



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4072 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Representative Dave Hildenbrand
House Committee: Tax Policy
Senate Committee: Agriculture, Forestry and Tourism

CONTENT

The bill would amend the General Property Tax Act to include operating a game bird hunting preserve, farming operations that harvest cervidae on site where at least 60% of the cervidae were born as part of the farming operation, and raising, breeding, training, leasing, or boarding horses, within the definition of "agricultural operations", for the purpose of classifying agricultural real property.

(Under the Act, qualified agricultural property (which includes property classified as agricultural) is exempt from the tax levied by a local school district for school operating purposes to the extent provided in the Revised School Code.

The Act also exempts transfers of qualified agricultural property from the definition of "transfer of ownership", under certain circumstances. This means that annual assessment increases remain limited to the lesser of 5% or the rate of inflation, and the assessed value does not revert to 50% of the true cash value (State equalized valuation) upon the transfer.)

MCL 211.34c

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would increase School Aid Fund expenditures by an unknown amount. The taxable value of property that would qualify for the exemption from school operating mills under the bill is unknown. The exemption would reduce local school district revenue. However, because of per-pupil funding guarantees under the School Aid Fund, any reduction in locally raised revenue would be offset by increased expenditures from the School Aid Fund.

The bill also could reduce future increases in State and local property tax revenue because, if the property were sold and the new owner filed the necessary documentation, the taxable value of the property would not increase to equal the State equalized value of the property, as it does under current law. The amount of any future revenue reduction to the State or local units is not known.

Date Completed: 5-31-06

Fiscal Analyst: David Zin