

# **QUALIFIED AGRICULTURAL PROPERTY EXEMPTION GUIDELINES**



## **MICHIGAN DEPARTMENT OF TREASURY STATE TAX COMMISSION/ ASSESSMENT AND CERTIFICATION DIVISION**

Note: These guidelines have been developed to provide assistance to property owners and assessment administration officials regarding the exemption from local school operating taxes provided by law for property that is qualified agricultural property.

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# Qualified Agricultural Property Exemption Guidelines

## Background Information

Note: The Assessment and Certification Division of the Michigan Department of Treasury and the State Tax Commission are not authorized to issue legal opinions. Therefore, the comments in this publication are not to be considered as such, but rather as statements of fact as the State Tax Commission and the Assessment and Certification Division believe them to be.

Note: The State Tax Commission has issued several bulletins pertaining to the qualified agricultural property exemption from local school operating taxes. The reader is directed to the following bulletins for additional information regarding this exemption:

[Bulletin No. 4 of 1997](#)  
[Bulletin No. 8 of 2001](#)

These bulletins are available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury). Also at this Web site is an annual bulletin discussing appeal procedures, including the appeal procedures relating to the qualified agricultural property exemption. Additionally, State Tax Commission [Bulletin No. 9 of 2002](#) addresses tree farming in relation to classification of property. [Bulletin No. 9 of 2002](#) can also be found at the Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury). In addition to the bulletins mentioned above, the State Tax Commission issued [Bulletin No. 10 of 1995](#) when the qualified agricultural property exemption was initially established. Following a change in the law, however, [Bulletin No. 4 of 1997](#) replaced [Bulletin No. 10 of 1995](#); [Bulletin No. 10 of 1995](#) should now be disregarded. [Bulletin No. 4 of 1997](#) addresses the administration of the qualified agricultural property exemption. [Bulletin No. 8 of 2001](#) is a supplement to [Bulletin No. 4 of 1997](#) and covers a change in the law defining "agricultural use". A reader of these guidelines may also be interested in State Tax Commission Bulletins [No. 12 of 1997](#) and [No.](#)

[10 of 2000](#). [Bulletin No. 12 of 1997](#), supplemented by State Tax Commission [Bulletin No. 6 of 2003](#), covers the authority of the July and December Boards of Review, including the authority of these Boards of Review over the qualified agricultural property exemption. [Bulletin No. 10 of 2000](#) (issued in preliminary draft form) covers the transfer of ownership exemption provided for qualified agricultural property in certain circumstances. [Bulletin No. 12 of 1997](#), [Bulletin No. 6 of 2003](#), and [Bulletin No. 10 of 2000](#) can also be obtained at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury). Lastly, the reader may wish to review a [memorandum from the State Tax Commission to assessors and equalization directors dated February 24, 2004](#) on the subject of pay-to-hunt operations.

## Introduction

- What is the qualified agricultural property exemption?

The qualified agricultural property exemption is an exemption from certain local school operating millage provided by law for parcels that are qualified agricultural property.

- Does the qualified agricultural property exemption eliminate the property taxes for parcels that receive the exemption?

Not completely. Property taxes are determined by multiplying a parcel's taxable value by an overall (composite) millage rate as follows:

$$\text{Taxable Value} \times \text{Millage Rate} = \text{Property Taxes}$$

Some property tax exemptions eliminate the taxable value of property receiving the exemption. The qualified agricultural property exemption, however, has no effect on the taxable value of parcels receiving the exemption. Instead, the qualified agricultural property exemption works to reduce (not eliminate) property taxes by reducing the overall

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(composite) millage rate for parcels receiving the exemption.

- **How does the qualified agricultural property exemption affect the property taxes for a parcel? In other words, what is the potential benefit to a property owner whose parcel receives the qualified agricultural property exemption?**

A parcel that is qualified agricultural property is entitled to an exemption from certain local school operating taxes. Local school operating taxes typically are 18 mills and (when levied) usually constitute a large portion of the total property taxes for a parcel. Exemption from this millage rate is therefore a significant benefit to property owners.

- **When was the qualified agricultural property exemption first established?**

The qualified agricultural property exemption was first established following Proposal A in 1994. Public Act (PA) 237 of 1994 established this exemption. This act became effective June 30, 1994. The first year that a parcel could be eligible for the qualified agricultural property exemption was 1994. Prior to 1994, this exemption did not exist.

- **Is the qualified agricultural property exemption the same as the homeowner's principal residence exemption (formerly known as the homestead exemption)?**

No. Although the qualified agricultural property exemption and the homeowner's principal residence exemption both provide an exemption from certain local school operating taxes, the requirements for obtaining these two exemptions are quite different. The requirements for obtaining the qualified agricultural property exemption

will be discussed in the [exemption requirements](#) section of this publication, starting on page 4. For information regarding the homeowner's principal residence exemption, please see [Form 2856, Guidelines for the Michigan Homeowner's Principal Residence Exemption](#). This form is available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

- **Is it possible for a parcel to qualify for both the qualified agricultural property exemption and the homeowner's principal residence exemption?**

Yes. It is possible for a parcel to be eligible for the homeowner's principal residence exemption and the qualified agricultural property exemption at the same time. The homeowner's principal residence exemption applies to some agricultural properties that are used as primary residences or that are adjacent to primary residences.

*Note: It is generally not possible for the same property (i.e., the same portion of a parcel) to receive both the homeowner's principal residence exemption and the qualified agricultural property exemption at the same time since both these exemptions are of the same operating millage. It is possible, however, for a parcel that is receiving a partial (less than 100 percent) homeowner's principal residence exemption to also receive a partial (less than 100 percent) qualified agricultural property exemption. See also the information regarding partial qualified agricultural property exemptions contained in the [partial exemptions](#) section of this publication, starting on page 11.*

- **If the homeowner's principal residence exemption and the qualified agricultural property exemption both provide an exemption from the same millage, how can someone tell which of these two exemptions a parcel is receiving?**

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For 2003 and years before 2003, it was the practice of many assessors to label parcels which had the qualified agricultural property exemption as having the homestead exemption (now known as the homeowner's principal residence exemption). The result was that, by viewing the assessment roll or the tax roll or tax bills, a person could not determine whether a parcel was receiving the homestead exemption or the qualified agricultural property exemption. It is important to have the ability to make this distinction because different eligibility criteria apply for each exemption and different appeal procedures apply for each.

Starting in 2004, the State Tax Commission **required** that assessors indicate on the following documents whether a parcel is receiving the homeowner's principal residence exemption or the qualified agricultural property exemption so that a reader of these documents can determine which exemption (if any) the parcel is receiving:

- The assessment roll
- The tax roll
- The tax bills
- State Tax Commission [Form L-4046, Taxable Valuations](#)

The State Tax Commission also **recommends** that the annual form used to notify property owners of increases in tentative state equalized value or tentative taxable value (e.g., State Tax Commission Forms [L-4400](#) and [L-4400 LH](#)) also indicate whether a parcel of property qualifies for the homeowner's principal residence exemption or the qualified agricultural property exemption.

*Note: See also State Tax Commission [Bulletin No. 9 of 2003](#).*

- **If a document is to distinguish whether a parcel is receiving the homeowner's**

**principal residence exemption or the qualified agricultural property exemption, what occurs when a parcel is eligible for both the homeowner's principal residence exemption and the qualified agricultural property exemption? In such situations, which exemption is to be shown on the document?**

The State Tax Commission has directed that property which is receiving the homeowner's principal residence exemption **cannot** also be qualified agricultural property. Therefore, generally speaking, it is not possible for the same property to qualify for both exemptions at the same time. (However, as noted below, it is possible for one parcel to qualify for both exemptions at the same time in unusual circumstances.) Also, in the opinion of the State Tax Commission, the homeowner's principal residence exemption takes priority over the qualified agricultural property exemption (for display on documents and otherwise). The assessor is to grant only the homeowner's principal residence exemption and show the parcel as receiving only the homeowner's principal residence exemption on documents. The following two examples are intended to illustrate the concepts discussed in this paragraph:

*Example 1: A parcel of property is classified agricultural on the assessment roll. The parcel is 40 acres in size and contains (only) a home that is occupied by the owner as the owner's primary residence. Of the 40 acres, 39 acres are planted in corn or soybeans each year. The owner has claimed the homeowner's principal residence exemption on this parcel (and not on any other parcel). The parcel is entitled to a full (i.e., 100 percent) homeowner's principal residence exemption. In this situation, the parcel would have been entitled to the qualified agricultural property exemption by virtue of its agricultural classification if the owner had not claimed the homeowner's principal residence exemption. Even so, because the property is entitled to the homeowner's principal residence exemption, the property cannot also receive the*

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qualified agricultural property exemption. The parcel should be shown as receiving only the homeowner's principal residence exemption on tax and assessment rolls, tax bills, etc. (For additional information on the eligibility requirements for the qualified agricultural property exemption, see the [exemption requirements](#) section of this publication, starting on this page.)

*Example 2: A parcel of property is classified residential on the assessment roll. The parcel is 40 acres in size and contains (only) a home that is occupied by the owner as the owner's primary residence. Of the 40 acres, 39 acres are planted in soybeans each year. The owner has claimed both the homeowner's principal residence exemption and the qualified agricultural property exemption on this parcel by filing the affidavits required to do so. The owner has not claimed the homeowner's principal residence exemption on any other parcel. In this situation, the parcel would have been entitled to the qualified agricultural property exemption if the owner had not claimed the homeowner's principal residence exemption. However, because the property is entitled to a full (i.e., 100 percent) homeowner's principal residence exemption, this exemption takes priority and is to be granted. The property in this situation cannot also receive the qualified agricultural property exemption. The parcel should be shown as receiving only the homeowner's principal residence exemption on tax and assessment rolls, tax bills, etc. (For additional information on the eligibility requirements for the qualified agricultural property exemption, see the [exemption requirements](#) section of this publication, starting on this page.)*

*Note: See also the discussion, starting on page 12 of this publication in the section on [partial exemptions](#), of rather unusual circumstances where a parcel may receive a partial qualified agricultural property exemption and a partial homeowner's*

*principal residence exemption at the same time.*

### Exemption Requirements

- **What are the main requirements for a parcel to be eligible for the qualified agricultural property exemption?**

To be eligible for the qualified agricultural property exemption, a parcel has to be qualified agricultural property. A parcel can become qualified agricultural property in two ways:

1. Classification of the parcel as agricultural by the local (City or Township) assessor on the assessment roll
- or**
2. Devotion of more than 50 percent of the acreage of the parcel to agricultural use as defined by law

*Note: It is not necessary that a parcel be classified as agricultural by the assessor for the parcel to be eligible for the qualified agricultural property exemption. A parcel that is classified residential, for example, can be eligible for the qualified agricultural property exemption provided that more than 50 percent of the parcel's acreage is devoted to an agricultural use as defined by law.*

*Note: It is not necessary that more than 50 percent of the acreage of a parcel that is classified agricultural be devoted to agricultural use for the parcel to be eligible for the qualified agricultural property exemption. An unimproved 40-acre parcel that is classified agricultural, for example, is entitled to the qualified agricultural property exemption even if only 10 or 15 acres (something less than 50 percent of the parcel's acreage) are devoted to a defined agricultural use.*

*Note: Assessors are to establish the classification of parcels in accordance with the statute which governs the classification of property, Michigan Compiled Law (MCL) 211.34c. **When determining the classification***



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*of a parcel, assessors are not to consider (i.e., be influenced by) the effect of the classification on the parcel's eligibility for the qualified agricultural property exemption.*

- **Are there any other requirements for a parcel to be eligible for the qualified agricultural property exemption?**

Yes. For a parcel that is not classified agricultural by the local assessor on the assessment roll, the owner must file an affidavit claiming the exemption. The affidavit is to be filed with the local assessor. The affidavit is [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#). This form is available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury). The filing date for this form is May 1. For property that is classified by the assessor as agricultural on the assessment roll, the owner is not normally required to file this affidavit to obtain the exemption.

- **Under what circumstances might a property owner whose parcel is classified agricultural on the assessment roll be required to file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#)?**

A property owner whose parcel is classified agricultural by the assessor on the assessment roll is required to file this form when requested to do so by the local assessor. An assessor may request that this form be filed to determine if the parcel contains structures that are not exempt as qualified agricultural property.

- **A parcel's eligibility for most property tax exemptions is determined as of December 31 of the prior year (i.e., the year immediately before the year of the**

**exemption being considered). This status day is often called "tax day". Is tax day also the status day for the qualified agricultural property exemption?**

No. The status day for the qualified agricultural property exemption is not December 31 of the prior year. The status day for the qualified agricultural property exemption is May 1. When determining a parcel's eligibility for the qualified agricultural property exemption, an assessor is to consider the relevant facts for that parcel as of May 1 of the year of the exemption being considered.

*Note: In some situations, land may not be actively farmed on May 1, yet the parcel containing the land may still be eligible for the qualified agricultural property exemption. For example, the land may be intentionally left fallow, the growing season for a crop in some parts of the state may begin after May 1, etc. For information on fallow land, see the [definition of agricultural use](#) section and the [classification](#) section of this publication, starting on page 23 and on page 28, respectively.*

- **If a parcel is not classified agricultural by the assessor and is not devoted primarily to an agricultural use as defined by law, can that parcel receive the qualified agricultural property exemption if the parcel is contiguous with other parcels under the same ownership which are farmed?**

No. The qualified agricultural property exemption is determined on a parcel-by-parcel basis. In other words, a parcel's eligibility for the qualified agricultural property exemption is determined solely by the characteristics of that parcel. If a parcel is not classified agricultural by the assessor and is not devoted primarily to agricultural use as defined by law, that parcel cannot be entitled to receive the qualified agricultural property exemption—even if surrounding parcels under the same ownership

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are devoted primarily to agricultural use or are classified agricultural.

*Example 1: A 200-acre farm consists of six contiguous parcels. All six parcels are entirely tillable and are entirely farmed. A seventh parcel of 20 acres is contiguous to these six parcels. All seven of these parcels are under the same ownership and are unimproved. The seventh parcel is classified residential by the assessor and no portion of this seventh parcel is devoted to an agricultural use as defined by law. The seventh parcel is **not** entitled to the qualified agricultural property exemption. The seventh parcel's eligibility for the qualified agricultural property exemption is determined with sole regard to that parcel's characteristics. The characteristics of this seventh parcel are such that it is clearly not entitled to the qualified agricultural property exemption. The characteristics of the other contiguous farm parcels are not relevant to the eligibility of the seventh parcel for the qualified agricultural property exemption, even though all seven parcels are under the same ownership.*

*Example 2: Seven contiguous parcels comprise a 400-acre farm. All seven parcels are under the same ownership and are unimproved. Six of the parcels are entirely tillable and entirely farmed. The seventh parcel is 20 acres in size and is classified residential by the assessor. Of this parcel's 20 acres, 3 acres are tillable and farmed. The remaining 17 acres of this seventh parcel are swamp and wetlands and are not devoted to an agricultural use under the law. The seventh parcel is **not** entitled to the qualified agricultural property exemption. The seventh parcel's eligibility for the qualified agricultural property exemption is determined by that parcel's characteristics only. The characteristics of this seventh parcel are such that it is not entitled to the qualified agricultural property exemption. This seventh parcel is not classified agricultural by the assessor and 50 percent*

*or less of the parcel's acreage is devoted to agricultural use as defined by law. The characteristics of the contiguous farm parcels are not relevant to the eligibility of the seventh parcel for the qualified agricultural property exemption, even though all seven parcels are under the same ownership and the farm operation involves part of the seventh parcel.*

*Note: Since eligibility for the qualified agricultural property exemption is determined on a parcel-by-parcel basis, it might be possible for the owner of the parcels in the preceding two examples to have two or more of the parcels combined so that all of the property comprising the seven parcels is eligible for the qualified agricultural property exemption.*

- **For a parcel that is not classified agricultural, how is the percentage of the parcel devoted to agricultural use calculated? Is the percentage of a parcel that is devoted to agricultural use calculated based on the portion of the parcel's total acreage that is devoted to agricultural use or on the portion of the parcel's tillable acreage that is devoted to agricultural use?**

The percentage of a parcel that is devoted to agricultural use is calculated based on the portion of the parcel's **total acreage** that is devoted to agricultural use, **not** the portion of the parcel's **tillable acreage** that is devoted to agricultural use.

*Example: A 15-acre parcel is classified residential. Of the parcel's 15 acres, 4 acres are tillable and are devoted to an agricultural use as defined by law (in this case farmed). The remaining 11 acres are not devoted to an agricultural use as defined by law (in this case the 11 acres are wetlands and are not enrolled in a federal acreage set-aside program or a federal conservation reserve program). The parcel is not eligible for the qualified agricultural property exemption since the parcel is not classified agricultural and only 26.7 percent (50.0 percent or less) of the parcel is*



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*devoted to a defined agricultural use, even though 100.0 percent of the tillable acreage of the parcel is devoted to a defined agricultural use.*

*Note: Since eligibility for the qualified agricultural property exemption is determined on a parcel-by-parcel basis, it might be possible for the owner of the parcel in this example to have the 15-acre parcel split into two (or more) parcels so that one of the newly created parcels is eligible for the qualified agricultural property exemption. In other words, it may be possible to split the 15-acre parcel so that more than half the acreage of one of the resulting parcels is devoted to an agricultural use as defined by law. That parcel would then be eligible for the qualified agricultural property exemption (assuming the property owner files [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#)).*

- **For a parcel that is not classified agricultural, the percentage of a parcel that is devoted to agricultural use as defined by law is calculated based on the portion of the parcel's total acreage that is devoted to agricultural use. Does total acreage include acreage under a public right-of-way for road or drain purposes?**

Yes. As discussed in the prior question, the percentage of a parcel that is devoted to agricultural use is calculated based on the portion of the parcel's **total acreage** that is devoted to agricultural use. **Total acreage** for a parcel includes any area within the parcel that is under the ownership of the owner of the parcel—including any area(s) covered by an easement or right-of-way for road or drain purposes. This is the case even though the area under a public road right-of-way or a public (surface) drain right-of-way is exempt from taxation. The exemption removes the property involved from taxation but it does not remove the area involved from the parcel's total area. The area of such a

public right-of-way is still part of the parcel despite any exemption provided for that area.

*Example: A parcel of 40.00 acres is classified residential on the assessment roll and is square in shape. Along the entire north side of this parcel runs a public road right-of-way. The area of this right-of-way is 1.00 acre (1,320.0 feet x 33.0 feet = 43,560 square feet, or 1.00 acre). A second public right-of-way for a surface drain runs across the southeast corner of this parcel (it does not overlap the road right-of-way at any point). The area of this public right-of-way for a surface drain is 0.17 acre (450.0 feet x 16.5 feet = 7,425 square feet, or 0.17 acre). The assessable area of the parcel is 38.83 acres (40.00 acres – 1.00 acre public road right-of-way – 0.17 acre public surface drain right-of-way = 38.83 acres). However, the total area of the parcel is still 40.00 acres; all 40.00 acres are included in the parcel's acreage. It is the total area of the parcel that is to be used to determine whether more than half the parcel is devoted to an agricultural use as defined by law. In this case, more than 20.00 acres would need to be devoted to an agricultural use as defined by law for the parcel to be qualified agricultural property.*

*Note: In many areas, a parcel extends to the middle of the road(s) on which the parcel has frontage. The above example is intended to address those situations. In some cases, however, the area of the road right-of-way is not under the same ownership as the parcel fronting on the road. In such situations, the parcel's total area would not include the road right-of-way area.*

*Note: See the [March 22, 2005 memorandum from the State Tax Commission to assessors and equalization directors](#) for additional information on the exemption of public rights-of-way. This correspondence is available on the Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).*

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- **Does the fact that farmland is rented affect the eligibility of the parcel containing the farmland for the qualified agricultural property exemption?**

No. The fact that farmland is rented by the owner is generally not a consideration in determining a parcel's eligibility for the qualified agricultural property exemption. The primary considerations are (1) whether the parcel is classified agricultural on the assessment roll and (2) whether more than half the parcel's acreage is devoted to an agricultural use as defined by law. If a parcel is either classified agricultural on the assessment roll or devoted primarily (more than half the parcel's acreage) to a defined agricultural use, it is not relevant if part or all of the farmland on the parcel is rented.

*Example: A parcel of 80 acres is classified agricultural on the assessment roll. Of the 80 acres, 79 acres are farmed and the remaining 1 acre is the site of a residence occupied by the owner (who has not claimed a homeowner's principal residence exemption on other property). The owner of the property does not personally farm the parcel. Instead, he rents the 79 acres to a farmer who lives nearby. All 79 acres are farmed each year. The fact that the 79 acres which are farmed are also rented is not relevant to this parcel's eligibility for the qualified agricultural property exemption. This parcel is fully entitled to the exemption.*

**Note: The leasing of land on a farm parcel with the land then being used for a commercial or industrial purpose (such as a cell tower site or an oil or gas well site) would adversely affect the parcel's eligibility for the qualified agricultural property exemption. See also the section on [partial exemptions](#) in this publication, starting on page 11.**

*Note: If the leasing of farmland for a commercial or industrial purpose were to affect the parcel's classification so that the*

*parcel was not classified agricultural on the assessment roll, and if the parcel had been receiving the qualified agricultural property exemption by virtue of its agricultural classification, the leasing of the farmland may then affect the parcel's eligibility for the qualified agricultural property exemption. See the [classification](#) section of this publication for additional information regarding classification in relation to the qualified agricultural property exemption, starting on page 25.*

- **Does the fact that a house on a farm parcel is merely rented to a farmhand affect the eligibility of the parcel for the qualified agricultural property exemption?**

No. The fact that the house on a parcel is rented by the owner to a farmhand is not a consideration in determining the parcel's eligibility for the qualified agricultural property exemption. Under the law, for a residence to be qualified agricultural property, the residence must be occupied by someone who is either employed in or actively involved in the agricultural use on the property and who has not claimed a homeowner's principal residence exemption on other property. If a house on a parcel that is qualified agricultural property is occupied by someone who is employed in or actively involved in the agricultural use on that parcel, and if that person has not claimed a homeowner's principal residence exemption on other property, it is not relevant whether that house is merely rented to the occupant.

*Example: A parcel of 40 acres is classified agricultural on the assessment roll. The only improvement to the parcel is a residence that the owner rents to a person who works the farm. The occupant has not claimed a homeowner's principal residence exemption on other property. Except for the home site, all of the parcel is farmed. The fact that the house is rented is not relevant to this parcel's eligibility for the qualified agricultural property exemption. The house meets the lawful criteria to be qualified agricultural property. The*

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*parcel in this example is fully entitled to the exemption.*

*Note: The leasing of a structure on a farm parcel for a commercial or industrial purpose (such as a barn rented for storage of boats, cars, etc.) would adversely affect the parcel's eligibility for the qualified agricultural property exemption. See also the section on [partial exemptions](#) in this publication, starting on page 11.*

*Note: For additional information on residences as [related buildings](#), see the next section of this publication.*

### Related Buildings

- **Can an improved parcel be eligible for the qualified agricultural property exemption?**

Yes. An improved parcel can be eligible for the qualified agricultural property exemption. Property, including related buildings, that is qualified agricultural property can receive the qualified agricultural property exemption. Whether or not it contains improvements, a parcel must either be classified agricultural on the assessment roll or have more than half its acreage devoted to an agricultural use to be qualified agricultural property. Related buildings on such a parcel can also receive the qualified agricultural property exemption.

- **With regard to the qualified agricultural property exemption, what is meant by “related buildings”?**

Related buildings are structures on a parcel that are in some way part of the agricultural operation or use **on that parcel**. Examples of related buildings can include barns, sheds, poultry houses, etc. Additionally, related buildings are defined in the law to include a residence occupied by a person employed in or actively involved in the parcel's

agricultural use and who has not claimed the homeowner's principal residence exemption on other property.

*Note: Buildings of any type (or land) used for commercial or industrial purposes **are not** qualified agricultural property and **are not** entitled to the qualified agricultural property exemption. This is true even if the parcel containing the buildings is classified agricultural on the assessment roll and even if more than half the parcel's acreage is devoted to an agricultural use as defined by law. Commercial purposes include, but are not limited to, commercial storage, commercial processing, commercial distribution, commercial marketing, and commercial shipping operations. See also the [exemption requirements](#) section and the [partial exemptions](#) section of this publication for information on the effect of rented structures on a parcel's eligibility for the qualified agricultural property exemption, starting on page 8 and on page 12, respectively.*

- **A house is located on a 160-acre parcel that is classified agricultural on the assessment roll. Of the 160 acres, 158 are farmed. The house is situated on the other 2 acres. The house is not occupied. How should this parcel be treated in terms of the qualified agricultural property exemption?**

The parcel is entitled to the qualified agricultural property exemption because it is classified agricultural by the assessor on the assessment roll. However, for a residence to be a related building and be entitled to the qualified agricultural property exemption, the residence **must be occupied** by someone employed in or actively involved in the farming operation who has not claimed a homeowner's principal residence exemption on other property. In this case, **the house is not occupied** and, for this reason, the house is not a related building and the house is not entitled to the qualified agricultural property exemption. In this situation, the parcel would be entitled to a

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partial qualified agricultural property exemption.

*Note: Partial qualified agricultural property exemptions are discussed in the [partial exemptions](#) section of this publication, starting on page 11.*

*Note: With regard to the example above, the result would be the same if, instead of being unoccupied, the house were rented to someone who is not employed in nor actively involved in the farming operation. The result would also be the same if the house were occupied by someone (including the owner) employed in or actively involved in the farming use but who has claimed a homeowner's principal residence exemption on other property.*

***Note: The State Tax Commission considers an owner of qualified agricultural property to be employed in the agricultural use on that property for purposes of determining whether a residence is a related building.***

- **A house is located on a 1/2-acre parcel which is not classified agricultural. No agricultural use as defined by law takes place on this parcel. The owner of the parcel also owns and operates a 40-acre farming operation adjacent to (or in the vicinity of) the 1/2-acre parcel. The house is occupied by the owner of the farm (or by someone who is actively involved in the farming operation and) who has not claimed a homeowner's principal residence exemption on other property. Is the 1/2-acre parcel eligible for the qualified agricultural property exemption?**

No. The qualified agricultural property exemption is decided on a parcel-by-parcel basis. To be eligible for the qualified agricultural property exemption, a structure must be a related building and must be located on a parcel that is classified

agricultural or that is devoted primarily (i.e., more than 50 percent of the parcel's acreage) to agricultural use as defined by law. In this case, the house is not entitled to the qualified agricultural property exemption since the house is located on a parcel that is not classified agricultural and has no agricultural use as defined by law. In fact, the 1/2-acre parcel is not eligible at all for the qualified agricultural property exemption for this same reason.

*Note: Provided that the 1/2-acre parcel is adjacent to the 40-acre farm, it may be possible for a combination of parcels to occur such that the 1/2-acre parcel becomes part of a parcel which is devoted primarily to agricultural use. The 1/2-acre area with the house could then be eligible for the qualified agricultural property exemption. After such a combination of parcels, the house would be a related building because it would be occupied by someone who is employed in or actively involved in the agricultural use **on that parcel** and the occupant has not claimed the homeowner's principal residence exemption on other property. The house, as a related building, could be eligible for the qualified agricultural property exemption along with the parcel on which it is located.*

*Note: Alternatively, if the house on the 1/2-acre parcel is occupied by the owner as a principal residence, the owner may be able to obtain the homeowner's principal residence exemption for the 1/2-acre parcel.*

- **Is a barn located on a parcel that is classified agricultural on the assessment roll (or located on a parcel that is devoted primarily to agricultural use as defined by law) entitled to the qualified agricultural property exemption if the barn is not devoted at all to an agricultural use?**

No. In the opinion of the State Tax Commission, for a barn or other related building to be entitled to the qualified agricultural property exemption, that related building must itself be devoted primarily (more than half its



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area) to an agricultural use as defined by law. Therefore, a barn that is not devoted at all to a defined agricultural use (or a barn that is not more than half devoted to an agricultural use as defined by law) is not entitled to the qualified agricultural property exemption.

*Note: A residence occupied by a person employed in or actively involved in an agricultural use on the same parcel and who has not claimed a homeowner's principal residence exemption on other property can receive the qualified agricultural property exemption even though it is not devoted primarily to a defined agricultural use (provided that the parcel on which the residence sits is either classified agricultural on the assessment roll or is devoted primarily to a defined agricultural use).*

### Partial Exemptions

- **What happens if a parcel has a commercial marketing operation on it but the parcel otherwise qualifies for the qualified agricultural property exemption?**

The parcel would receive the qualified agricultural property exemption. However, the portion of the parcel's total state equalized valuation corresponding to the property that is used for the commercial marketing operation is not entitled to the qualified agricultural property exemption. Simply stated, a partial (something less than 100 percent) qualified agricultural property exemption results in such situations.

*Note: The handling of the qualified agricultural property exemption described in this question also applies to situations where other types of commercial or industrial use exist on a parcel that partially qualifies for the qualified agricultural property exemption.*

*Note: In situations where a parcel is to receive a partial qualified agricultural property exemption, the percentage of the exemption is determined based on the **value** (specifically, state equalized value) of the portion of the parcel entitled to the exemption in relation to the value (again, state equalized value) of the entire parcel. The percentage of the exemption is **not** based on the **size** (i.e., **area**) of the portion of the parcel entitled to the exemption.*

*Example: A parcel is 40 acres in size and is classified agricultural by the assessor. Of the 40 acres, 38 acres are farmed. The only improvement to the parcel is a structure used seasonally to sell produce. This structure and an associated parking area occupy the remaining 2 acres. The total state equalized value (SEV) for the parcel is \$42,000, with the structure and associated 2 acres having a SEV of \$4,000. The parcel is entitled to a qualified agricultural property exemption by virtue of the agricultural classification assigned to the parcel by the assessor. However, a portion of the parcel—the structure and the associated 2 acres—is devoted to a commercial marketing operation. This portion of the property is **not** entitled to the qualified agricultural property exemption. The parcel is therefore not entitled to a full (100 percent) qualified agricultural property exemption. Instead, the parcel is entitled to a partial (something less than 100 percent) qualified agricultural property exemption. Given these facts, the percentage of the qualified agricultural property exemption is 90.5 percent; 9.5 percent of the parcel's SEV is not entitled to the exemption ( $\$4,000 \text{ SEV of the commercial marketing operation property} \div \$42,000 \text{ SEV of the parcel} = 9.5 \text{ percent}$ ).*

- **What happens if a parcel has a residence on it that is not a related building but the parcel still qualifies for the qualified agricultural property exemption?**

The parcel would receive the qualified agricultural property exemption. However, that portion of the parcel's total state equalized

## Qualified Agricultural Property Exemption Guidelines

valuation corresponding to the property that is used for the residence is not entitled to the qualified agricultural property exemption.

*Example: A parcel is 40 acres in size and is classified residential on the assessment roll. Of the 40 acres, 38 acres are farmed and the owner has timely filed [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#). The only improvement to the parcel is a house that is rented by the owner of the parcel to someone who is not employed in or actively involved in the farming operation. This house and an associated yard area occupy the remaining 2 acres. The total SEV for the parcel is \$80,000, with the house and associated 2 acres having a SEV of \$42,000. The parcel is entitled to a qualified agricultural property exemption since more than 50 percent of the parcel's acreage is devoted to an agricultural use as defined by law and the owner has timely filed the required affidavit. However, a portion of the parcel—the house and the associated 2 acres—is used for a residence that is not a related building. This portion of the property is **not** entitled to the qualified agricultural property exemption. The parcel is therefore not entitled to a full (100 percent) qualified agricultural property exemption. Instead, the parcel is entitled to a partial (something less than 100 percent) qualified agricultural property exemption. Given these facts, the percentage of the qualified agricultural property exemption is 47.5 percent; 52.5 percent of the parcel's SEV is not entitled to the exemption ( $\$42,000 \text{ SEV of the house and yard property} \div \$80,000 \text{ SEV of the parcel} = 52.5 \text{ percent}$ ).*

- **Is a barn located on a parcel that is classified agricultural on the assessment roll (or located on a parcel that is devoted primarily to agricultural use as defined by law) entitled to the qualified agricultural property exemption if the barn is used for commercial storage purposes?**

No. A property owner is not to receive a qualified agricultural property exemption for that portion of the total state equalized value of the property that is used for a commercial or industrial purpose.

*Example: A parcel is 40 acres in size and is classified agricultural on the assessment roll. Of the 40 acres, 39 acres are farmed. The only improvement to the parcel is a barn that the owner does not use in the agricultural operation on the property. Instead, the owner rents the barn for storage space. The barn and associated land occupy the remaining 1 acre of the parcel. In this example, the parcel is entitled to the qualified agricultural property exemption by virtue of its agricultural classification on the assessment roll. However, the property that is used for a commercial purpose (the barn and the 1 acre associated with the barn) is not entitled to the qualified agricultural property exemption. In this situation, the parcel will have a partial qualified agricultural property exemption (i.e., a qualified agricultural property exemption of something less than 100 percent). The portion of the total state equalized value of the property corresponding to the value of the barn and the associated 1 acre is **not** to receive the qualified agricultural property exemption. The portion of the total state equalized value of the property corresponding to the remaining 39 acres would receive the qualified agricultural property exemption.*

- **Property which has already been granted a homeowner's principal residence exemption cannot also receive the qualified agricultural property exemption. Is it possible, however, for a parcel that is receiving a partial (less than 100 percent) homeowner's principal residence exemption to also receive a partial (less than 100 percent) qualified agricultural property exemption?**

Yes. Provided that a parcel otherwise qualifies for the qualified agricultural property exemption, only that portion of the property that



## Qualified Agricultural Property Exemption Guidelines

is receiving the homeowner's principal residence exemption is not entitled to the qualified agricultural property exemption. The remainder of the property can receive the qualified agricultural property exemption.

*Example: A parcel of 40 acres is classified residential by the assessor. The parcel is improved with a house that is occupied by the owner. The rear 30 acres of the parcel are unimproved and are rented by the owner to someone who farms the 30 acres. The parcel has been granted the homeowner's principal residence exemption for the parcel. Because the rear 30 acres are rented, however, this portion of the property is not entitled to receive the homeowner's principal residence exemption and the parcel is receiving a partial homeowner's principal residence exemption (on the value of the house and the 10 acres that are not rented). Under these circumstances, the owner can also claim the qualified agricultural property exemption for the parcel since more than 50 percent of the parcel's acreage is devoted to an agricultural use. However, the portion of the property receiving the homeowner's principal residence exemption (the house and the front 10 acres) is not entitled to the qualified agricultural property exemption. The parcel could therefore receive a partial qualified agricultural property exemption. The partial qualified agricultural property exemption would be determined based on the value of the property that is entitled to this exemption (the rear 30 acres) compared to the value of the entire parcel.*

*Note: See also the information regarding parcels eligible for both the homeowner's principal residence exemption and the qualified agricultural property exemption contained in the [introduction](#) section of this publication, starting on page 2.*

*Note: For more information on the homeowner's principal residence exemption, the reader is directed to [Form 2856, Guidelines for the Michigan Homeowner's](#)*

[Principal Residence Exemption](#). Form 2856 is available at the Michigan Department of Treasury [www.michigan.gov/treasury](http://www.michigan.gov/treasury) Web site,

- **An unimproved 40-acre parcel is classified residential on the assessment roll. The parcel is comprised of 30 acres of tillable land that is farmed, with the remaining 10 acres of the parcel being wetlands (and not devoted to an agricultural use as defined by law). The parcel is entitled to the qualified agricultural property exemption because more than 50 percent of the parcel's acreage is devoted to an agricultural use as defined by law and the owner has filed the appropriate affidavit claiming the exemption. Should the parcel receive a complete (100 percent) qualified agricultural property exemption (as opposed to a partial qualified agricultural property exemption of something less than 100 percent)? In other words, are the 10 acres of wetlands entitled to the qualified agricultural property exemption in this situation?**

Yes. The parcel should receive a complete (100 percent) qualified agricultural property exemption. The 10 acres of wetlands are entitled to the qualified agricultural property exemption in this situation even though these acres are not devoted to an agricultural use as defined by law. **If, overall, a parcel is devoted primarily to agricultural use as defined by law, the entire parcel—including any non-agricultural use property that is unoccupied and unimproved—can receive the qualified agricultural property exemption (but see the note below).**

*Note: However, any portion of a parcel used for a commercial or industrial purpose is **not** entitled to the qualified agricultural property exemption (even if the parcel's acreage is devoted primarily to defined agricultural use). Also, any portion of a parcel that contains a residence that is not a related building is **not** entitled to receive the qualified agricultural property exemption (even if the parcel's acreage*

## Qualified Agricultural Property Exemption Guidelines

is devoted primarily to defined agricultural use). Additionally, a building that is typically a related building such as a barn is **not** entitled to receive the qualified agricultural property exemption if it is not itself devoted primarily to agricultural use as defined by law (even if the parcel's acreage is devoted primarily to defined agricultural use). See the [related buildings](#) section of this publication for more information regarding related buildings, starting on page 9.

- **An unimproved 40-acre parcel is classified agricultural on the assessment roll. The parcel is comprised of 10 acres of tillable land that is farmed, with the remaining 30 acres of the parcel being woods (and not devoted to an agricultural operation or an agricultural use as defined by law). The parcel is entitled to the qualified agricultural property exemption because it is classified agricultural on the assessment roll. Should the parcel receive a complete (100 percent) qualified agricultural property exemption (as opposed to a partial qualified agricultural property exemption of something less than 100 percent)? In other words, are the 30 acres of woods entitled to the qualified agricultural property exemption in this situation?**

Yes. The parcel should receive a complete (100 percent) qualified agricultural property exemption. The 30 acres of woods are entitled to the qualified agricultural property exemption in this situation even though these acres are not devoted to an agricultural operation or an agricultural use as defined by law. **If a parcel is classified agricultural on the assessment roll, the entire parcel—including any portion of the property that is not used as part of the agricultural operation or use on the parcel and that is unoccupied and unimproved—is entitled to the qualified agricultural property exemption (but see the note below).**

*Note: However, any portion of a parcel used for a commercial or industrial purpose is **not** entitled to the qualified agricultural property exemption (even if the parcel is classified agricultural on the assessment roll). Also, any portion of a parcel that contains a residence that is not a related building is **not** entitled to receive the qualified agricultural property exemption (even if the parcel is classified agricultural on the assessment roll). Additionally, a building that is typically a related building such as a barn is **not** entitled to receive the qualified agricultural property exemption if it is not itself devoted primarily to agricultural use as defined by law (even if the parcel is classified agricultural on the assessment roll). See the [related buildings](#) section of this publication for more information regarding related buildings, starting on page 9.*

*Note: This example is not intended to indicate that all parcels with the characteristics of the parcel in the example should be classified agricultural on the assessment roll. Parcels with characteristics identical to those of the parcel in this example can be, depending on the circumstances, properly classified something other than agricultural. See the [classification](#) section of this publication for more information concerning classification, starting on page 25.*

- **An unimproved 40-acre parcel is classified residential on the assessment roll. The parcel is comprised of 15 acres of tillable land that is farmed, with the remaining 25 acres of the parcel being swamp and wetlands (and not devoted to an agricultural use as defined by law). Is this parcel entitled to a partial (something less than 100 percent) qualified agricultural property exemption?**

No. The parcel is not classified agricultural on the assessment roll and 50 percent or less of the parcel's acreage is devoted to an agricultural use as defined by law. For these reasons, the parcel is not entitled to a partial (or a full) qualified agricultural property exemption, even though a portion of the property is actually farmed.

## Qualified Agricultural Property Exemption Guidelines

- **Does the presence of a cell tower site (or an oil or gas well) on a farm parcel affect the farm parcel's eligibility for the qualified agricultural property exemption even though the cell tower (or the oil or gas well) only occupies a small portion of the farm parcel?**

Yes. Any property, no matter how small a portion of a parcel it may be, that is devoted to a commercial or industrial use is **not** entitled to the qualified agricultural property exemption. If a farm parcel with a cell tower site on it (or an oil or gas well on it) otherwise qualifies for the qualified agricultural property exemption, the parcel would receive a partial qualified agricultural property exemption. The exemption would not be applied to the value of the portion of the property (including any access road, etc.) devoted to the cell tower (or the oil or gas well).

### Definition of Agricultural Use

- **If a parcel is not classified agricultural by the assessor, the parcel can still be eligible for the qualified agricultural property exemption if more than 50 percent of the parcel's acreage is devoted to an agricultural use as defined by law. What is the definition of "agricultural use" contained in the law?**

The definition of "agricultural use" contained in the law identifies certain property uses as agricultural uses. The definition of "agricultural use" includes property uses that most people would easily recognize as agricultural activities; it also includes property uses that some people may not normally consider agricultural activities. The following is the definition of "agricultural use" contained in the law (MCL 324.36101) which applies to the qualified agricultural property exemption:

"Agricultural use" means the production of plants and animals useful to humans, including forages and sod crops; grains, feed crops, and field crops; dairy and dairy products; poultry and poultry products; livestock, including breeding and grazing of cattle, swine, captive cervidae, and similar animals; berries; herbs; flowers; seeds; grasses; nursery stock; fruits; vegetables; Christmas trees; and other similar uses and activities. Agricultural use includes use in a federal acreage set-aside program or a federal conservation reserve program. Agricultural use does not include the management and harvesting of a woodlot.

*Note: The Farmland Preservation Office of the Michigan Department of Agriculture oversees the Farmland Development Rights Agreement program. The statutes associated with this program are commonly known as PA 116. The above definition of "agricultural use" is part of the PA 116 statutes. The State Tax Commission has oversight responsibility for the qualified agricultural property exemption which also relies (in part) on the above definition of "agricultural use". Although it is believed that the views of the Farmland Preservation Office and the State Tax Commission are highly consistent with regard to the above definition of "agricultural use", these agencies' views may differ in some respects. The reader is first advised that the views of the Farmland Preservation Office with regard to the definition of "agricultural use" are not authoritative in relation to the qualified agricultural property exemption. Likewise, the views of the State Tax Commission concerning this definition are not authoritative with regard to PA 116 administration. Additionally, though the above definition of "agricultural use" is part of the PA 116 statutes, additional definitions are also contained in the PA 116 statutes. A parcel's eligibility for PA 116 treatment is determined with consideration given to several statutory definitions and criteria. The reader is also advised, however,*

## Qualified Agricultural Property Exemption Guidelines

*that only the above definition is used to determine whether a parcel is devoted to agricultural use for purposes of the qualified agricultural property exemption. The additional PA 116 definitions are not determinative regarding a parcel's eligibility for the qualified agricultural property exemption.*

*Note: The definition of "agricultural use" provided above differs from the definition of "agricultural operations" used to determine a parcel's classification. The above definition of "agricultural use" is **not** to be used in determining a parcel's classification. Similarly, the definition of "agricultural operations" is **not** to be used in determining whether a parcel is devoted primarily to agricultural use as defined by law. See the [classification](#) section of this publication for additional information on classification, starting on page 25.*

- **Is there a minimum parcel size that a parcel must have for the parcel to be considered qualified agricultural property?**

No. No specific parcel size requirement exists in the definition of "qualified agricultural property". Even very small parcels can be entitled to the qualified agricultural property exemption.

*Example: An unimproved parcel of 2 acres is completely farmed (the parcel could be part of a larger farming operation or it could be a small berry farm, herb farm, etc. which is not part of a larger farming operation). This parcel is devoted (completely) to an agricultural use as defined by law. If the parcel is not classified agricultural by the assessor, the owner could submit [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and the parcel would be entitled to receive the qualified agricultural property exemption. If the parcel is classified agricultural by the*

*assessor on the assessment roll, the parcel would be entitled to receive this exemption.*

*Note: However, a parcel's size can be a factor in the determination of the classification for that parcel. And classification can be a factor in determining whether a parcel is entitled to the qualified agricultural property exemption. For these reasons, a parcel's size can indirectly affect that parcel's eligibility for the qualified agricultural property exemption. Property classification, as it relates to the qualified agricultural property exemption, is discussed in the [classification](#) section of this publication, starting on page 25. An example specifically relating to the way a parcel's size can influence the classification of that parcel is provided on page 35.*

*Note: The definition of "qualified agricultural property" contained in the law says that property devoted primarily to **agricultural use** as defined in MCL 324.36101 is qualified agricultural property. MCL 324.36101 (part of what is commonly known as PA 116) defines "agricultural use" and contains many other definitions as well. One of the additional definitions contained in PA 116 is a definition of "farmland". This definition of "farmland" includes various minimum acreage and income (e.g., income per acre) requirements for a parcel to be considered **farmland**. The definition of "qualified agricultural property" refers only to **agricultural use**, however, and makes no mention of **farmland**. Similarly, the statutes governing the classification of property are not related to the definition of "farmland" contained in MCL 324.36101 (PA 116). Therefore, the definition of "farmland" contained in MCL 324.36101 is not relevant to the qualified agricultural property exemption. This definition of "farmland", and its minimum acreage and income requirements, should be disregarded for purposes of property classification and for purposes of the qualified agricultural property exemption.*



## Qualified Agricultural Property Exemption Guidelines

- **Is there a minimum income (e.g., income per acre) requirement for a parcel to be considered qualified agricultural property?**

No. No minimum income requirement exists in the definition of “qualified agricultural property”. Even relatively unproductive or unprofitable parcels can be entitled to the qualified agricultural property exemption.

*Note: However, a parcel’s agricultural productivity and profitability can be factors in the determination of the classification for that parcel. And classification can be a factor in determining whether a parcel is entitled to the qualified agricultural property exemption. For these reasons, a parcel’s agricultural productivity and profitability can indirectly affect that parcel’s eligibility for the qualified agricultural property exemption. Property classification, as it relates to the qualified agricultural property exemption, is discussed in the [classification](#) section of this publication, starting on page 25. See also the information specifically relating to the way a parcel’s agricultural productivity and profitability can influence the classification of that parcel; that information is provided on page 36.*

*Note: The definition of “qualified agricultural property” contained in the law says that property devoted primarily to **agricultural use** as defined in MCL 324.36101 is qualified agricultural property. MCL 324.36101 defines “agricultural use” and contains many other definitions as well. One of the additional definitions is a definition of “farmland”. This definition of “farmland” includes various minimum acreage and income requirements for a parcel to be considered **farmland**. The definition of “qualified agricultural property” refers only to **agricultural use**, however, and makes no mention of **farmland**. Similarly, the statutes governing the classification of property are not related to the definition of “farmland” contained in*

*MCL 324.36101. Therefore, the definition of “farmland” contained in MCL 324.36101 is not relevant to the qualified agricultural property exemption. This definition of “farmland”, and its minimum acreage and income requirements, should be disregarded for purposes of property classification and for purposes of the qualified agricultural property exemption.*

- **Is the raising of horses for sale an agricultural use as defined by law for purposes of the qualified agricultural property exemption?**

Yes. Property devoted to raising horses for sale is property devoted to the production of animals useful to humans in accordance with the lawful definition of “agricultural use”. Raising horses for sale can take many forms. For instance, the raising of horses for sale would include situations where horses are raised and sold for meat (in other countries) or other products derived from horses. The raising of horses for sale would also include situations where horses are raised and trained for sale as race horses. The raising of horses for sale would also include the obvious situation where horses are raised and sold to others for their personal use (for riding, etc.). The following three examples are intended to illustrate situations where the raising of horses for sale is an agricultural use as defined by law for purposes of the qualified agricultural property exemption. The reader is also directed to the [classification](#) section of this publication, starting on page 31, for information regarding the treatment of horse operations for classification purposes.

**Example 1, horses raised and sold for meat or other products:** *An 80-acre parcel is classified residential by the assessor. This parcel is improved with stables and corrals for horses. No other improvements exist on the parcel. All 80 acres of the parcel are used to raise the horses which are then sold by the owner. After being sold, the horses are slaughtered and processed for horsemeat (in other countries) and other products derived from horses. As*

## Qualified Agricultural Property Exemption Guidelines

*distasteful as this situation may be to some, the property in this example is devoted to the production of animals useful to humans; the property is devoted to an agricultural use as defined by law for purposes of the qualified agricultural property exemption. Because more than 50 percent of the parcel's acreage is devoted to this agricultural use, the owner can file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and the parcel can then receive the qualified agricultural property exemption.*

*Note: The property in the example above would also be devoted to an agricultural use as defined by law if, instead of raising horses for sale, the property were used as a staging area where older horses are gathered and readied for sale (by the property owner) for the same end purposes. The property in that situation would also be devoted to the production of animals useful to humans.*

**Example 2, horses raised and trained for sale as race horses:** *A 60-acre parcel is classified residential by the assessor. This parcel is improved with a stable, corrals for horses, and a banked dirt race track. No other improvements exist on this parcel. All 60 acres of the parcel are used to raise the parcel owner's horses and train them to be race horses. After they are sufficiently trained and reach a certain age, the horses are sold by the property owner. The property in this example is devoted to the production of animals useful to humans and is, therefore, devoted to an agricultural use as defined by law for purposes of the qualified agricultural property exemption. Because more than 50 percent of the parcel's acreage is devoted to this agricultural use, the owner can file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and the parcel can then receive the qualified agricultural property exemption.*

**Example 3, horses raised and trained as riding horses:** *A 40-acre parcel is classified residential on the assessment roll. This*

*parcel is improved with a stable and corrals for horses. This parcel is not used by others as a riding stable. All 40 acres of the parcel are used to raise and train horses to be riding horses. The owner of the property sells the horses after they have received sufficient training and after they have reached a certain age. The property in this example is devoted to the production of animals useful to humans and, for this reason, is devoted to an agricultural use as defined by law for purposes of the qualified agricultural property exemption. Because more than 50 percent of the parcel's acreage is devoted to this agricultural use, the owner can file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and the parcel can then receive the qualified agricultural property exemption.*

- **Is the boarding of horses or the training of someone else's horses an agricultural use as defined by law for purposes of the qualified agricultural property exemption?**

It is the opinion of the State Tax Commission that **property devoted to the boarding of horses or the training of horses owned by others is not entitled to the qualified agricultural property exemption.** The State Tax Commission considers such horse boarding and horse training operations to be service-oriented, commercial undertakings for purposes of property classification as well as for purposes of the qualified agricultural property exemption. By law, property devoted to commercial or industrial use is not to receive the qualified agricultural property exemption. Therefore, even though it could be argued by some that the boarding or training of horses owned by others is an agricultural use as defined by law (since such operations could arguably be considered to contribute to the production of horses which are useful to humans), property devoted to a horse boarding or a horse training operation as described in this paragraph is not, in the opinion of the State Tax Commission, entitled to the qualified agricultural property exemption.



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*Note: The State Tax Commission recognizes that horse boarding and horse training operations will often involve mixed-use facilities where pastures and/or structures are used both by horses owned by and being raised by the owner of the property and by other horses that the owner of the property does not own but that are being boarded or trained by the owner of the property in exchange for a fee. In such situations, the Commission recommends that assessors consider the proportion of each use in determining the qualified agricultural property exemption for the parcel. The portion of the property used for a commercial use (such as boarding or training someone else's horses) would not be entitled to the qualified agricultural property exemption. The Commission recommends that in mixed-use situations the proportion of commercial use(s) and non-commercial use(s) be used to establish the level of the qualified agricultural property exemption. The phrase "mixed-use", as used here, refers to situations where the multiple uses share the entire property or structure, not to situations where each use occupies a distinct portion of the property or structure. Property that is distinctly devoted to a commercial or industrial use is not entitled to the qualified agricultural property exemption.*

*Example: A 40-acre parcel is classified residential on the assessment roll. The parcel is improved with a horse stable that accommodates 10 horses. Also located on the parcel are fenced pastures for the horses. No other structures are located on the parcel and the entire parcel, including the stable, is used by all 10 horses. The owner of the parcel owns 6 of the 10 horses. The other 4 horses are owned by others and boarded on the parcel for a fee. Since both the owner's horses and the boarded horses share the entire property, this is a mixed-use situation. The commercial use (the boarded horses) and the non-commercial use (the owner's horses) both occur over the entire parcel. In this situation, the parcel could be entitled to*

*a qualified agricultural property exemption since the proportion of non-commercial defined agricultural use is greater than 50 percent. Of the 10 horses on the parcel, 6 horses are associated with non-commercial defined agricultural use. However, the portion of the property used for a commercial purpose would not be entitled to the qualified agricultural property exemption. The parcel could therefore receive a partial qualified agricultural property exemption of 60 percent (4 of the 10 horses, or 40 percent, are associated with a commercial use).*

***Note: In the example above, if 5 of the 10 horses had been boarded, the parcel could not have been entitled to the qualified agricultural property exemption at all. The parcel is not classified agricultural on the assessment roll and, therefore, is not qualified agricultural property by virtue of its classification. Also, if only 5 of the 10 horses had been owned by the owner of the parcel, the parcel would not have been devoted primarily to an agricultural use as defined by law. A parcel is devoted primarily to an agricultural use only if more than half its acreage is devoted to an agricultural use. The commercial use associated with the boarded horses is not an agricultural use as defined by law in the view of the State Tax Commission.***

*Note: See the [partial exemptions](#) section of this publication for additional information on partial qualified agricultural property exemptions, starting on page 11.*

- **Is the raising of worms, minnows, crickets, etc. for sale an agricultural use as defined by law for purposes of the qualified agricultural property exemption?**

Yes. Property devoted to raising these animals for sale is property devoted to the production of animals useful to humans in accordance with the lawful definition of "agricultural use".

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*Note: According to The American Heritage College Dictionary, Third Edition, page 53, the primary definition of “animal” is “A multicellular organism of the kingdom Animalia, characterized by a capacity for locomotion, nonphotosynthetic metabolism, pronounced response to stimuli, restricted growth, and fixed bodily structure.” Worms, crickets, and minnows match this definition and are considered animals.*

*Example: A 5-acre parcel is classified commercial by the assessor. This parcel is improved with several climate-controlled buildings that house live crickets. After they are born, the crickets are raised in the buildings and, eventually, are sold (off-site) by the owner as bait. The cricket-raising operation occupies more than 50 percent of the parcel’s acreage. Because the raising of crickets for sale as bait is an agricultural use as defined by law and because more than 50 percent of the parcel’s acreage is devoted to this agricultural use, the owner can file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and the parcel can then receive the qualified agricultural property exemption.*

*Note: A large live bait operation such as the one described in the example above would not likely be supported locally. The operation would likely have to ship bait to other locations. Any portion of the property devoted to commercial processing, commercial distribution, or commercial (packaging and) shipping would not be entitled to the qualified agricultural property exemption. See also the [partial exemptions](#) section of this publication, starting on page 11.*

- **In the definition of “agricultural use” contained in the law, what is meant by “captive cervidae”?**

Cervidae are a group of animals including deer, reindeer, moose, and elk. Captive

cervidae, then, are animals that are members of this group which are held in captivity.

*Note: The breeding and grazing of captive cervidae is a defined agricultural use for purposes of the qualified agricultural property exemption. The breeding and grazing of captive cervidae includes farms where cervidae (elk, moose, deer, etc.) are held and raised for the same or similar purposes as are customary in the breeding and grazing of other animals such as cattle.*

*Example: A wooded 160-acre parcel makes up a captive cervidae operation. The only improvements to this parcel consist of fencing to contain a herd of captive deer. The entire parcel is used to breed and raise captive deer. Deer from the parcel are periodically sold, then slaughtered and processed for their venison which is in turn sold to upscale restaurants throughout the country. Since the captive deer are captive cervidae, and since the breeding and grazing of captive cervidae is an agricultural use as defined by law for purposes of the qualified agricultural property exemption, the owner of the parcel can file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and the parcel can then receive the qualified agricultural property exemption.*

*Note: It is the opinion of the State Tax Commission, however, that a pay-to-hunt ranch operation where customers pay a fee to hunt animals (including animals such as cervidae that are held in captivity) is not an agricultural use for purposes of the qualified agricultural property exemption. The State Tax Commission considers such pay-to-hunt operations to be (service-oriented) commercial endeavors and property devoted to these operations does not, in the opinion of the State Tax Commission, qualify for the qualified agricultural property exemption. See the memorandum from the State Tax Commission to assessors and equalization directors dated February 24, 2004 on the Department of Treasury [Web site](#),*

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[www.michigan.gov/treasury](http://www.michigan.gov/treasury), for additional information on the subject of pay-to-hunt operations.

- **Is the harvesting of timber for pulp or lumber an agricultural use for purposes of the qualified agricultural property exemption?**

No. The definition of “agricultural use” contained in the law that pertains to the qualified agricultural property exemption explicitly states, “...Agricultural use does not include the management and harvesting of a woodlot.” Therefore, property devoted to the harvesting of timber for pulp or lumber (or some other similar purpose) is not devoted to an agricultural use for purposes of the qualified agricultural property exemption.

*Example: A 40-acre parcel is unimproved and is classified residential by the assessor. The parcel contains a stand of merchantable timber covering the entire 40 acres. Using standard forestry practices, the owner harvests timber from this parcel for sale as raw timber. Under these circumstances, this parcel is not entitled to the qualified agricultural property exemption. The parcel is not classified agricultural and, since the management and harvesting of a woodlot is not a defined agricultural use, none of the parcel’s acreage is devoted to an agricultural use as defined by law for purposes of the qualified agricultural property exemption.*

*Note: It is the opinion of the State Tax Commission that the harvesting of timber for pulp or lumber is also **not** an agricultural operation for purposes of property classification under the statute governing property classification (MCL 211.34c). See also State Tax Commission [Bulletin No. 9 of 2002](#) and the information on this subject contained in the [classification](#) section of this publication, on page 30.*

- **Is a sugarbush (i.e., maple syrup) operation an agricultural use for purposes of the qualified agricultural property exemption?**

No. A sugarbush operation typically consists of two basic activities:

1. Collecting sap from maple trees
2. Processing the sap into maple syrup, primarily by boiling off some of the water from the sap

Under the law defining the qualified agricultural property exemption (MCL 211.7dd), commercial processing operations do not qualify for the qualified agricultural property exemption. Transforming maple sap into maple syrup (the second activity listed above) falls in the category of commercial processing and is not an agricultural use. With regard to the first activity listed above, although it could be argued that the definition of agricultural use contains the general language “...and other similar uses and activities...” and that this language applies to sap gathering activities, maple sap collection is not specifically noted as an agricultural use in the law. The definition of agricultural use does specifically state, however, that “...Agricultural use does not include the management and harvesting of a woodlot.” These facts make it unclear whether sap collection activities are an agricultural use under the law. Based on case law, it is well settled that with all property tax exemptions, including the qualified agricultural property exemption, doubt regarding eligibility for the exemption is to be resolved in favor of taxing units. The State Tax Commission is therefore of the opinion that maple sap collection activities are not an agricultural use for purposes of the qualified agricultural property exemption.

*Note: Due to differences in the law defining **agricultural use** and the law defining **agricultural operations** for classification purposes, the State Tax Commission does view sap collection activities associated with sugarbush operations as an **agricultural operation** for purposes of classification. See the*

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[classification](#) section of this publication for additional information regarding sugarbush activities and classification, on page 31.

- **Is the growing and harvesting of Christmas trees an agricultural use for purposes of the qualified agricultural property exemption?**

Yes. Growing and harvesting Christmas trees has been defined in the law as an agricultural use for purposes of the qualified agricultural property exemption.

- **Is the production of ornamental trees (used for landscaping) an agricultural use for purposes of the qualified agricultural property exemption?**

Yes. Property devoted to the production of ornamental trees and other nursery and bedding plants (including the greenhouses used to grow these plants) is property devoted to an agricultural use for purposes of the qualified agricultural property exemption.

*Note: However, property—including greenhouses—used primarily to sell or market plants is not entitled to the qualified agricultural property exemption. The retail sale of plants is a commercial activity and property devoted primarily to this activity is not qualified agricultural property.*

- **Are lands in a federal acreage set-aside program or a federal conservation reserve program devoted to an agricultural use as defined by law for purposes of the qualified agricultural property exemption?**

Yes. The definition of “agricultural use” contained in the law for purposes of the qualified agricultural property exemption was changed effective for the 2001 assessment year. This definition now also

includes enrollment of lands in a federal acreage set-aside program and lands in a federal conservation reserve program as an agricultural use. For purposes of the qualified agricultural property exemption, land enrolled in such a program is considered to be devoted to an agricultural use, just as if it were planted in corn, soybeans, or wheat. Federal acreage set-aside programs and federal conservation reserve programs are broad program categories, encompassing many different types of programs.

*Note: Generally speaking, federal acreage set-aside programs and federal conservation reserve programs are programs under which the owners of property enrolled in the programs are paid not to farm the property (although some such programs do allow continued farming of the enrolled property). Under these programs, the owners may also be required to plant ground covers, thin trees, enhance wetlands, develop wildlife habitat, etc.*

*Note: If property is enrolled in a federal acreage set-aside program or a federal conservation reserve program, the owner will have a contract for a specific number of acres. It is advisable for an assessor to examine such contracts to determine how many acres are enrolled in these programs. It may also be advisable for the assessor to verify that a contract is still active by contacting the appropriate State or federal agency.*

*Note: The reader may also wish to consult State Tax Commission [Bulletin No. 8 of 2001](#) for a more complete discussion of federal acreage set-aside programs and federal conservation reserve programs in relation to the qualified agricultural property exemption. The [classification](#) section of this publication contains additional information regarding these programs, starting on page 29.*



## Qualified Agricultural Property Exemption Guidelines

- **Is land which is being left fallow considered to be devoted to an agricultural use as defined by law for the qualified agricultural property exemption?**

Yes, but only to a certain extent. Leaving land fallow (i.e., leaving land unplanted or uncultivated or planting land with a “cover crop” such as grass) to allow the soil to recharge is still considered a recognized and legitimate agricultural practice. Therefore, in the opinion of the State Tax Commission, land which is being left fallow may be considered to be devoted to an agricultural use as defined by law for purposes of the qualified agricultural property exemption. However, it is clear under the lawful definition of “agricultural use” that land must be used to produce something useful to humans to be considered to be in agricultural use. **Land that is left fallow for multiple years or indefinitely is not producing something useful to humans and, in the view of the State Tax Commission, is not devoted to an agricultural use as defined by law. The State Tax Commission recommends that land that is left fallow for more than one growing season generally be considered not to be devoted to an agricultural use as defined by law.** The State Tax Commission notes a potential for concern with regard to land that is not used in active agriculture. A different view of fallow land than the views presented above could allow property owners who are not actively farming land and who have not actively farmed land for several years to claim that their property is devoted to an agricultural use (and perhaps receive the qualified agricultural property exemption) on the basis that the land has been left fallow. Allowing property which is not being used to produce plants and animals useful to humans to be considered to be devoted to agricultural use would be contradictory to the statutory definition of “agricultural use”.

*Note: Land which is not actively being farmed may be enrolled in a federal acreage*

*set-aside program or a federal conservation reserve program. Land enrolled in such a program is considered devoted to an agricultural use as defined by law even though it may not currently be used to produce an agricultural product. Additional information on these programs is contained in this section of this publication, on page 22, and in the [classification](#) section of this publication, starting on page 29.*

*Note: See also the [classification](#) section of this publication for information on the treatment of fallow land with respect to classification, starting on page 28.*

*Note: See also the next question for a discussion whether unfarmed, tillable land is considered to be devoted to an agricultural use as defined by law.*

- **Is land which is tillable but not farmed considered to be devoted to an agricultural use as defined by law for the qualified agricultural property exemption?**

No. Land which is tillable but not actively farmed is not devoted to an agricultural use as defined by law for the qualified agricultural property exemption.

*Note: The reader is advised, however, that land which is tillable but not farmed is devoted to an agricultural use as defined by law if that land is enrolled in a federal acreage set-aside program or a federal acreage conservation reserve program. Additional information on these programs is contained in this section of the publication, on page 22, and in the [classification](#) section of the publication, starting on page 29. Also, to a certain extent, fallow land is considered to be devoted to an agricultural use as defined by law. See the prior question for information on the treatment of fallow land as an agricultural use as defined by law; see the [classification](#) section of this publication for information on the treatment of*

## Qualified Agricultural Property Exemption Guidelines

*fallow land for classification purposes, starting on page 28.*

*Note: See the [classification](#) section of this publication for information on the treatment of unfarmed, tillable land for classification purposes, on page 29.*

- **Is land covered by a Farmland Development Rights Agreement (commonly known as Pubic Act 116 land) considered to be devoted to an agricultural use as defined by law for the qualified agricultural property exemption?**

Not necessarily. Under such an agreement, a temporary restriction on the land is established between the State and a landowner (voluntarily entered into by the landowner). The object of the restriction is to preserve the land for agriculture, in exchange for certain (income) tax benefits and exemption from various special assessments. It is certainly possible, and often happens, that a parcel covered by such an agreement is considered to be devoted to an agricultural use. However, the fact that land is enrolled in such an agreement is not directly relevant in determining whether the land is devoted to an agricultural use. Rather, it is the **actual use of the property** that is relevant in making this determination. If it happens that property is covered by a Farmland Development Rights Agreement but no agricultural use as defined by law exists on the land, the land is not devoted to an agricultural use as defined by law.

*Note: For information on the possibility of a Farmland Development Rights Agreement impacting a parcel's classification, see the section on [classification](#) in this publication, on page 29.*

- **What is meant by “acre-to-animal ratio” in relation to the qualified agricultural property exemption?**

For any animal, the “acre-to-animal ratio” is the number of acres it takes to support 1 of that animal. For instance, it may typically take 3 acres to support 1 dairy cow. The acre-to-animal ratio for dairy cows would then be 3 to 1. (This ratio was created without significant research and may or may not be an accurate acre-to-animal ratio for dairy cows.)

- **Why is the acre-to-animal ratio important in relation to the qualified agricultural property exemption?**

If a parcel is not classified agricultural on the assessment roll, more than half the parcel's acreage must be devoted to an agricultural use as defined by law for the parcel to be qualified agricultural property. In determining the percentage of a parcel's area that is devoted to agricultural use as defined by law, the proper acre-to-animal ratio is often needed. Given the number and type of animals involved in a farm operation, the number of acres legitimately needed to support those animals can be determined using the proper acre-to-animal ratio(s). This will in turn allow an accurate determination with regard to the area of the parcel that is truly devoted to an agricultural use as defined by law. **The area of a parcel, if any, that is not needed to support the number of animals on that parcel is not devoted to an agricultural use as defined by law, even if the excess area is fenced as pasture land** (assuming the excess area is not devoted to another agricultural use as defined by law).

*Example: An 80-acre parcel is classified residential on the assessment roll. The parcel is unimproved with the exception of fencing for pastures. All 80 acres are fenced for this purpose. Over the last several years, the owner of the property has maintained a herd of 5 dairy cows on the property. No other animals use the parcel to graze or for any other purpose. No other agricultural use occurs on the property. If standard grazing practices for dairy cattle are such that the acre-to-animal ratio for dairy cattle is 3 acres to every 1 cow, the parcel in*



## Qualified Agricultural Property Exemption Guidelines

*this example is **not** entitled to the qualified agricultural property exemption. Since the parcel is not classified agricultural on the assessment roll, more than half the parcel's acreage must be devoted to an agricultural use as defined by law for the property to be qualified agricultural property. In this case, only 15 of the 80 acres are needed to support the herd of dairy cattle (3 acres needed to support each dairy cow x 5 dairy cows = 15 acres needed to support the dairy herd). Of the 80 acres, 65 acres are not needed to support the herd at its current size and these 65 acres are not devoted to any agricultural use. Since more than 40 acres of the parcel must be devoted to an agricultural use for the 80-acre parcel to be qualified agricultural property and since only 15 acres are truly devoted to agricultural use, the parcel is not entitled to the qualified agricultural property exemption.*

*Note: The acre-to-animal ratio used in this example was created without significant research and was used for purposes of this example only. This ratio may or may not be an accurate acre-to-animal ratio for dairy cattle.*

- **What is a reasonable acre-to-animal ratio for use in determining the percentage of a parcel's area that is devoted to agricultural use as defined by law?**

No specific acre-to-animal ratio can be provided for this purpose. Reasonable acre-to-animal ratios will likely differ depending upon the type of animal involved, and perhaps on the quality of the land involved as well. For instance, dairy cows may have different grazing area requirements than cattle raised for beef have. And these grazing area requirements are likely to be different than the grazing area requirements of draft horses, which are probably in turn different from those of captive cervidae, etc. If the number of acres needed to support the animals on a parcel is in question, research

will need to be done to establish a reasonable acre-to-animal ratio for the type(s) of animal involved and, if necessary, for the type of land involved.

### Classification

**Note: The following discussion regarding the classification of property for assessment purposes is not intended to be comprehensive in nature. Rather, it is intended to cover only certain aspects of property classification that sometimes relate to the qualified agricultural property exemption.**

- **What is meant by “property classification”?**

It is a requirement of the law that all parcels of taxable property on the assessment roll be placed into one of several categories established for assessment administration purposes. The categories (for real property) generally relate to the use of a parcel, although some categories relate to a parcel's physical characteristics. A parcel is assigned to a category (of real property) based on the current or probable future use of the parcel or, in some cases, the physical characteristics of the parcel. The various categories into which parcels must be placed are called property classifications. A parcel's property classification, then, is the category into which that parcel has been placed for assessment purposes based on that parcel's current or likely future use or that parcel's physical characteristics as defined by MCL 211.34c.

*Note: For real property, possible classifications include agricultural, commercial, developmental, industrial, residential, and timber-cutover. For personal property, possible classifications include agricultural, commercial, industrial, and utility.*

- **How is a parcel's property classification determined?**

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The law requires assessors to classify each parcel of property annually. In other words, the assessor must place each parcel of taxable property into one of the classification categories each year. The assessor is to classify parcels according to the definitions for property classification contained in the law (MCL 211.34c). A property owner may appeal the classification decision of the assessor to the March board of review of the City or Township where the property is located. If dissatisfied with the decision of the March board of review regarding classification, a property owner may then appeal the classification to the State Tax Commission by June 30 of the year of the classification. In short, **assessors determine the classification of a parcel in accordance with statutory definitions, and subject to an appeal process.**

*Note: The Michigan Department of Treasury may appeal any parcel's classification to the Michigan Tax Tribunal by December 31 of the year of the classification.*

- **Why is property classification important with regard to the qualified agricultural property exemption?**

Classification of the parcel as agricultural on the assessment roll is one of two ways a parcel can become qualified agricultural property. And to be eligible for the qualified agricultural property exemption, a parcel has to be qualified agricultural property.

*Note: Assessors are to establish the classification of parcels in accordance with the statute which governs the classification of property, MCL 211.34c. **When determining the classification of a parcel, assessors are not to consider (i.e., be influenced by) the effect of the classification on the parcel's eligibility for the qualified agricultural property exemption.***

*Note: Additional information regarding the requirements a parcel must meet to be eligible to receive the qualified agricultural property exemption is contained in the [exemption requirements](#) section of this publication, starting on page 4.*

- **What criteria are used by an assessor to determine the proper classification for a parcel?**

An assessor determines the classification of a parcel of (real) property based on the classification definitions contained in the law (MCL 211.34c).

- **Can a parcel have more than one property classification?**

No. A parcel cannot have more than one property classification.

- **If a parcel has multiple potential classifications (e.g., due to multiple current uses, etc.), how should the classification for this parcel be determined?**

If a parcel has multiple potential classifications, the assessor is to determine which potential classification most significantly influences the overall valuation of the parcel. Of the multiple potential classifications, the classification that most significantly influences the total value of the parcel is to be the classification.

*Example: A parcel of 40 acres is unimproved and is located in a remote location. Land in the vicinity of this parcel is generally poor crop land. Of the parcel's 40 acres, 10 acres are tillable, low value crop land and are devoted to crop production. The remaining 30 acres are woods and swamp which the owner uses to hunt. Hunting and other recreational uses are the main uses of land in the area of this parcel. The statutes governing classification state that residential real property includes parcels that*

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*are used for recreational purposes such as hunting in an area used predominantly for recreational purposes. It is apparent, therefore, that the parcel has multiple (two) potential classifications: agricultural and residential. In this case, the 10 acres of agricultural land have a market value of \$15,000 (\$1,500 per acre). The 30 acres of recreational land have a market value of \$30,000 (\$1,000 per acre). Since the recreational use property contributes the most to the overall value of the parcel, the proper classification for the parcel is residential.*

- **In determining a parcel's classification, is a house on a farm parcel considered a multiple potential classification for the parcel? In other words, is the presence of the house regarded as a potential classification of residential in addition to the potential classification of agricultural?**

Yes. If a farm parcel contains a residence, the parcel is considered to have (at least two) multiple potential classifications: residential and agricultural. Consideration must then be given to which potential classification most significantly influences the overall valuation of the parcel. Of the multiple potential classifications, the classification that most significantly influences the total value of the parcel is to be the classification for the parcel. In the view of the State Tax Commission, the value of a residence is to be considered a residential influence to the parcel's overall value for purposes of determining the parcel's classification even if the residence is located on a farm parcel and is occupied by the owner of the farm.

*Example: A 40-acre parcel is located in a semi-rural area. Of the 40 acres, 39 acres are farmed. The only structure on the parcel is a new residence with a value of \$350,000. Due to its location and the market in this area, the value of the land is \$3,000 per acre. It has been correctly determined that this*

*value is applicable to the entire parcel, including both the home site and the 39 acres that are farmed. The value influence of the home and home site (\$350,000 home value + \$3,000 X 1 acre for the home site value = \$353,000 for the home and home site) is greater than the value influence of the agricultural operations (39 acres farmed X \$3,000 per acre = \$117,000 for the land that is farmed). For this reason, the proper classification of this parcel is residential.*

*Note: Even if the agricultural operations in this example had been a greater influence on the overall value of the parcel than the residential influence, the proper classification for this parcel may still have been residential due to other circumstances. Additional factors can affect a parcel's classification. For additional information and a better understanding of this issue, the reader is referred to the questions in this section of the publication concerning residential and developmental classification, starting on page 34.*

- **What type of property can be classified agricultural?**

The law (MCL 211.34c) says that "Agricultural real property includes parcels used partially or wholly for agricultural operations, with or without buildings..." A parcel must be used at least partially for agricultural operations to be classified agricultural.

*Example: A 40-acre parcel is unimproved and consists entirely of woods (no portion of the parcel is used for agriculture). This parcel is located in an area which is predominantly agricultural in nature. Despite the parcel's location in an agricultural area, the classification of the parcel cannot (lawfully) be agricultural since no portion of the parcel is devoted to agricultural operations.*

**Note: However, if a parcel is used partially, or even wholly, for agricultural operations, the parcel's classification is not automatically**

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*agricultural.* Factors other than agricultural use can affect a parcel's classification. For additional information and a better understanding of this issue, the reader is referred to the questions in this section of the publication concerning residential and developmental classification, starting on page 34, and concerning multiple potential classifications for the same parcel, starting on page 26.

- **The law regarding agricultural classification says that “Agricultural real property includes parcels used partially or wholly for agricultural operations...” (Emphasis added.) What is meant by “agricultural operations” in this statute?**

This same statute (MCL 211.34c) provides a definition of “agricultural operations”. In the context of property classification, as defined in this statute, “agricultural operations” includes any of the following:

- “Farming in all its branches, including cultivating soil.”
- “Growing and harvesting any agricultural, horticultural, or floricultural commodity.”
- “Dairying.”
- “Raising livestock, bees, fish, fur-bearing animals, or poultry.”
- “Turf and tree farming.”
- “Performing any practices on a farm incident to, or in conjunction with, farming operations...”

*Note: The law regarding agricultural classification specifically states that commercial storage, processing, distribution, marketing, and shipping operations are not agricultural operations.*

*Note: The definition of “agricultural operations” provided above differs from the definition of “agricultural use” used to determine whether a parcel is devoted primarily to agricultural use as defined by*

*law. The above definition of “agricultural operations” is not to be used in determining whether a parcel is devoted primarily to agricultural use. Similarly, the definition of “agricultural use” is not to be used in determining a parcel's classification. See the [definition of agricultural use](#) section of this publication for additional information on agricultural use, starting on page 15.*

- **Is leaving land fallow an agricultural operation for classification purposes?**

Yes, but only to a certain extent. Leaving land fallow (i.e., leaving land unplanted or uncultivated or planting land with a “cover crop” such as grass) to allow the soil to recharge is still considered a recognized and legitimate agricultural practice. Therefore, in the opinion of the State Tax Commission, land which is being left fallow may be considered to be used for an agricultural operation for classification purposes. However, it is clear under the lawful definition of “agricultural operations” that land must be actively farmed to be used partially or wholly for agricultural operations. **Land that is left fallow for multiple years or indefinitely is not actively farmed and, in the view of the State Tax Commission, is not used for agricultural operations. The State Tax Commission recommends that land that is left fallow for more than one growing season generally be considered not to be used for agricultural operations.** The State Tax Commission notes a potential for concern with regard to land that is not used in active agriculture. A different view of fallow land than the views presented above could allow property owners who are not actively farming land and who have not actively farmed land for several years to claim that their property is used for agricultural operations (and perhaps receive the qualified agricultural property exemption) on the basis that the land has been left fallow. Allowing property which is not being actively farmed to be considered to be used for agricultural operations would be contrary to the statutory definition of “agricultural operations”.

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*Note: See also the [definition of agricultural use](#) section of this publication for information discussing whether fallow land is considered an agricultural use as defined by law, on page 23.*

*Note: See also the question in this section of the publication regarding federal acreage set-aside programs and federal conservation reserve programs in relation to classification, starting on this page.*

*Note: See also the next question for a discussion whether unfarmed, tillable land is considered to be used for agricultural operations.*

- **Is land which is tillable but not farmed considered to be used for agricultural operations?**

No. Land which is tillable but not actively farmed is not used for agricultural operations for classification purposes.

*Note: The reader is advised, however, that to a certain extent, fallow land is considered to be used for agricultural operations. See the prior question for information on the treatment of fallow land with regard to agricultural operations; see the [definition of agricultural use](#) section of this publication for information on the treatment of fallow land as an agricultural use as defined by law, on page 23.*

*Note: See also the question in this section of the publication regarding federal acreage set-aside programs and federal conservation reserve programs in relation to classification, starting on this page.*

*Note: See the [definition of agricultural use](#) section of this publication for information on the treatment of unfarmed, tillable land as a defined agricultural use, starting on page 23.*

- **Does land covered by a Farmland Development Rights Agreement (commonly known as Pubic Act 116 land) have to be classified agricultural on the assessment roll?**

No. Under such an agreement, a temporary restriction on the land is established between the State and a landowner (voluntarily entered into by the landowner). The object of the restriction is to preserve the land for agriculture, in exchange for certain (income) tax benefits and exemption from various special assessments. However, the fact that land is enrolled in such an agreement does **not** necessarily mean that the property must be classified agricultural on the assessment roll. The proper classification of land covered by a Farmland Development Rights Agreement may be agricultural. The proper classification may also be residential or developmental (or some other classification) depending on the circumstances. **Even if a parcel is covered (partially or completely) by a Farmland Development Rights Agreement and (part or all of) the parcel is used for agricultural operations, the proper class may still be something other than agricultural.** For additional information and a better understanding of this issue, the reader is referred to the questions in this section of the publication concerning residential and developmental classification, starting on page 34, and concerning multiple potential classifications for the same parcel, starting on page 26.

- **Does land enrolled in a federal acreage set-aside program or federal conservation reserve program have to be classified agricultural on the assessment roll?**

No. In fact, enrollment of land in such a program may make it less likely that the proper classification of the affected property is agricultural (all other things remaining the same). Federal acreage set-aside programs and federal conservation reserve programs are broad program categories, encompassing many different types of programs. Typically, the



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owner of land in these programs is compensated in exchange for removing land from agricultural production, thinning trees, creating open areas, enhancing wetlands, etc. (depending on the specific type of program). The activities required of the property owner under such programs are not, generally speaking, agricultural operations under the statute governing classification for property tax purposes. For this reason, not only are parcels enrolled in such programs **not** necessarily to be classified agricultural, the fact that parcels are enrolled in such programs may increase the likelihood that the parcel should **not** be classified agricultural on the assessment roll. **The classification of property is to be determined in accordance with MCL 211.34c and no requirement exists under this statute that lands enrolled in a federal acreage set-aside program or a federal conservation reserve program must be classified agricultural.**

*Note: However, a change in the law in 2001 made enrollment in a federal acreage set-aside program or a federal conservation reserve program a defined agricultural use for purposes of the qualified agricultural property exemption. For purposes of the qualified agricultural property exemption, land enrolled in such a program is considered to be devoted to an agricultural use, just as if it were planted in corn. For additional information concerning federal acreage set-aside programs or federal conservation reserve programs in relation to the qualified agricultural property exemption, the reader is directed to the section of this publication on the [definition of agricultural use](#), on page 22.*

- **MCL 324.36101 contains a definition for “agricultural use” to be used in determining the qualified agricultural property exemption. Can this definition of “agricultural use” be used in determining property classification?**

No. The definition of “agricultural use” contained in MCL 324.36101 is not to be considered in the determination of property classification. Property classification is to be determined solely in accordance with MCL 211.34c. The definition of “agricultural operations” contained in MCL 211.34c is the only definition that applies to the agricultural property classification.

- **“Tree farming” is included as an agricultural operation for purposes of property classification. What is considered “tree farming”?**

The State Tax Commission considers the phrase “tree farming” to include the growing of nursery stock and Christmas trees. It is the opinion of the State Tax Commission that “tree farming” does **not** include the growing of timber for the harvesting of lumber or pulp.

*Note: The growing of fruit trees for the harvesting of fruit is an agricultural operation for purposes of classification.*

*Note: The above-stated opinion of the State Tax Commission is supported by Attorney General Opinion No. 5702 of May 6, 1980. This Attorney General Opinion is available at [www.michigan.gov/ag](http://www.michigan.gov/ag). See also State Tax Commission [Bulletin No. 9 of 2002](#) for more information regarding the State Tax Commission’s view of the phrase “tree farming” used in MCL 211.34c. This bulletin is available at the Department of Treasury’s Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).*

*Note: The management and harvesting of a woodlot is also not an agricultural use as defined by law for purposes of the qualified agricultural property exemption. See also the information contained in the [definition of agricultural use](#) section of this publication, on page 21.*



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- **Is a sugarbush (i.e., maple syrup) operation an agricultural operation for classification purposes?**

Yes and no. A sugarbush operation typically consists of two basic activities:

1. Collecting sap from maple trees
2. Processing the sap into maple syrup, primarily by boiling off some of the water from the sap

Under the law governing classification, commercial processing operations are not agricultural operations. The second activity listed above falls in the category of commercial processing and is not an agricultural operation. With regard to the first activity listed above, the State Tax Commission views sap collection activities associated with sugarbush operations as an agricultural operation for purposes of classification. In the view of the Commission, this activity constitutes the growing and harvesting of an agricultural commodity (one of the statutory definitions for agricultural operations).

*Note: Even though sap collection activities associated with a sugarbush operation are an agricultural operation, the fact that such activities occur on a parcel does not necessarily mean that the parcel's classification should be agricultural. Other factors can affect a parcel's classification. For additional information and a better understanding of this issue, the reader is referred to the questions in this section of the publication concerning residential and developmental classification, starting on page 34, and concerning multiple potential classifications for the same parcel, starting on page 26. For the sake of clarity and brevity, it is simply noted here that the proper classification for a parcel where maple sap collection activities occur may be agricultural. The proper classification for such a parcel may also be something other*

*than agricultural (e.g., commercial, residential, timber-cutover, etc.).*

*Note: As stated above, a sugarbush operation is an agricultural operation for classification purposes. However, due to differences between the law governing classification and the law defining "agricultural use", in the opinion of the State Tax Commission, a sugarbush operation is not an agricultural use as defined by law. Neither of the two sugarbush activities listed above are an agricultural use as defined by law in the view of the Commission. See the [definition of agricultural use](#) section of this publication for a discussion concerning sugarbush operations not being an agricultural use, starting on page 21.*

- **Is the raising of horses for sale an agricultural operation for classification purposes?**

Yes. Horses are livestock and raising livestock is an agricultural operation under the law for classification purposes. Raising horses for sale can take many forms. For instance, the raising of horses for sale would include situations where horses are raised and sold for meat (in other countries) or other products derived from horses. The raising of horses for sale would also include situations where horses are raised and trained for sale as race horses. The raising of horses for sale would also include the obvious situation where horses are raised and sold to others for their personal use (for riding, etc.). The following three examples are intended to illustrate situations where the raising of horses for sale is an agricultural operation as defined by law for classification purposes. The reader is also directed to the section of this publication concerning the [definition of agricultural use](#), starting on page 17, for information on whether horse operations are considered an agricultural use as defined by law for the qualified agricultural property exemption.

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**Example 1, horses raised and sold for meat or other products:** An 80-acre parcel is improved with stables and corrals for horses. No other improvements exist on the parcel. All 80 acres of the parcel are used to raise the horses which are then sold by the owner. After being sold, the horses are slaughtered and processed for horsemeat (in other countries) and other products derived from horses. As distasteful as this situation may be to some, the property in this example is used for an agricultural operation. For this reason, the parcel may be classified agricultural on the assessment roll.

*Note:* The property in the example above would also be used for an agricultural operation as defined by law if, instead of raising horses for sale, the property were used as a staging area where older horses are gathered and readied for sale (by the owner of the property) for the same end purposes. The property in that situation would also be used to raise horses for sale, an agricultural operation.

**Example 2, horses raised and trained for sale as race horses:** A 60-acre parcel is improved with a stable, corrals for horses, and a banked dirt race track. No other improvements exist on this parcel. All 60 acres of the parcel are used to raise horses and train them to be race horses. After they are sufficiently trained and reach a certain age, the horses are sold by the property owner. The property in this example is used for raising horses for sale and the property is therefore used for an agricultural operation. Because the property in this example is used for an agricultural operation, the parcel may be classified agricultural on the assessment roll.

**Example 3, horses raised and trained as riding horses:** A 40-acre parcel is improved with a stable and corrals for horses. All 40 acres of the parcel are used to raise and train horses to be riding horses. The owner of the property sells the horses after they have

received sufficient training and after they have reached a certain age. The property in this example is used to raise horses for sale which is an agricultural operation. Since the parcel is used for an agricultural operation, the parcel may be classified agricultural on the assessment roll.

*Note:* It is stated in the above three examples that the parcels in the examples are used for an agricultural operation and **may be** classified agricultural on the assessment roll. It should be noted by the reader that, even though the parcels are used for an agricultural operation, it may be proper to classify the parcels something other than agricultural on the assessment roll. **If a parcel is used partially, or even wholly, for agricultural operations, the parcel's classification is not automatically agricultural.** Factors other than agricultural use can affect a parcel's classification. For additional information and a better understanding of this issue, the reader is referred to the questions in this section of the publication concerning residential and developmental classification, starting on page 34, and concerning multiple potential classifications for the same parcel, starting on page 26.

- **Is the boarding of horses or the training of someone else's horses an agricultural operation for purposes of property classification?**

It is the opinion of the State Tax Commission that **property devoted to the boarding of horses or the training of horses owned by others is not entitled to the qualified agricultural property exemption.** The State Tax Commission considers such horse boarding and horse training operations to be service-oriented, commercial undertakings for purposes of property classification as well as for purposes of the qualified agricultural property exemption. By law, property devoted to commercial or industrial use is not to receive the qualified agricultural property exemption. Therefore, even though it could be argued that the boarding

## Qualified Agricultural Property Exemption Guidelines

or training of horses owned by others is an agricultural operation (since such operations could arguably be considered to contribute to the raising of horses), property devoted to a horse boarding or a horse training operation as described in this paragraph is not, in the opinion of the State Tax Commission, entitled to the qualified agricultural property exemption. See also the section of this publication concerning the [definition of agricultural use](#), starting on page 17, for information on whether horse operations are considered an agricultural use as defined by law for the qualified agricultural property exemption.

*Note: The State Tax Commission recognizes that horse boarding and horse training operations will often involve mixed-use facilities where pastures and/or structures are used both by horses owned by and being raised by the owner of the property and by other horses that the owner of the property does not own but that are being boarded or trained by the owner of the property in exchange for a fee. In determining the classification of such parcels, the assessor will have to consider the value contributed by each use to the overall property value. The type of use that most significantly influences the property's overall value determines the classification for that parcel. (See the questions in this section of the publication concerning multiple potential classifications for the same parcel, starting on page 26, for additional information on this subject.) In such mixed-use situations, if the assessor determines that the parcel's classification should be agricultural in spite of the commercial horse boarding or training operation, the Commission recommends that assessors consider the proportion of each use in determining the qualified agricultural property exemption for the parcel. The portion of the property used for a commercial use (such as boarding or training someone else's horses) would not be entitled to the qualified agricultural property exemption. The Commission recommends*

*that in mixed-use situations the proportion of commercial use(s) and non-commercial use(s) be used to establish the level of the qualified agricultural property exemption. The phrase "mixed-use", as used here, refers to situations where the multiple uses share the entire property or structure, not to situations where each use occupies a distinct portion of the property or structure. Property that is distinctly devoted to a commercial or industrial use is not entitled to the qualified agricultural property exemption even if the parcel is classified agricultural on the assessment roll.*

*Example: A 40-acre parcel is improved with a horse stable that accommodates 10 horses. Also located on the parcel are fenced pastures for the horses. No other structures are located on the parcel and the entire parcel, including the stable, is used by all 10 horses. The owner of the parcel owns 6 of the 10 horses. The other 4 horses are owned by others and boarded on the parcel for a fee. Since both the owner's horses and the boarded horses share the entire property, this is a mixed-use situation. The commercial use (the boarded horses) and the non-commercial use (the owner's horses) both occur over the entire parcel. In this situation, the assessor must first determine the classification for the parcel in light of the fact that the horse boarding operation is commercial in nature. If, in spite of this fact, the assessor determines that the parcel should be classified agricultural on the assessment roll, the assessor is then to consider the proportion of each use in determining the qualified agricultural property exemption for the parcel. Of the 10 horses on the parcel, 6 horses are associated with the non-commercial defined agricultural operation. The parcel, therefore, may be classified agricultural. However, the portion of the property used for a commercial purpose would not be entitled to the qualified agricultural property exemption. The parcel would therefore receive a partial qualified agricultural property exemption of 60 percent (4 of the 10 horses, or 40 percent, are associated with a commercial use).*

## Qualified Agricultural Property Exemption Guidelines

*Note: See the [partial exemptions](#) section of this publication for additional information on partial qualified agricultural property exemptions, starting on page 11.*

- **Are parcels assessed to the Department of Natural Resources and valued by the State Tax Commission to be classified agricultural?**

Yes. The current law regarding classification dictates that such parcels are to be classified agricultural.

- **Is it possible for a parcel that is completely devoted to agricultural use to have a residential classification?**

Yes. The statute governing property classification (MCL 211.34c) states that residential real property includes "...parcels...which are used for, **or probably will be used for**, residential purposes." (Emphasis added.) In addition, this statute states that residential real property also includes "[p]arcels that 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." (Emphasis added.) It sometimes happens that a parcel is devoted to agricultural use but a classification of residential—and not agricultural—is appropriate for the parcel (i.e., lawfully correct).

*Example: An unimproved parcel of 20 acres is planted completely each year in corn or soybeans and has been for many years. This parcel is located in an area where land is considered very desirable for residential development and extensive new residential development has occurred in the vicinity of the subject parcel in recent years. When parcels of a size similar to that of the subject parcel have sold over the last few years, the great majority of them have subsequently*

*been developed with single-family residences. Under these circumstances, the proper classification of the subject parcel is residential, even though the parcel is used entirely for agricultural purposes, since the parcel will probably be used for residential purposes when sold.*

- **Is it possible for a parcel that is completely devoted to agricultural use to have a developmental classification?**

Yes. The statute governing property classification (MCL 211.34c) states that "[d]evelopmental real property includes parcels containing more than 5 acres without buildings, or more than 15 acres with a market value in excess of its 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." It sometimes happens that a parcel is devoted to agricultural use but a classification of developmental—and not agricultural—is appropriate for the parcel (i.e., lawfully correct).

*Example: An unimproved parcel of 20 acres is planted completely each year in corn or soybeans and has been for many years. If its current use were its highest and best use, the parcel would have a value of \$24,000 (\$1,200 per acre). However, two years ago a new regional shopping center was completed 3/4 mile from the subject parcel. Due to this new development, much office and retail development has occurred around the new shopping center and in the vicinity of the subject parcel. The subject parcel could be developed with either a retail establishment or an office building. Sale of the vacant land for either of these two uses would result in a value much greater than the parcel's \$24,000 value in use. The parcel's market value is greater than its value in use. The proper classification for this parcel in these circumstances is developmental in accordance with the statute governing classification. Developmental is the correct classification for this parcel, even though the*

## Qualified Agricultural Property Exemption Guidelines

*parcel is used entirely for agricultural purposes, since the parcel contains more than 15 acres and has a market value in excess of the parcel's value in use.*

- **Is a parcel's classification determined by considering that parcel's characteristics or by considering the characteristics of the parcel and other nearby parcels under the same ownership as a unit?**

The statute governing property classification (MCL 211.34c) states that "...each year, the assessor shall classify **every item** of assessable property according to the definitions contained in this" law. (Emphasis added.) The State Tax Commission has interpreted this language to mean that the classification of each parcel is to be determined solely based on that parcel's characteristics and not based on the characteristics of adjacent or nearby parcels that may be under the same ownership.

*Example: A 200-acre farm consists of six contiguous parcels. All six parcels are entirely tillable and are farmed. A seventh parcel of 20 acres is contiguous to these six parcels, but no portion of this parcel is used for agricultural operations. All seven of these parcels are under the same ownership and are unimproved. The seventh parcel cannot lawfully be classified agricultural by the assessor since no portion of the seventh parcel is used for agricultural operations. This is true despite the adjacent six parcels that are under the same ownership and that are used for agricultural operations.*

*Note: Since classification is determined on a parcel-by-parcel basis, it might be possible for the owner of the parcels in the preceding example to have two or more of the parcels combined such that a parcel that contains what used to be the seventh parcel would meet the definition for agricultural real property contained in the classification law.*

- **Can a parcel's size be a factor in the determination of the classification for that parcel?**

Yes. The law governing property classification (MCL 211.34c) contains a size specification for developmental real property. For this reason, a parcel's size can be a factor in determining whether a parcel should be classified developmental. Although the law governing property classification does not contain any other size specifications, this statute does contain language that can also indirectly make a parcel's size a factor in determining that parcel's classification. The law governing classification states that residential real property includes "...parcels...which are used for, **or probably will be used for**, residential purposes." (Emphasis added.) In addition, this statute states that residential real property also includes "[p]arcels that 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." (Emphasis added.) If it can reasonably be determined, based on a parcel's size (and location), that a parcel will probably be used for residential or recreational purposes, a residential classification is likely appropriate. This is true even if a portion of the parcel is devoted to agricultural operations.

*Example: A parcel is 20 acres in size. The parcel is unimproved and all 20 acres are, and have historically been, devoted to agricultural operations. However, in recent years, residential pressures have been increasing in the area where the parcel is located. Due to these residential pressures, the great majority of parcels of 25 acres or less that have sold during the last few years have subsequently been split and developed with single-family residences. Under these circumstances, the proper classification of the 20-acre parcel is residential, even though the parcel is used entirely for agricultural purposes, since the parcel will probably be used for residential purposes when sold.*



## Qualified Agricultural Property Exemption Guidelines

- **Can a parcel's agricultural productivity or profitability be a factor in the determination of the classification for that parcel?**

Yes. The law governing property classification (MCL 211.34c) contains language that can indirectly make a parcel's agricultural productivity or profitability a factor in determining that parcel's classification. For example, the law governing classification states that residential real property includes "...parcels...which are used for, **or probably will be used for**, residential purposes." (Emphasis added.) In addition, this statute states that residential real property also includes "[p]arcels that 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." (Emphasis added.) If it can reasonably be determined, based on a parcel's (poor) agricultural productivity or (low) profitability from agricultural use, that a parcel will probably be used for residential or recreational purposes, a residential classification is likely appropriate. This is true even if a portion of the parcel is devoted to agricultural operations.

*Example: A parcel is 15 acres in size and is improved with a barn and some small sheds. With the exception of 7 acres of wetlands, the entire parcel is, and has historically been, devoted to agricultural operations. Some land in the vicinity of the 15-acre parcel is good (i.e., productive) crop land. However, much of the land in the area, including the land comprising the 15-acre parcel, is relatively unproductive crop land. In recent years, residential pressures have been increasing moderately in the area where the parcel is located. Good crop land which has sold in recent years has in almost all cases continued to be farmed after the purchase, whereas poor crop land similar to the 15-acre parcel has nearly always been split and developed residentially when sold. Due to*

*the 15-acre parcel's low productivity/profitability, it is apparent that the future use of the parcel will be a residential use. The 15-acre parcel will probably be used for residential development when sold. Therefore, the proper classification of the 15-acre parcel is residential, even though the parcel is currently used for agricultural purposes.*

- **Does the owner of a parcel that is classified agricultural have to file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), for the parcel to receive the qualified agricultural property exemption?**

The owner of a parcel that is classified agricultural does not usually have to file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), for the parcel to receive the qualified agricultural property exemption. A parcel that is classified agricultural normally receives the qualified agricultural property exemption automatically.

*Note: However, an owner of a parcel that is classified agricultural is required to file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), if requested to do so by the assessor to determine if the parcel contains structures that are not entitled to the qualified agricultural property exemption.*

- **If a property owner does not agree with the classification assigned to his or her parcel, can the property owner appeal the parcel's classification?**

Yes. A property owner may appeal the classification of the parcel each year to the March board of review of the City or Township where the property is located. If dissatisfied with the March board of review decision, the property owner may then appeal further to the State Tax Commission by June 30 of that year.

*Note: Although an appeal of a parcel's classification may have an effect on that*

## Qualified Agricultural Property Exemption Guidelines

*parcel's eligibility for the qualified agricultural property exemption, it is not an appeal of that exemption. A classification appeal is decided based on what the proper classification of that parcel is under the law governing classification (MCL 211.34c) and based on the facts of the situation. A classification appeal is not to be decided based on the effect of the decision on the parcel's eligibility for the qualified agricultural property exemption. Separate appeal processes are provided for appealing a parcel's eligibility for the qualified agricultural property exemption. See the [denials and appeals](#) section of this publication for information on appeals of the eligibility of a parcel for this exemption, starting on page 47.*

- **If an appeal of a parcel's classification results in a change of classification to agricultural on the assessment roll, could the classification change cause the parcel to receive the qualified agricultural property exemption?**

Yes. Since agricultural classification on the assessment roll makes a parcel eligible for the qualified agricultural property exemption, the change in classification would entitle the parcel involved in the appeal to receive the qualified agricultural property exemption for the year of the classification change (assuming the parcel involved was not already receiving the qualified agricultural property exemption or the homeowner's principal residence exemption).

- **What is to occur if the March board of review changes a parcel's classification to agricultural?**

If the March board of review changes a parcel's classification to agricultural, the assessor is to make that change on the assessment roll. The assessor must then also consider whether, and to what extent, the

parcel's new agricultural classification affects the parcel's eligibility for the qualified agricultural property exemption. The change may have no effect at all if the parcel was already receiving this exemption or the homeowner's principal residence exemption. In addition, the parcel may not be entitled to a full (100 percent) qualified agricultural property exemption due to a commercial or industrial use on the parcel or a residence on the parcel that is not a related building, etc. If the classification change affects the parcel's eligibility for the qualified agricultural property exemption, the assessor is also to change the assessment roll accordingly.

*Note: When determining the classification of a parcel, boards of review are not to consider (i.e., be influenced by) the effect of the classification on the parcel's eligibility for the qualified agricultural property exemption.*

*Note: See also the section on [related buildings](#) in this publication for information on related buildings, starting on page 9. See also the section in this publication on [partial exemptions](#) for a discussion of partial exemption issues, starting on page 11.*

*Note: An appeal of classification from a March board of review decision is not limited to appeals by property owners. Assessors are also authorized by law to appeal a March board of review determination concerning classification to the State Tax Commission by June 30 of the year involved.*

- **What is to occur if the State Tax Commission changes a parcel's classification to agricultural?**

If the State Tax Commission orders a change of a parcel's classification to agricultural, the assessor is to make that change on the assessment roll for the year(s) covered by the order. The assessor must then also consider whether, and to what extent, the parcel's new agricultural classification affects the parcel's

## Qualified Agricultural Property Exemption Guidelines

eligibility for the qualified agricultural property exemption for the year(s) covered by the Commission's order. The change may have no effect at all if the parcel was already receiving this exemption or the homeowner's principal residence exemption. In addition, the parcel may not be entitled to a full (100 percent) qualified agricultural property exemption due to a commercial or industrial use on the parcel or a residence on the parcel that is not a related building, etc. If the classification change affects the parcel's eligibility for the qualified agricultural property exemption, the assessor is also to change the assessment roll(s) accordingly. The appropriate treasurer must then issue a refund of any overpayment of taxes for the year(s) covered by the order. The appropriate treasurer is to issue the refund in accordance with the assessor's determination whether, and to what extent, the parcel's new agricultural classification affects the parcel's eligibility for the qualified agricultural property exemption for the year(s) covered by the Commission's order.

*Note: See also the section on [related buildings](#) in this publication for information on related buildings, starting on page 9. See also the section in this publication on [partial exemptions](#) for a discussion of partial exemption issues, starting on page 11.*

- **If, as the result of an appeal, the March board of review or the State Tax Commission changes a parcel's classification to agricultural on the assessment roll, is that change permanent or semi-permanent? In other words, can the assessor change the classification to something other than agricultural in a subsequent year?**

A change of a parcel's classification to agricultural by the March board of review or the State Tax Commission is **not** permanent or semi-permanent. An assessor is required by law to determine each parcel's

classification every year. A change in the circumstances from the prior year or other factors may cause an assessor to change the parcel's classification to something other than agricultural in a year following action by the local March board of review or the State Tax Commission changing the classification to agricultural. A property owner should not have the expectation that the agricultural classification established by March board of review or State Tax Commission action will last beyond the year of that action.

- **In situations where a classification appeal is pending with the State Tax Commission, will the State Tax Commission order that is issued once the appeal is decided automatically cover all subsequent years as well as the year specifically under appeal?**

No. It sometimes happens in the case of a classification change ordered by the State Tax Commission that the appeal is heard and the order is issued after the assessment roll for the next year is finalized. The Commission's order in such instances will **not** automatically cover the classification for the parcel for the year(s) after the year specifically under appeal. Unless the classification for each year is appealed first to the local March board of review and then to the State Tax Commission by June 30 of the year of the classification, the State Tax Commission does not have jurisdiction to change the classification. In addition, the circumstances surrounding the parcel may have changed after the first year the classification is in contention and the classification by the Commission may no longer be appropriate for a later year. A property owner should **not** expect that the class change by the State Tax Commission will automatically cover a subsequent year.

*Note: In situations where a classification appeal is pending with the State Tax Commission, property owners are advised to appeal the next year's classification to the local March board of review and then to the*

## Qualified Agricultural Property Exemption Guidelines

***State Tax Commission (if necessary) if the property owner does not agree with the classification for that next year. Otherwise, the classification for that next year will remain unchanged.***

*Note: If a property owner has failed to appeal the next year's classification to the March board of review or the State Tax Commission when a classification appeal was pending with the State Tax Commission, that next year's classification will not be changed as discussed above. However, the property owner may wish to consider appealing to the July or December board of review and requesting that the parcel involved be granted the qualified agricultural property exemption. If more than half the parcel's acreage was devoted to an agricultural use as defined by law on May 1 of the year in question and the parcel did not receive the qualified agricultural property exemption for that year, the July or December board of review may grant the exemption. The jurisdiction of the July or December board of review in granting this exemption is limited to the current year and the immediately preceding year. See also the [exemption requirements](#) section and the [denials and appeals](#) section of this publication, starting on pages 4 and 44, respectively.*

- **If an appeal of a parcel's classification results in a change of classification on the assessment roll from agricultural to something other than agricultural (e.g., residential, commercial, etc.), could the classification change cause the parcel to lose the qualified agricultural property exemption?**

Yes. Since agricultural classification on the assessment roll makes a parcel eligible for the qualified agricultural property exemption, the change in classification to something other than agricultural could eliminate the parcel's eligibility to receive the qualified

agricultural property exemption for the year of the classification change.

*Example: A parcel is 40 acres in size. Of the 40 acres, 15 acres are annually planted in corn or soybeans. The other 25 acres are a combination of swamp and woods, are not tillable, and are not devoted to an agricultural use as defined by law. The 25 acres are often used for hunting purposes. The parcel is located in an area where such parcels are predominantly used for recreational purposes. Based on these circumstances, the assessor changed the classification for the parcel from agricultural to residential on the assessment roll (when preparing the assessment roll). The property owner did not agree with this classification and appealed the classification to the local March board of review. The March board of review agreed with the property owner and changed the classification back to agricultural. The assessor appealed the classification from the March board of review decision to the State Tax Commission. The Commission considered the matter, agreed with the assessor, overruled the March board of review, and restored the residential classification. As a result of this classification change, the parcel is not entitled to the qualified agricultural property exemption. It is not classified agricultural on the assessment roll and its acreage is not devoted primarily to an agricultural use as defined by law (only 15 of the 40 acres, or 37.5 percent, are devoted to a defined agricultural use).*

- **What is to occur if the State Tax Commission changes a parcel's classification from agricultural to something other than agricultural (e.g., residential, commercial, etc.)?**

If the State Tax Commission orders a change of a parcel's classification from agricultural to something other than agricultural, the assessor is to make that change on the assessment roll for the year(s) covered by the order. The assessor must then also remove the qualified agricultural



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property exemption for the year(s) covered by the Commission's order (provided it was getting this exemption and provided it was getting this exemption due solely to the parcel's agricultural classification). The appropriate treasurer must then, per the Commission order, issue a bill for the additional taxes due to the removal of the qualified agricultural property exemption for the year(s) covered by the order. It is recommended by the State Tax Commission that no penalty or interest be levied on the additional taxes in this situation if those additional taxes are timely paid.

*Note: The change in classification may have no effect at all if the parcel was already receiving the homeowner's principal residence exemption. In that case, the property would not have been receiving the qualified agricultural property exemption and the assessor should **not** remove the exemption from local school operating millage. In that case, additional taxes should **not** be billed due to the classification change.*

*Note: The property may have been qualified agricultural property in spite of the removal of the agricultural classification. If more than half the parcel's acreage was devoted to an agricultural use as defined by law on May 1 of the year(s) involved, the parcel was qualified agricultural property. The property owner may have filed [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and may have been receiving the qualified agricultural property exemption on that basis. If so, the assessor should **not** remove the qualified agricultural property exemption. In that case, additional taxes should **not** be billed due to the classification change.*

*Note: Another possibility is that the property may have been qualified agricultural property in spite of the removal of the agricultural classification but the parcel may have been receiving this exemption solely due to its agricultural classification. If more*

*than half the parcel's acreage was devoted to an agricultural use as defined by law on May 1 of the year(s) involved, the parcel was qualified agricultural property. If the property owner had not filed [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and the parcel was not receiving the qualified agricultural property exemption on that basis, the assessor **must** remove the qualified agricultural property exemption and additional taxes **must** be billed. This is to be done even if the property was qualified agricultural property (due to its use). However, the property owner in such situations can appeal to the local July or December board of review by filing a properly completed [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and claiming entitlement to the exemption. The July or December board of review would have the power to grant the exemption for the current year and the immediately preceding year. A refund of taxes would result from a successful appeal to the July or December board of review. The State Tax Commission expects that assessors will notify property owners of the possibility of such an appeal in these situations. [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), is available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).*

### Ownership

- Can property owned by a legal entity (such as a partnership, corporation, limited liability company, association, etc.) receive the qualified agricultural property exemption?

Yes, provided the property otherwise qualifies for this exemption. Unlike the homeowner's principal residence exemption, ownership by a partnership, corporation, limited liability company, association, or other legal entity does not disqualify the property for the qualified agricultural property exemption. Ownership by



## Qualified Agricultural Property Exemption Guidelines

an individual also does not disqualify the property for the qualified agricultural property exemption. For information regarding the homeowner's principal residence exemption, please see [Form 2856, Guidelines for the Michigan Homeowner's Principal Residence Exemption](#). This form is available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

- **Can property owned or being purchased under a land contract receive the qualified agricultural property exemption?**

Yes, provided the property otherwise qualifies for this exemption.

- **Can property owned by someone who has retained a life lease on that property receive the qualified agricultural property exemption?**

Yes, provided the property otherwise qualifies for this exemption.

- **Can property owned by someone as a result of being a beneficiary of a will receive the qualified agricultural property exemption?**

Yes, provided the property otherwise qualifies for this exemption.

- **Can property owned by someone as a result of being a beneficiary of a trust receive the qualified agricultural property exemption?**

Yes, provided the property otherwise qualifies for this exemption.

- **Can property owned by someone as a result of intestate succession receive the**

### **qualified agricultural property exemption?**

Yes, provided the property otherwise qualifies for this exemption.

### **Withdrawals and Rescissions**

- **Can a property owner withdraw a qualified agricultural property exemption that has been incorrectly granted?**

Yes. If a qualified agricultural property exemption is erroneously granted, an owner may request in writing that the local tax collecting unit withdraw the exemption.

- **If a property owner requests that a local tax collecting unit withdraw an erroneously granted qualified agricultural property exemption, what are property tax officials required to do?**

The local assessor must notify the property owner that the qualified agricultural property exemption has been denied based on the owner's request. The exemption is to be removed immediately from the tax roll(s) affected by the denial as if the exemption had not been granted. The local unit and the County treasurer are responsible for changing the tax roll(s) in their possession. A corrected tax bill for each affected tax year must be issued by the local unit and/or the County treasurer, again depending on possession of the tax roll(s) for the affected years. The corrected tax bill(s) will be for the additional taxes caused by the removal of the qualified agricultural property exemption.

- **If a property owner requests that a local tax collecting unit withdraw an erroneously granted qualified agricultural property exemption, will the resulting corrected tax bill(s) include penalty or interest?**

## Qualified Agricultural Property Exemption Guidelines

If an owner requests that the exemption be withdrawn before the owner is contacted in writing by the local assessor regarding the owner's eligibility for the exemption, and if the owner pays the corrected tax bill(s) within 30 days after the corrected tax bill(s) are issued, the owner is not liable for any penalty or interest on the additional taxes. An owner who pays a corrected tax bill more than 30 days after the corrected tax bill is issued is liable for the penalties and interest that would have accrued if the exemption had not been granted from the date the taxes were originally levied.

- **What is the difference between a withdrawal of a qualified agricultural property exemption and a rescission of this exemption?**

A withdrawal of the qualified agricultural property exemption works to remove the exemption from the parcel for the year(s) involved as if the exemption had not been granted for the year(s). A withdrawal results in additional taxes being billed for the current and/or prior years. A rescission of the qualified agricultural property exemption, on the other hand, works to remove all or a portion of the qualified agricultural property exemption for the next tax year. No additional taxes are billed for the current or prior years due to a rescission of this exemption. When a qualified agricultural property exemption is rescinded, the current year is not affected. The assessor simply removes (or reduces) the exemption for the next tax year.

*Example: It is June. A 60-acre parcel is classified residential by the assessor on the assessment roll. In prior years and until this month, the parcel had been used entirely to graze cattle raised for beef. The parcel has been receiving a full qualified agricultural property exemption. The cattle operation ceased on this parcel this month when the owner sold the parcel to a developer who has*

*begun to construct a subdivision over the entire parcel. The new owner has rescinded the qualified agricultural property exemption since the property is no longer qualified agricultural property. Under these circumstances, the parcel will continue to receive the qualified agricultural property exemption on its tax bills for the current year. The assessor must remove the qualified agricultural property exemption for the next tax year.*

- **Is a property owner required to rescind the qualified agricultural property exemption when all or a part of the property benefiting from that exemption is no longer qualified agricultural property?**

Yes. Not more than 90 days after all or a portion of property receiving the qualified agricultural property exemption is no longer qualified agricultural property, the owner must rescind the exemption for the applicable portion of the property by filing a rescission form with the local assessor. The rescission form for this purpose is [Form 2743, Request To Rescind Qualified Agricultural Property Exemption](#). This form is available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

*Example: A 40-acre parcel containing a house is classified residential on the assessment roll. Of the 40 acres, 38 acres are planted in soybeans each year. The house site occupies the other 2 acres. No other improvements are present on the parcel. The parcel just sold last month. The prior owner of the property had filed [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), and the property was receiving a 100 percent qualified agricultural property exemption since more than half its acreage was devoted to an agricultural use as defined by law and the owner was occupying the house. The new owner is also a farmer and has continued to farm the 38 acres. However, the new owner already had a house and has continued to reside at that other property. The house on the 40-*

## Qualified Agricultural Property Exemption Guidelines

*acre parcel is vacant and will not be occupied. Since the house is no longer a related building and is not entitled to the qualified agricultural property exemption, the 40-acre parcel is now only entitled to a partial (i.e., something less than 100 percent) qualified agricultural property exemption. A portion of the property (the house and the associated 2 acres) receiving the qualified agricultural property exemption is no longer qualified agricultural property. Therefore, the owner must rescind the exemption for the applicable portion of the property by filing a rescission form, Form 2743, with the local assessor within 90 days of the day the residence was no longer qualified agricultural property.*

*Note: For information on related buildings and partial qualified agricultural property exemptions, see the sections of this publication concerning [related buildings](#) and [partial exemptions](#), starting on pages 9 and 11, respectively.*

*Note: Do not confuse Form 2743 which is used to rescind the qualified agricultural property exemption with [Form 3677, Notice of Intent to Rescind the Qualified Agricultural Property Exemption](#). Form 3677 is used only in certain situations relating to the exemption from taxable value uncapping provided for some qualified agricultural property. Filing Form 3677 will not result in the rescission of the qualified agricultural property exemption and will not meet the property owner's legal responsibility to rescind the qualified agricultural property exemption. See State Tax Commission [Bulletin No. 10 of 2000](#) regarding the use of Form 3677.*

- **Is there a penalty when a property owner fails to file a rescission form when all or a part of the property receiving the qualified agricultural property exemption is no longer qualified agricultural property?**

Yes. An owner who fails to file a rescission form as is required by law in this situation is subject to a penalty of \$5 per day (beginning after the 90 days to file have elapsed) up to a maximum of \$200. This penalty is to be collected under MCL 205.1 to 205.31 and is to be deposited in the State school aid fund. This penalty may be waived by the Michigan Department of Treasury.

*Note: It is not the responsibility of local unit or County treasurers to collect this penalty. In fact, local unit treasurers and County treasurers are not legally authorized to collect this penalty.*

- **Should assessors remove the qualified agricultural property exemption from a parcel after that parcel transfers ownership?**

No. Once a parcel is granted the qualified agricultural property exemption, the exemption remains in place until the end of the year in which the property is no longer qualified agricultural property (except in withdrawal and denial situations). Ownership is **not** relevant in determining whether a parcel continues to receive the qualified agricultural property exemption.

*Example: A parcel is 20 acres in size and is classified residential on the assessment roll. All 20 acres are annually farmed. Several years ago, the owner filed [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), to claim the qualified agricultural property exemption and the parcel is still receiving this exemption. In June of this year, the owner decides to sell the parcel. The sale occurs in August of this year. In this situation, the exemption will remain in place for the rest of the year in which the sale occurred (i.e., this year) and for subsequent years as well, provided that the property remains qualified agricultural property. The new ownership of the parcel is not a consideration with regard to the parcel's eligibility to continue receiving the qualified agricultural property exemption. Also, unlike*

## Qualified Agricultural Property Exemption Guidelines

*the homeowner's principal residence exemption where eligibility for the exemption is tied to ownership, with the qualified agricultural property exemption, a new owner is not required to file an affidavit ([Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#)) to maintain the qualified agricultural property exemption for the year(s) following the change in ownership.*

*Note: For information regarding the homeowner's principal residence exemption, please see [Form 2856, Guidelines for the Michigan Homeowner's Principal Residence Exemption](#). This form and Form 2599 which is mentioned in the preceding paragraph are available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).*

*Note: See also the information on denials in the [denials and appeals](#) section of this publication, starting on this page. See also the information on withdrawals in this section of the publication, starting on page 41. For information on eligibility requirements for the qualified agricultural property exemption, the reader is directed to the [exemption requirements](#) section of this publication, starting on page 4.*

### **Denials and Appeals**

- **Can an assessor deny a qualified agricultural property exemption for a prior year on the initiative of the assessor?**

No. With the exception of withdrawal situations where the property owner has requested the withdrawal of the qualified agricultural property exemption for a prior year, the assessor cannot deny a qualified agricultural property exemption for a prior year.

*Note: See the section on [withdrawals and rescissions](#) in this publication for additional*

*information on withdrawals of the qualified agricultural property exemption, starting on page 41. See also the section on [classification](#) in this publication for information on the removal (which is not a denial but has essentially the same effect as a denial) of the qualified agricultural property exemption due to a change in classification, starting on page 25.*

- **Can an assessor deny the qualified agricultural property exemption for the current year?**

Yes, in three situations:

1. The assessor can deny a claim for a **new** qualified agricultural property exemption. The filing date is May 1 for the affidavit claiming this exemption ([Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#)). When a property owner files this form with the assessor and initially claims a qualified agricultural property exemption for a parcel that was not previously receiving this exemption, the assessor is to evaluate the exemption claim. If the assessor then reaches the conclusion that the parcel is not entitled to the qualified agricultural property exemption (or that the parcel is not entitled to the qualified agricultural property exemption to the extent claimed by the property owner), the assessor is to deny (or partially deny) the exemption.
2. The assessor can deny (or partially deny) an **existing** qualified agricultural property exemption when preparing the annual assessment roll. If the assessor believes that a parcel that received the qualified agricultural property exemption last year is no longer qualified agricultural property (or is no longer qualified agricultural property to the extent it was for the prior year), the assessor is to deny (or partially deny) the exemption when preparing the annual assessment roll.
3. In the opinion of the State Tax Commission, an assessor can also deny (or partially deny) an **existing** qualified agricultural property



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exemption after the close of the March board of review (since the status day for this exemption is May 1, well after the required close of the March board of review, and the property may no longer be qualified agricultural property on that status date, or may no longer be qualified agricultural property to the same extent on that status date). An example illustrating such a denial is provided below.

*Example: Last year an unimproved parcel of 30 acres received a qualified agricultural property exemption. The parcel was classified residential on the assessment roll last year and is classified residential on the assessment roll again this year. The parcel was completely planted in soybeans last year and in years prior to that. At the time the assessment roll was prepared this year, no physical change had occurred on the parcel. It is now April 16 and shortly after the close of the local unit's March board of review, the property owner began work to divide the entire parcel for residential development. As of today, site work has begun over the entire parcel, utilities have been extended to the various planned lots, and survey work has begun to put in a private road on the parcel. It is clear that this parcel is no longer qualified agricultural property and will not be qualified agricultural property on May 1 of this year, which is the status day for this exemption. In the opinion of the State Tax Commission, the assessor in this situation is to deny the qualified agricultural property exemption for this parcel for the current year.*

*Note: An assessor can deny a qualified agricultural property exemption for the current year in a fourth situation as well: when the property owner has requested a withdrawal of the exemption for the current year. See the section on [withdrawals and rescissions](#) in this publication for additional information on withdrawals of the qualified agricultural property exemption, starting on*

*page 41. See also the section on [classification](#) in this publication for information on the removal of the qualified agricultural property exemption due to a change in classification, starting on page 25.*

- **If, after the May 1 status date for the qualified agricultural property exemption, an assessor discovers that a parcel which was exempt in a prior year is incorrectly receiving this exemption for the current year, can the assessor deny the qualified agricultural property exemption for the current year?**

No. Even if the assessor discovers a situation where it is clear that a parcel is incorrectly receiving the qualified agricultural property exemption for the current year, after May 1 the assessor has no power to deny the exemption. The assessor in such a situation may only deny the exemption for the next year (and must do so if the parcel's eligibility remains the same when the next year's assessment roll is created). However, see the note below.

***Note: However, an assessor can deny a qualified agricultural property exemption for the current year after May 1 of that year if the property owner has requested the withdrawal of the exemption for the current year. (See the section on [withdrawals and rescissions](#) in this publication for additional information on withdrawals of the qualified agricultural property exemption, starting on page 41.) An assessor can also deny a qualified agricultural property exemption for the current year after May 1 of that year due to a processing delay. If, for example, an affidavit claiming the exemption is filed on or before the filing deadline of May 1, the assessor may take time to process and deny that exemption claim. The denial may then occur after May 1 (the State Tax Commission has recommended to assessors that the denial occur before July 1). Another processing delay example would be if the assessor, on or before May 1, discovers a parcel that is incorrectly receiving the qualified***



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*agricultural property exemption. The denial of the exemption in that situation could also occur after May 1.*

*Note: See the section on [classification](#) in this publication for information on the removal of the qualified agricultural property exemption due to a change in classification, starting on page 25.*

- **In situations where the assessor can deny the qualified agricultural property exemption for the current year, how does the assessor deny this exemption? What notification is made to the property owner?**

The way in which the assessor denies a qualified agricultural property exemption for the current year, and what type of notification is made to the property owner regarding the denial, depends on the circumstances:

1. To deny a **new** claim for a qualified agricultural property exemption (i.e., a claim made for a previously non-existent qualified agricultural property exemption made by the May 1 filing deadline), the State Tax Commission has recommended that the assessor deny the exemption by July 1 of the current year and that the owner be notified immediately of the denial, the reason for the denial, and the owner's rights of appeal to the July or December board of review. The notification should be made in writing. This denial and notification procedure also applies to situations where the assessor has determined that the parcel is not entitled to the qualified agricultural property exemption to the extent claimed by the property owner and the assessor is to deny the newly claimed qualified agricultural property exemption partially.
2. To deny an **existing** qualified agricultural property exemption when preparing the annual assessment roll, the assessor

eliminates the exemption from the upcoming assessment roll and notifies the property owner by mailing the property owner a notice of increase in tentative state equalized valuation or tentative taxable valuation at least 10 days before the March board of review. This notice shows the level of the qualified agricultural property exemption, if any. This denial and notification procedure also applies to situations where, in preparing the annual assessment roll, the assessor has determined that the parcel is not entitled to the qualified agricultural property exemption to the extent it was receiving this exemption and the assessor is to deny the existing qualified agricultural property exemption partially.

3. To deny an **existing** qualified agricultural property exemption after the close of the March board of review, an assessor would deny the exemption and notify the owner immediately of the denial, the reason for the denial, and the owner's rights of appeal to the July or December board of review. The notification should be made in writing. This denial and notification procedure also applies to situations where the assessor has determined after the close of the March board of review (but by May 1) that the parcel is not entitled to the qualified agricultural property exemption to the same extent the parcel received the exemption in the prior year and the assessor is to deny the existing qualified agricultural property exemption partially.

*Note: An assessor can deny a qualified agricultural property exemption for the current year in a fourth situation as well: when the property owner has requested a withdrawal of the exemption for the current year. See the section on [withdrawals and rescissions](#) in this publication for additional information on withdrawals of the qualified agricultural property exemption, starting on page 41. This section includes a discussion on the method of the denial by the assessor and the notification provided to the property owner when a withdrawal occurs. See also the section on*

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*classification in this publication for information on the removal of the qualified agricultural property exemption due to a change in classification, starting on page 25.*

- **Can a denial of a qualified agricultural property exemption be appealed?**

Yes.

- **What is the appeal process for appealing the denial of a qualified agricultural property exemption?**

The appeal process for appealing the denial of a qualified agricultural property exemption depends on the denial situation. Appeals processes associated with various denial situations are provided below:

1. When the assessor has denied (or partially denied) a claim for a **new** qualified agricultural property exemption, the property owner may appeal in the same year to the July or December board of review of the City or Township where the property is located. If not satisfied with the decision of the July or December board of review, the property owner may then appeal further to the Michigan Tax Tribunal within 30 days of the board of review action.
2. When the assessor has denied (or partially denied) an **existing** qualified agricultural property exemption when preparing the annual assessment roll, the property owner may appeal in that year to the March board of review of the City or Township where the property is located. If not satisfied with the decision of the March board of review, the property owner may then appeal further to the Michigan Tax Tribunal by June 30 of that year.
3. When the assessor has denied (or partially denied) an **existing** qualified agricultural property exemption after the

close of the March board of review, the property owner may, in the opinion of the State Tax Commission, appeal in that year to the July or December board of review of the City or Township where the property is located. If not satisfied with the decision of the July or December board of review, the property owner may then appeal further to the Michigan Tax Tribunal within 30 days of board of review action.

*Note: The State Tax Commission annually publishes a chart concerning property tax appeal procedures. For a summary of the appeal options discussed above (and information on other property tax appeal processes), the reader is directed to the most recent edition of this annual bulletin at the Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).*

*Note: See also the section on classification in this publication for information on the removal of the qualified agricultural property exemption due to a change in classification, starting on page 25. Information is provided in that section concerning the appeal process when a parcel's classification has been changed.*

- **If a parcel did not receive the qualified agricultural property exemption last year, can the March board of review grant an appeal by the property owner requesting that the qualified agricultural property exemption be added for the current year?**

No. If the parcel did not receive the qualified agricultural property exemption in the prior year, the March board of review of the City or Township where the property is located does **not** have the legal authority to grant the exemption for the current year, even if the parcel qualifies for the exemption. Instead, the property owner can simply file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), by May 1 to claim the exemption. This form is available at the

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Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

- **If a parcel received the qualified agricultural property exemption last year and continuation of the existing exemption was denied by the assessor this year when the assessor prepared the assessment roll, can the property owner appeal the denial to the July or December board of review?**

No. The appeal in this situation is to the March board of review of the City or Township where the property is located and then to the Michigan Tax Tribunal by June 30 of that year (if not satisfied with the March board of review decision). **Neither the July nor the December board of review has the legal authority to hear an appeal regarding the denial by the assessor of the continuation of a qualified agricultural property exemption under these circumstances.**

- **Can an owner of property that was qualified agricultural property on May 1 for which an exemption was not on the tax roll somehow later obtain that exemption?**

Yes. The law provides that an owner of property that was qualified agricultural property on May 1 for which an exemption was not on the tax roll may appeal to the July or December board of review of the City or Township where the property is located. July and December boards of review have the power to grant the exemption for the current year (the year in which the appeal is made) and the immediately preceding year—provided the parcel in question otherwise qualified for the exemption for the year(s) involved. Please see State Tax Commission [Bulletin No. 12 of 1997](#) for an explanation of the circumstances where the law authorizes the July or December board of review to take action when the qualified agricultural property exemption is **not on the tax roll**.

*Note: If an appeal of the type discussed in this question is denied, the property owner may then appeal further to the Michigan Tax Tribunal within 30 days of board of review action.*

*Example: It is June. A parcel of 40 acres is classified residential by the assessor and was classified residential last year as well. The parcel contains (only) a house occupied by the owner. The house is situated on 2 of the 40 acres. The other 38 acres are farmed each year. Before last year, the parcel received the homeowner's principal residence exemption. Starting last year, however, the property owner conveyed the parcel to a limited liability company (LLC) that the property owner also owns. This conveyance was made for liability protection purposes. Due to the LLC ownership, the parcel was no longer entitled to the homeowner's principal residence exemption last year or this year. The property owner has not claimed a homeowner's principal residence exemption on other property. In this situation, the property is qualified agricultural property and the property owner can appeal to the local July or December board of review this year and request the qualified agricultural property exemption for this year and last year. The July or December board of review has the legal authority to grant this request. The property owner will have to file [Form 2599, Claim For Farmland Exemption From Some School Operating Taxes](#), for the board of review to grant the exemption. This form is available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury). If the local July or December board of review were to deny the appeal in this situation, the property owner could then appeal to the Michigan Tax Tribunal within 30 days of the board of review action.*

*Note: For information regarding the homeowner's principal residence exemption, please see [Form 2856, Guidelines for the Michigan Homeowner's Principal Residence Exemption](#). This form is available at the Michigan Department of Treasury Web site, [www.michigan.gov/treasury](http://www.michigan.gov/treasury).*