

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 236 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator George A. McManus, Jr.  
Committee: Farming, Agribusiness and Food Systems

Date Completed: 8-26-98

### **RATIONALE**

Real property in Michigan is subject to taxation under various statutes, including laws that generate revenue for educational purposes. The State Education Tax Act requires that a State education tax of six mills be levied on all property subject to ad valorem property taxes (MCL 211.903). These collections are deposited into the State School Aid Fund. Under the Revised School Code, a school district may levy on property up to 18 mills for school operating purposes or the number of mills levied in 1993, whichever is less. Generally, however, most homesteads and qualified agricultural property are exempt from the 18 mills (MCL 380.1211). The General Property Tax Act provides for the classification of assessable real property, which includes parcels used partially or wholly for agricultural operations. As defined under the Property Tax Act, "agricultural operations" means farming in all its branches, including cultivating soil; growing and harvesting any agricultural, horticultural, or floricultural commodity; dairying; raising livestock, bees, fish, fur-bearing animals or poultry; turf and tree farming; and, performing any practices on a farm incident to, or in conjunction with, farming operations. There are a number of small farms across the State where captive deer and elk are being bred and raised for their meat and antlers. While these animals, defined as captive cervidae, are considered livestock under the Animal Industry Act, the farms where the animals are raised are considered to be commercial, not agricultural, operations under the General Property Tax Act. Consequently, this property is not exempt from the 18-mill tax levy for school operations. Some people believe that property used for the breeding and raising of captive cervidae should be treated as agricultural rather than commercial property for tax purposes.

### **CONTENT**

The bill would amend the General Property Tax Act to include within the Act's definition of "agricultural operations" breeding and grazing captive cervidae for commercial or retail sale. The term would not include recreational operations or operations that allowed hunting of captive cervidae for sport.

The bill would define "captive cervidae" as the term is defined in the Animal Industry Act. (Under the Animal Industry Act, "captive cervidae" means members of the cervidae family including, but not limited to, deer, elk, moose, and caribou living under the husbandry of humans.)

(The General Property Tax Act provides that by the first Monday in March each year, an assessor must classify every item of assessable property according to the definitions contained in the Act. Among the classifications of assessable real property is agricultural real property, which includes parcels used partially or wholly for agricultural operations, with or without buildings, and parcels assessed to the Department of Natural Resources and valued by the State Tax Commission.)

MCL 211.34c

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Apparently, there are more than 600 small farms across the State where deer and elk are being raised for their meat. While these animals are considered to be livestock under the Animal Industry Act, the farms are not classified as agricultural operations under the General Property Tax Act. Consequently, these farms are subject to both the 18 mills under the Revised School Code

and the six mills under the State Education Tax Act, for a rate of 24 mills. Agricultural operations, however, are taxed at just a six-mill rate. The bill would include the breeding and raising of captive cervidae (deer, elk, moose, and caribou living under the husbandry of humans) as an agricultural operation, and the property where this occurs therefore would be exempt from local school operating taxes. In addition, the bill would not include as agricultural operations recreational enterprises that allow the hunting of captive cervidae for sport.

Legislative Analyst: L. Arasim

### **FISCAL IMPACT**

The bill would increase State School Aid Fund costs, by approximately \$500,000, to offset the exemption from local school operating property taxes. The bill also would reduce property tax revenue for the local units involved.

Fiscal Analyst: R. Ross

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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.