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House Bill 4702 (as passed by the House)
Sponsor: Representative Bruce Caswell
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 2-17-04

CONTENT

The bill would amend the General Property Tax Act to require assessors, in making sales ratio studies and assessments, to exclude from the sales data all sales of agricultural real property that was not sold for agricultural use.

Specifically, before using sales data on real property purchases, including land contract purchases, in making sales ratio studies and appraisals to assess real property classified as agricultural real property, a city or township assessor, a county equalization department, and the State Tax Commission would have to exclude from the sales data all sales of agricultural real property for which an affidavit (stating that the property would remain agricultural) had not been filed under Section 27a(7)(n). Sales data excluded under this provision could be included in a sales study or appraisal, however, if both the local assessor and the county equalization director agreed to include the sales data.

MCL 211.8 & 211.27

BACKGROUND

Under Article IX, Section 3 of the State Constitution, the taxable value of property generally may not increase each year by more than 5% or the increase in the consumer price index, whichever is less, until ownership of the property is transferred. Section 27a of the General Property Tax Act describes transfers that do not qualify as a transfer of ownership for this purpose. Under Section 27a(7)(n), a transfer of ownership does not include a transfer of qualified agricultural property, if the person to whom it is transferred files an affidavit with the local assessor and register of deeds, attesting that the property will remain qualified agricultural property. ("Qualified agricultural property" means unoccupied property and related buildings classified as agricultural, or other unoccupied property and related buildings located on property devoted primarily to agricultural use.)

Local assessors and county equalization departments use sales ratio studies in making assessments and intracounty and statewide equalizations for particular classifications of property. These studies compare the assessed value and the sale price for each parcel of property sold.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an indeterminate impact on State and local revenues. Changes in taxable values would be affected in an indeterminate direction, if at all, depending on what properties

were excluded from sales studies. Without knowing both the value of the properties that would be excluded from a study and the value of properties included in the study, it would be impossible to estimate the impact of the bill. Depending on a wide variety of factors, the bill could result in taxable values for most properties rising at a higher or lower rate or the same rate as under current law. In recent years, the binding constraint on changes in taxable values has been the change in the consumer price index under Article IX, Section 3 of the Michigan Constitution. In years in which the change in the consumer price index is below the rate determined by the sales study, the bill would have no impact. Similarly, in years when the 5% cap on increases in taxable values, contained in the same section of the Michigan Constitution, is effective, the bill would have no effect. The biggest potential effect of the bill, although also indeterminate, would be on property sold during a year because such property is not bound by either the consumer price index or 5% constitutional limitation on its taxable value change in the year it is sold.

Fiscal Analyst: David Zin