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Senate Joint Resolution M (Substitute S-2)  
Sponsor: Senator Leon Stille  
Committee: Farming, Agribusiness and Food Systems

Date Completed: 5-10-00

## **CONTENT**

The joint resolution proposes an amendment to Article 9, Section 3 of the State Constitution to provide that property classified by law as "agricultural real property" or in "agricultural use" as defined by law would have to be assessed based on the lesser of the property's market value or agricultural use value, without regard to that property's highest and best use. If the property were assessed in this manner, and were no longer classified as agricultural real property or no longer in agricultural use, the property's assessed value and taxable value would have to be based on its true cash value.

(Article 9, Section 3 of the Constitution requires the Legislature to provide for the determination of true cash value of real and personal property. This assessment is the basis upon which property taxes are levied. The General Property Tax Act provides that in determining the true cash value of property, assessors must use the official assessors manual approved by the State Tax Commission. The assessors manual prescribes three methods of determining the value of property: the market approach (called the direct sales comparison approach in the manual), the income approach, and the cost approach.)

Section 34c of the Act provides that "agricultural real property" 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. "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. A commercial storage, processing, distribution, marketing, or shipping operation is not part of agricultural operations.

The Natural Resources and Environmental Protection Act provides that "agricultural use" means substantially undeveloped land devoted to 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; Christmas trees; and other similar uses and activities. The management and harvesting of a woodlot is not an agricultural use under the Act.

The joint resolution would have to be submitted to the voters at the next general election, if two-thirds of the members elected and serving in each house of the Legislature approved the resolution.

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

The way a constitutional amendment is ultimately implemented in statute is an important factor in determining its fiscal impact. This proposed constitutional amendment, as proposed to be implemented in Senate Bill 1245, would reduce property tax revenue at least \$84 million in 2001. The analysis of Senate Bill 1245 contains more information on this estimated fiscal impact.

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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.

Fiscal Analyst: J. Wortley