

STATE OF MICHIGAN



JOHN ENGLER, Governor  
**DEPARTMENT OF TREASURY**

DOUGLAS B. ROBERTS, State Treasurer

**STATE TAX COMMISSION**

4th Floor Treasury Building  
Lansing, Michigan 48922 - Telephone (517) 373-0500

**COMMISSION MEMBERS**

Mark A. Hilpert, Chairperson  
Lesley F. Holt  
Leroy J. Nelson

Roland C. Andersen, Secretary

**TO: Assessors  
Equalization Directors**

**FROM: State Tax Commission**

**RE: CLASSIFICATION OF PROPERTY AS REQUIRED BY MICHIGAN  
COMPILED LAW (MCL) 211.34c**

Attached is a copy of MCL 211.34c which addresses the assessment roll classification of property assessable under the General Property Tax Act. This section of the General Property Tax Act was enacted in 1978.

It has come to the attention of the State Tax Commission that some assessors and Boards of Review are not classifying properties in accordance with MCL 211.34c but are being influenced by the effect that a particular classification might have on that property's exempt status as a homestead or as qualified agricultural property. **THE LAW DOES NOT ALLOW CLASSIFICATION FOR PROPERTY TAX ASSESSMENT PURPOSES TO BE MADE BY ANY STANDARDS OTHER THAN THOSE FOUND IN MCL 211.34c.**

Property classifications shall be made by the assessor in accordance with the provisions of MCL 211.34c which defines each classification. There are 6 classifications of real property and 5 classifications of personal property. The State Tax Commission recommends that Assessors and Boards of Review carefully read the definitions of each classification found in the attached copy of MCL 211.34c when determining the classifications of individual properties.

Further, Assessors and Boards of Review shall NOT classify vacant property as residential if it does not fit within the residential real property classification found in MCL 211.34c(2)(e) regardless of the effect this has on a property's "homestead" exemption.

Assessors and Boards of Review shall NOT classify property as agricultural if it does not fit within the agricultural real property classification found in MCL 211.34c(2)(a) regardless of the effect this has on a property's "qualified agricultural property" exemption.

The State Tax Commission requests that any assessor or equalization director who becomes aware of this practice of deliberately misclassifying properties immediately report this fact to the State Tax Commission.

An assessor who disagrees with classifications made by the Board of Review is authorized by MCL 211.34c(6) to appeal those classifications to the State Tax Commission within 30 days after adjournment of the Board of Review.

## Property Involving More Than 1 Use

Subsection 5 of MCL 211.34c states that "if the total usage of a parcel includes more than 1 classification, the assessor shall determine the classification which most significantly influences the total valuation of the parcel." Please note that this decision is made on the basis of the percent of the total value of each use, NOT on the percent of acreage devoted to each use. For example, a shopping center located on ten acres of an 80 acre parcel may well have more value than the remaining 70 acres. If so, the 80 acres would be classified commercial.

## Zoning

While the zoning of a particular property may be an influencing factor when an assessor classifies a property, the zoning does not dictate the classification. For example, sometimes property is zoned for a particular use even though there is no demand for that use in the real estate market place. In this situation, the zoning has only a small or no influence on the selection of the proper classification for assessment purposes.

## Appeal of Classification

A property owner may appeal the classification of a property to the March Board of Review.

MCL 211.34c provides that an owner or assessor who is not satisfied with the decision of the March Board of Review regarding a property's classification, may file a petition with the STC within 30 days after adjournment of the Board of Review. The law provides that the determination by the STC is final and cannot be appealed.

**A PERSON WHO WISHES TO ALSO APPEAL THE ASSESSED VALUE OR THE TENTATIVE TAXABLE VALUE OF A PROPERTY MUST PROTEST THOSE VALUES SEPARATELY FROM THE CLASSIFICATION APPEAL. A CLASSIFICATION APPEAL DOES NOT ADDRESS VALUE OR CHANGE THE EQUALIZATION FACTOR FOR A PROPERTY IN THE FIRST YEAR OF A CLASS CHANGE. WHILE CLASSIFICATION APPEALS MAY BE APPEALED TO THE STATE TAX COMMISSION, APPEALS OF THE ASSESSED VALUE AND/OR THE TENTATIVE TAXABLE VALUE ARE APPEALED TO THE MICHIGAN TAX TRIBUNAL.**

The July and December Boards of Review are not authorized to change a property's classification unless an incorrect classification was caused by a clerical error or a mutual mistake of fact.

211.34C Classification of assessable property required; tabulation of assessed valuations; transmission of tabulation and other statistical information; classifications of assessable real property; classifications of assessable personal property; buildings on leased land as improvements; total usage of parcel which includes more than 1 classification; notice to assessor and protest of assigned classification; decision; petition; arbitration; determination final and binding; construction of section.

Sec. 34c (1) Not later than the first Monday in March in each year, the assessor shall classify every item of assessable property according to the definitions contained in this section. Following the board of review the assessor shall tabulate the total number of items and the valuations as approved by the board of review for each classification and for the totals of real and personal property in the unit. The assessor shall transmit to the county equalization department and to the state tax commission the tabulation of assessed valuations and such other statistical information as the state tax commission considers necessary to meet the requirements of this act and Act No. 44 of the Public Acts of 1911, as amended, being sections 209.1 to 209.8 of the Michigan Compiled Laws.

(2) The classifications of assessable real property shall be described as follows:

(a) Agricultural real property includes those parcels used partially or wholly as farm land, with or without buildings, and those parcels assessed to the department of natural resources and valued by the state tax commission. As used in this subdivision, "agricultural operations" means farming in all its branches, including cultivating of soil; growing and harvesting of any agricultural, horticultural, or floricultural commodity; dairying; raising of livestock, bees, fish, fur-bearing animals, or poultry; turf and tree farming; and performing any practices on a farm as an incident to, or in conjunction with these farming operations. A commercial storage, processing, distribution, marketing, or shipping operations shall not be considered part of the farming operation.

(b) Commercial real property includes those platted or unplatted parcels used for commercial purposes, whether wholesale, retail, or service, with or without buildings; those parcels used by fraternal societies; and those parcels used as golf courses, boat clubs, ski areas, or apartment buildings with more than 4 units.

(c) Developmental real property includes those parcels containing more than 5 acres without buildings or more than 15 acres and whose value in sale exceeds its present value in use. Developmental real property may include farm land or open space land adjacent to a population center or farm land subject to several competing valuation influences.

(d) Industrial real property includes those platted or unplatted parcels used for manufacturing and processing purposes with or without buildings; those parcels used for utilities sites for generating plants, pumping stations, switches, substations, compressing stations, warehouses and right of way, flowage land and storage areas; and those parcels used for removal or processing of gravel, stone, or mineral ores, whether valued by the local assessor or by the state geologist.

(e) Residential real property includes those platted or unplatted parcels, with or without buildings, and condominium apartments located within or outside a village or city, which are used for, or probably will be used for residential purposes; and those parcels which are used for, or probably will be used for recreational purposes, such as lake lots and hunting lands, located in an area used predominantly for recreational purposes.

(f) Timber-cutover real property includes those parcels which are stocked with forest products of merchantable type and size, cutover forest land with little or no merchantable products, and marsh lands or other barren land. However, when typical purchases of this type land is for residential or recreational uses, the classification shall be changed to residential.

(3) The classifications of assessable personal property shall be described as follows:

(a) Agricultural personal property includes farm buildings on leased land and any agricultural equipment and produce not exempt by law.

(b) Commercial personal property includes all equipment, furniture, and fixtures on commercial parcels, and inventories not exempt by law; outdoor advertising signs and billboards; well drilling rigs and other equipment attached to a transporting vehicle but not designed for operation while the vehicle is moving on the highway; unlicensed commercial vehicles or those licensed as special mobile equipment or by temporary permits; and commercial buildings on leased land.

(c) Industrial personal property includes all machinery and equipment, furniture and fixtures, and dies on industrial parcels, and inventories not exempt by law; industrial buildings on leased land; and personal property of mining companies valued by the state geologist.

(d) Residential personal property includes homes, cottages, or cabins on leased land, and mobile homes which would be assessable as real property under section 2a except that the land on which they are located is not assessable because it is exempt.

(e) Utility personal property includes electric transmission and distribution systems, substation equipment, spare parts, gas

distribution systems, and water transmission and distribution systems; oil wells and allied equipment, such as tanks, gathering lines, field pump units and buildings; inventories not exempt by law; gas wells with allied equipment and gathering lines; oil or gas field equipment stored in the open or in warehouses, such as drilling rigs, motors, pipes and parts; gas storage equipment; transmission lines of gas or oil transporting companies; and utility buildings on leased land.

(4) Buildings on leased land of any classification are improvements where the owner of the improvement is not the owner of the land or fee and has not bound himself to pay taxes levied against the land or fee and the improvement has been assessed as personal property pursuant to section 14(6).

(5) If the total usage of a parcel includes more than 1 classification, the assessor shall determine that classification which most significantly influences the total valuation of the parcel.

(6) An owner of any assessable property who is aggrieved with the classification of the parcel, shall notify the assessor and may protest the assigned classification to the regular board of review. An owner or assessor who is not satisfied with the decision of the board of review may file a petition with the state tax commission within 30 days after the adjournment of the board of review. The state tax commission shall arbitrate the petition based upon the written petition and the written recommendations of the assessor and the state tax commission staff. An appeal may not be taken from the decision of the state tax commission regarding classification complaint petitions and their determination shall be final and binding for the year of the petition.

(7) This section shall not be construed to encourage the assessment of property at other than the uniform percentage of true cash value prescribed by this act.