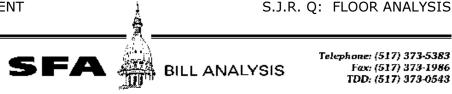
Senate Fiscal Agency P. O. Box 30036 Lansing, Michigan 48909-7536



Telephone: (517) 373-5383 Fax: (517) 373-1986 TDD: (517) 373-0543

Senate Joint Resolution Q (as reported without amendment)

Sponsor: Senator Leon Stille

Committee: Farming, Agribusiness and Food Systems

CONTENT

The joint resolution proposes an amendment to Article 9, Section 3 of the State Constitution to require the Legislature, for taxes levied in 2002 and thereafter, to provide for an assessment system based upon agricultural use value for qualified agricultural property as defined by law. The Legislature would have to provide for alternative methods of taxation and, notwithstanding any other limitations of Article 9, Section 3, the adjustment of taxable value as provided by law for property that ceased to be qualified agricultural property.

Article 9, Section 3 contains a cap on assessment increases; that is, the taxable value of a parcel of property (adjusted for additions and losses) cannot increase each year by more than the lesser of 5% or the rate of inflation. The cap remains in effect for a parcel until ownership of the parcel is transferred (at which time the property must be assessed at 50% of true cash value).

(Under the General Property Tax 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 its acreage is devoted to agricultural use.)

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

While the resolution would alter the Michigan Constitution, the fiscal impact of the changes would depend significantly on the statutes adopted to implement the constitutional amendment. Currently, no proposed legislation describes the implementation of the amendment offered in Senate Joint Resolution Q. A similar amendment was proposed during the 1999-2000 legislative session (Senate Joint Resolution M), and would have been implemented through proposed Senate Bill 1245 of the 1999-2000 session. That proposed legislation was estimated to reduce property tax revenue by at least \$86 million in 2002. Any implementation would likely have a fiscal impact on both State and local revenues, including the State School Aid Fund. Since property values have grown since 2000, the impact of a similar bill would likely be greater.

Date Completed: 4-30-01 Fiscal Analyst: D. Zin Bill Analysis @ http://www.senate.state.mi.us/sfa