



**Senate Fiscal Agency**  
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BILL



ANALYSIS

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House Bill 4677 (Substitute S-1 as reported)  
Sponsor: Representative David G. Maturen  
House Committee: Tax Policy  
Senate Committee: Finance

### **CONTENT**

The bill would amend the General Property Tax Act to include under the definition of "transfer of ownership" for property tax assessment purposes an assessor's establishment of a separate tax parcel, at the request of the property owner, for a portion of a parcel that ceased to be qualified agricultural property but was not subject to a land division under the Land Division Act, and require the separate tax parcel to be subject to the agricultural recapture tax.

Under the Act, the taxable value of a parcel of property (adjusted for additions and losses) may not increase from one year to the next by more than 5% or the increase in the consumer price index, whichever is lower, until there is a transfer of ownership. At that time, the assessment is "uncapped" and the parcel is taxed upon its State equalized valuation (50% of its true cash value). The Act defines "transfer of ownership" for this purpose and identifies transactions that do not constitute a transfer of ownership.

MCL 211.27a

Legislative Analyst: Drew Krogulecki

### **FISCAL IMPACT**

The bill would have an indeterminate impact on State and local revenue, as well as State School Aid Fund expenditures. To the extent that the bill exempted a portion of an agricultural parcel from the recapture tax under the Agricultural Property Recapture Act and from the increase in taxable value when the property was transferred, local property tax revenue and State revenue from the State Education Tax would be reduced. However, to the extent that the bill could increase taxable values, State and local property tax revenue could increase. The amount of tax change would depend on the characteristics and value of each affected parcel and local millage rates. To the extent that the bill increased the value of land exempt from school operating mills, in the case of property that ceased to be qualified agricultural property, the bill would increase local unit revenue and decrease School Aid Fund expenditures needed to meet per-pupil funding guarantees.

Revenue from the State Education Tax is deposited in the School Aid Fund. The recapture tax is deposited into the Agriculture Preservation Fund, which is used for administrative costs of implementing farmland preservation and for grants to local governments to purchase agricultural conservation easements.

Date Completed: 4-21-16

Fiscal Analyst: David Zin