

Legislative Analysis



TREATMENT OF CERTAIN REAL PROPERTY CONTIGUOUS TO AGRICULTURAL PROPERTY

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 862 (S-4)

Sponsor: Sen. Bruce Caswell

House Committee: Tax Policy

Senate Committee: Finance

Complete to 9-11-12

A SUMMARY OF SENATE BILL 862 AS PASSED BY THE SENATE 5-23-12

The bill would amend the General Property Tax Act to provide that if a parcel of real property is classified as agricultural real property and is engaged in agricultural operations, then any contiguous property owned by the same taxpayer would also have to be classified as agricultural real property if the contiguous property is a vacant parcel, a wooded parcel, or a parcel on which is located one or more "outbuildings" that constitute more than 50% of the taxable value of all buildings on that parcel.

The bill expresses a legislative intent that, if these criteria are met, the parcel must be classified as agricultural real property even if the contiguous parcels are located in different local tax collecting units.

The bill specifies that contiguity would not be broken by a boundary between local tax collecting units, a section boundary, a road, or a right-of-way. Contiguity also would not be broken by property purchased or taken under condemnation proceedings by a public utility for power transmission lines if the two parcels separated by the purchased or condemned property were a single parcel before the sale or condemnation.

The term "outbuilding" refers to a building or other structure primarily used for agricultural operations.

MCL 211.34c

FISCAL IMPACT:

As written, the bill would reduce property tax revenue designated for local schools by an estimated \$10 to \$20 million per year. Holding the affected districts harmless would require School Aid Fund expenditures (and appropriations) to increase by an equal amount.

Legislative Analyst: Chris Couch

Fiscal Analyst: Jim Stansell

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