together with the  
9 aggregate amount of agricultural production exemption certifi-  
10 cates previously granted and currently in force, shall not have  
11 the effect of substantially impeding the operation of the local  
12 governmental unit or impairing the financial soundness of a  
13 taxing unit that levies an ad valorem property tax in the local  
14 governmental unit in which the agricultural property is located.

15 Sec. 9. (1) The assessor of each city or township in which  
16 there is agricultural property with respect to which 1 or more  
17 agricultural production exemption certificates have been issued  
18 and are in force shall determine annually as of December 31 the  
19 value and taxable value of each agricultural property separately,  
20 for real property, having the benefit of a certificate.

21 (2) The assessor, upon receipt of notice of the filing of an  
22 application for the issuance of a certificate, shall determine  
23 and furnish to the local legislative body and the commission the  
24 value of the property to which the application pertains and other  
25 information as may be necessary to permit the local legislative  
26 body and the commission to make the determinations required by  
27 section 8.

1       Sec. 10. (1) Except as provided in subsection (5), there is  
2 levied upon every owner of agricultural property to which an  
3 agricultural production exemption certificate is issued a spe-  
4 cific tax to be known as the alternative agricultural production  
5 tax.

6       (2) The alternative agricultural production tax is an annual  
7 tax, payable at the same times, in the same installments, and to  
8 the same officer or officers as taxes collected under the general  
9 property tax act, 1893 PA 206, MCL 211.1 to 211.157, are  
10 payable. Except as otherwise provided in this section, the offi-  
11 cer or officers shall disburse the alternative agricultural pro-  
12 duction tax payments received each year to and among this state  
13 and cities, townships, villages, school districts, counties, and  
14 authorities, at the same times and in the same proportions as  
15 required by law for the disbursement of taxes collected under the  
16 general property tax act, 1893 PA 206, MCL 211.1 to 211.157.

17       (3) Except as provided by subsection (4) for an intermediate  
18 school district receiving state aid under section 56, 62, or 81  
19 of the state school aid act of 1979, 1979 PA 94, MCL 388.1656,  
20 388.1662, and 388.1681, of the amount that would otherwise be  
21 disbursed to or retained by the intermediate school district, all  
22 or a portion, to be determined on the basis of the tax rates  
23 being utilized to compute the amount of the state school aid,  
24 shall be paid instead to the state treasury to the credit of the  
25 state school aid fund established by section 11 of article IX of  
26 the state constitution of 1963. This subsection does not apply  
27 to taxes levied for either of the following:

1 (a) Mills allocated to an intermediate school district for  
2 operating purposes as provided for under the property tax limita-  
3 tion act, 1933 PA 62, MCL 211.201 to 211.217a.

4 (b) An intermediate school district that is not receiving  
5 state aid under section 56 or 62 of the state school aid act of  
6 1979, 1979 PA 94, MCL 388.1656 and 388.1662.

7 (4) The amount of alternative agricultural production taxes  
8 to be disbursed to a local school district, except for that  
9 amount of tax attributable to mills levied under section 1211(2)  
10 of the revised school code, 1976 PA 451, MCL 380.1211, and mills  
11 that are not included as mills levied for school operating pur-  
12 poses under section 1211 of the revised school code, 1976 PA 451,  
13 MCL 380.1211, shall be paid to the state treasury and credited to  
14 the state school aid fund established by section 11 of article IX  
15 of the state constitution of 1963.

16 (5) Agricultural property located in a renaissance zone  
17 under the Michigan renaissance zone act, 1996 PA 376,  
18 MCL 125.2681 to 125.2696, is exempt from the alternative agricul-  
19 tural production tax levied under this act to the extent and for  
20 the duration provided pursuant to the Michigan renaissance zone  
21 act, 1996 PA 376, MCL 125.2681 to 125.2696, except for that por-  
22 tion of the alternative agricultural production tax attributable  
23 to a special assessment or a tax described in section 7ff(2) of  
24 the general property tax act, 1893 PA 206, MCL 211.7ff. The  
25 alternative agricultural production tax calculated under this  
26 subsection shall be disbursed proportionately to the local taxing  
27 unit or units that levied the special assessment or the tax



1 described in section 7ff(2) of the general property tax act, 1893  
2 PA 206, MCL 211.7ff.

3       Sec. 11. (1) The amount of the alternative agricultural  
4 production tax applicable to real property, until paid, shall be  
5 a lien upon the real property to which the certificate is  
6 applicable. Upon the filing by the officer of a certificate of  
7 nonpayment of the alternative agricultural production tax appli-  
8 cable to real property, together with an affidavit of proof of  
9 service of the certificate of nonpayment upon the owner of the  
10 agricultural property by certified mail, with the register of  
11 deeds of the county in which the real property is situated, the  
12 lien may be enforced in the same manner as provided by law for  
13 the foreclosure of mortgage liens upon real property.

14       (2) On or after the December 31 immediately succeeding the  
15 expiration of 60 days after the service upon the owner of a cer-  
16 tificate of nonpayment and the filing of the certificate of non-  
17 payment, if payment has not been made within the intervening 60  
18 days, provided for by subsection (1), the agricultural production  
19 exemption certificate is automatically terminated.

20       Sec. 12. The amount of the alternative agricultural produc-  
21 tion tax in each year for agricultural property for which an  
22 agricultural production exemption certificate is in effect shall  
23 be determined by multiplying the agricultural use value of the  
24 agricultural property by the total mills levied as ad valorem  
25 taxes for that year by all taxing units within which the agricul-  
26 tural property is located.

1       Sec. 13. Upon receipt of a request by certified mail to the  
2 commission by the holder of an agricultural production exemption  
3 certificate requesting revocation of the certificate, the commis-  
4 sion shall by order revoke the certificate.

5       Sec. 14. (1) The agricultural use value shall not increase  
6 each year by more than the increase in the immediately preceding  
7 year in the general price level or 5%, whichever is less, minus  
8 any losses and plus all additions. As used in this section:

9       (a) "Additions" and "losses" mean those terms as defined in  
10 section 34d of the general property tax act, 1893 PA 206,  
11 MCL 211.34d.

12       (b) "General price level" means that term as defined in sec-  
13 tion 33 of article IX of the state constitution of 1963.

14       (2) If an agricultural production exemption certificate is  
15 terminated or revoked or if the property no longer qualifies as  
16 agricultural property, the owner of that property is liable to  
17 the local unit of government in which that property is located in  
18 an amount equal to the difference between the agricultural pro-  
19 duction tax paid on that property and the amount that would have  
20 been assessed against that property if that property were subject  
21 to ad valorem property taxes collected under the general property  
22 tax act, 1893 PA 206, MCL 211.1 to 211.157, for each year in  
23 which the most recent agricultural production exemption certifi-  
24 cate was in effect, not to exceed 10 years.

25       Sec. 15. (1) The assessor of each city or township in which  
26 is located agricultural property with respect to which an  
27 agricultural production exemption certificate is in force shall

1 annually determine, with respect to each such agricultural  
2 property, an assessment of the real and personal property com-  
3 prising the agricultural property having the benefit of an agri-  
4 cultural production exemption certificate that would have been  
5 made under the general property tax act, 1893 PA 206, MCL 211.1  
6 to 211.157, if the certificate had not been in force. A holder  
7 of an agricultural production exemption certificate shall furnish  
8 to the assessor the information necessary for the determination.

9       (2) The assessor, having made the determination, shall annu-  
10 ally notify the commission, the legislative body of each unit of  
11 local government that levies taxes upon property in the city or  
12 township in which the agricultural property is located, and the  
13 holder of the agricultural property exemption certificate of the  
14 determination, separately stating the determinations for real  
15 property and personal property, by certified mail not later than  
16 October 15 based upon valuations as of the preceding December  
17 31.

18       Sec. 16. The commission may promulgate rules as it deems  
19 necessary for the administration of this act pursuant to the  
20 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to  
21 24.328.

22       Sec. 17. An agricultural production exemption certificate  
23 shall be in the form the commission determines but shall  
24 contain:

25       (a) A legal description of the real property of the agricul-  
26 tural property.

1 (b) A statement that, unless revoked or terminated as  
2 provided in this act, the agricultural production exemption  
3 certificate shall remain in force in perpetuity.

4 Sec. 18. A party aggrieved by the issuance or refusal to  
5 issue, revocation, transfer, or modification of an agricultural  
6 production exemption certificate may appeal from the finding and  
7 order of the commission in the manner and form and within the  
8 time provided by the administrative procedures act of 1969, 1969  
9 PA 306, MCL 24.201 to 24.328.

10 Sec. 19. An agricultural production exemption certificate  
11 shall be transferred and assigned by the holder of the certifi-  
12 cate to a new owner or lessee of the agricultural property as  
13 long as the property is maintained as agricultural property.