

BULLETIN NO. 8 OF 2001
June 25, 2001
Changes to Definition of Agricultural Use

**TO: Assessors
Equalization Directors**

FROM: State Tax Commission (STC)

RE: CHANGES TO THE DEFINITION OF AGRICULTURAL USE CONTAINED IN PUBLIC ACT 262 OF 2000

Attached is a copy of the first page of Public Act (PA) 262 of 2000 which was signed by Governor Engler on June 29, 2000 with an effective date of June 29, 2000. This law amends the definition of **agricultural use**. Those portions of the definition of **agricultural use** which are changed or added by PA 262 of 2000 are underlined on the attached copy of the first page of the act.

IMPORTANT NOTE: The change in the definition of **agricultural use** contained in PA 262 of 2000 DOES NOT affect the classification of property on the assessment roll. The classification of property on the assessment roll has been and continues to be governed only by section 34c of the General Property Tax Act, Michigan Compiled Law (MCL) 211.34c. PA 262 of 2000 only affects the definition of agricultural use used in determining whether property is qualified agricultural property.

2001 SUPPLEMENT TO STC BULLETIN NO. 4 OF 1997

NOTE: While the materials which follow are part of STC Bulletin No. 8 of 2001, they are labeled as a **Supplement to STC Bulletin No. 4 of 1997** with the thought that they will also be copied and added to STC [Bulletin No. 4 of 1997](#) in order to keep all information regarding the determination of which properties are qualified agricultural properties in one place.

1. 2 Groups of Qualified Agricultural Properties

Page 3 of STC Bulletin No. 4 of 1997 discusses 2 groups of qualified agricultural properties. The first group consists of those properties which are classified by the assessor as agricultural on the assessment roll (under MCL 211.34c). The second group consists of those properties NOT classified as agricultural but which are qualified agricultural properties due to their agricultural use (as defined by law).

This bulletin DOES NOT address those properties which are classified as agricultural.

This bulletin addresses those properties which ARE NOT classified as agricultural.

2. Properties NOT CLASSIFIED as Agricultural

Paragraph B, starting on page 4, of STC Bulletin No. 4 of 1997 discusses those properties which are qualified agricultural properties even though they are NOT classified agricultural. These are properties which are devoted primarily to **agricultural use** (as defined in PA 451 of 1994 and AMENDED BY PA 262 of 2000) because they meet the 50% test described on pages 5 and 6 of STC Bulletin No. 4 of 1997.

PA 262 of 2000 potentially adds more properties to this group of properties which are eligible for the qualified agricultural property exemption because they meet the 50% test.

3) Additional Properties (not Classified As Agricultural) Which May Meet the 50% Test Because of the Changes Contained in PA 262 of 2000

PA 262 of 2000 states that, STARTING IN ASSESSMENT YEAR 2001, the definition of agricultural use is expanded to include the following:

- a. Lands which are in a **federal acreage set-aside program**.
- b. Lands which are in a **federal conservation reserve program**.

This means that if an assessor is making calculations to determine whether a property meets the 50% test described on page 5 of STC Bulletin No. 4 of 1997, he/she is required to include acreage which is in a **federal acreage set-aside program** and/or acreage which is in a **federal conservation reserve program**.

If an owner has property in one of these 2 programs, the owner will have a contract with the federal government for a specific number of acres. The assessor may wish to ask to see specific contracts in order to determine how many acres are enrolled in those programs. If you have any questions about the **federal conservation reserve program** or the **federal acreage set-aside program**, you may call Harold Anderson, Manager of the Local Assessment Review Section at (517) 373-3327.

If a property, which is not classified as agricultural, meets the 50% use test as of May 1, 2001, the owner may file a Farmland Exemption Affidavit (Form 2599, formerly known as Form T-1063) with the assessor. The assessor is required to consider the affidavit and determine whether the property qualifies for a complete or partial qualified agricultural property exemption. A property owner may appeal the denial of a new qualified agricultural property exemption claim to the July or December Board of Review for the current year only. Attached to this bulletin are updated versions of [form 2599](#) (Claim for Farmland Exemption) and form [2743](#) (Request to Rescind the Qualified Agricultural Property Exemption).

Important Note: The expansion of the definition of qualified agricultural property caused by PA 262 of 2000 could result in some parcels now being eligible for the qualified agricultural property exemption which were not eligible for this exemption in prior years. The potential for a change in eligibility for the qualified agricultural property exemption exists even though no change in the actual use of a parcel may have occurred since May 1, 2000 which was the status

day for determining 2000 qualified agricultural property exemptions. Please note the following examples.

Example Number 1: A vacant parcel is 40 acres in size. This parcel is classified residential for 2001 and was classified residential for 2000. All 40 acres were in a **federal conservation reserve program** on May 1, 2000. It is assumed for this example that this parcel was not eligible for the qualified agricultural property exemption for 2000 since it was not classified agricultural and the parcel was not devoted primarily to an agricultural use as defined by law. The parcel was not devoted primarily to an agricultural use because inclusion in a **federal conservation reserve program** was not an agricultural use as defined by law for 2000 and 50 percent or less (actually none) of the parcel was devoted to an agricultural use. The use of the parcel and its status in the **federal conservation reserve program** remained unchanged as of May 1, 2001. However, due to the expanded definition of qualified agricultural property of PA 262 of 2000, all 40 acres of this parcel are now qualified agricultural property and the property owner can correctly file for a qualified agricultural property exemption for 2001.

Example Number 2: A vacant parcel is 40 acres in size. This parcel is classified residential for 2001 and was classified residential for 2000. Of the 40 acres, 24 acres (60 percent) were in a **federal conservation reserve program** on May 1, 2000. The remaining 16 acres (40 percent), consisting of wetlands and woods, were not in any federal program. It is assumed for this example that this parcel was not eligible for the qualified agricultural property exemption in 2000 since the parcel was not classified agricultural and was not devoted primarily to an agricultural use as defined by law. The parcel was not devoted primarily to an agricultural use because inclusion in a **federal conservation reserve program** was not an agricultural use as defined by law for 2000 and 50 percent or less (actually none) of the parcel was devoted to an agricultural use. The use of the parcel and its status in the **federal conservation reserve program** remained unchanged as of May 1, 2001. However, due to the expanded definition of qualified agricultural property of PA 262 of 2000, all 40 acres of this parcel are now qualified agricultural property and the property owner can correctly claim a qualified agricultural property exemption for 2001. (Note that the 16 acres of wetlands and woods in this example are now entitled to the qualified agricultural property exemption even though these acres were not devoted to an agricultural use. If, overall, a parcel is devoted primarily to agricultural use as defined by law, the entire parcel—including any unoccupied, non-agricultural use property—is entitled to the qualified agricultural property exemption. Exceptions to this would be if a portion of the parcel is used for a commercial or industrial purpose or if the parcel contains a residence which is not a related building. Please see page 6 of STC Bulletin No. 4 of 1997 for a complete list of these exceptions.)

Example Number 3: A vacant parcel is 40 acres in size. This parcel is classified residential for 2001 and was classified residential for 2000. Of the 40 acres, 18 acres (45 percent) were in crop production and 22 acres (55 percent) were in a **federal conservation reserve program** as of May 1, 2000. Since the parcel was not classified agricultural and since the parcel was not devoted primarily to agricultural use as defined by law (50 percent or less of the parcel was devoted to an agricultural use as defined by law for 2000), the parcel was not eligible for the qualified agricultural property exemption for 2000. The use of the parcel and its status in the **federal conservation reserve program** remained unchanged as of May 1, 2001. However, due to the expanded definition of qualified agricultural property of PA 262 of 2000, all 40 acres of this parcel are now qualified agricultural property and the property owner can correctly file for a qualified agricultural property exemption for 2001.

Important Note: Property owners whose parcels are now entitled to a (new) qualified agricultural property exemption due to the expanded definition of qualified agricultural property can appeal to the 2001 or 2002 July or December Board of Review **for the 2001 tax year**. MCL 211.7ee(6) states that "[a]n owner of property that is qualified agricultural property on May 1 for which an exemption was not on the tax roll may file an appeal with the July or December board of review in the year the exemption was claimed or the immediately succeeding year." Since a qualified agricultural property exemption for a parcel containing property in one of the two types of federal programs mentioned in this bulletin may not have been on the tax roll, an appeal to the July or December Board of Review is possible. In accordance with MCL 211.53b, a property owner must file a completed Form 2599 for an appeal discussed in this paragraph. This form would be an entirely new qualified agricultural property exemption claim. See State Tax Commission Bulletin No. 12 of 1997 for details regarding the appeal of qualified agricultural property exemptions to the July or December Board of Review.

Important Note: Assessors and July and December Boards of Review have the duty and the obligation to verify that a qualified agricultural property exemption claim is valid before granting the exemption. With regard to a claim for a qualified agricultural property exemption based on that property being in a **federal acreage set-aside program** or a **federal conservation reserve program**, it must be verified that the property in question is included in such a program. Evidence that property is in one of these two types of federal programs must be provided by property owners to assessors and July and December Boards of Review so that eligibility for the exemption can be verified.

Important Note: The new definition of qualified agricultural property resulting from PA 262 of 2000 does not apply to the determination of qualified agricultural property exemptions for **2000 or prior years**. A qualified agricultural property exemption claim for 2000 based on the expanded definition of qualified agricultural property caused by PA 262 of 2000 is NOT a valid claim. This act was not in effect on May 1, 2000 which was the status day for determining 2000 qualified agricultural property exemptions.

Important Note: A section of the law was added in 2000 which provided for a transfer of ownership exemption for certain transfers of qualified agricultural property. The expansion of the definition of qualified agricultural property due to PA 262 of 2000 may have an effect on the eligibility of some properties for this transfer of ownership exemption since a property must be qualified agricultural property before a transfer and must remain qualified agricultural property after the transfer to be eligible for this exemption from uncapping. See State Tax Commission Bulletin No. 10 of 2000 for additional information regarding this transfer of ownership exemption.

END OF 2001 SUPPLEMENT TO STC BULLETIN NO. 4 OF 1997

[STC Bulletin 4 of 1997](#)

PA 262 of 2000

[Treasury Form 2599](#)

[Treasury Form 2743](#)