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NO TAXES ON UNUSED SILOS

House Bill 4920 (Substitute H-1) First Analysis (2-23-00)

Sponsor: Rep. Stephen Ehardt
**Committee: Agriculture and Resource
Management**

THE APPARENT PROBLEM:

Reportedly, the use of silos has decreased due to changes in agricultural practices. However, silos not in use for agricultural purposes are still being taxed as agricultural property. At constituent request, legislation has been introduced to exempt unused silos from the property tax.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to exempt silos not used in agricultural operations (as defined in the act) from the collection of taxes under the act.

A silo owner could claim an exemption by filing an affidavit, on a form prescribed by the Department of Treasury, by December 31 with the local tax collecting unit in which the silo was located. The affidavit would have to state that the silo was owned by that owner and that the silo was not being used and would not be used in agricultural operations during the entire calendar year in which the affidavit was filed. If an exempt silo was used in agricultural operations, the bill would require the silo owner to file a "recission form" with the local tax collecting unit within 30 days after the agricultural use began.

If the owner of an exempted silo used it for agricultural operations but failed to file a recission form as required, the bill would require the levy of interest and penalty from the date the tax would originally have been levied in addition to the taxes owed. The appropriate assessing officer would certify (to the appropriate treasurer) for collection any additional taxes, interest, and penalties due. The treasurer of the unit of government having possession of the tax roll would collect -- and would prepare and submit a corrected bill for -- any such taxes, interest, and

penalties, which then would be distributed in the same way as other delinquent taxes, interest, and penalties are distributed under the act .

MCL 211.7gg

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, tax revenues probably would fall by an indeterminate amount under the bill, depending on the number of silos that would be exempted. (2-22-00)

ARGUMENTS:

For:

Reportedly, for a number of reasons, silos are going unused in agricultural operations, and yet these unused silos continue to be taxed as if they were being used. Silos are used to store silage for livestock, but newer, less expensive silage storage options, such as bunkers, have reportedly been replacing silos. Moreover, there also has been a decline in livestock operations, such as dairy farms, whose use of the silos was greatest. Unused silos often are connected to other silos or other farm buildings, such as barns, which makes them difficult to tear down without damaging the other farm buildings still in use. In one case cited in committee testimony, one of three silos constructed together is so badly damaged that it cannot be used for agricultural purposes, and yet it remains necessary to the support of the remaining two silos which are still in use. So the damaged silo cannot be torn down and cannot be used for agricultural purposes, yet the farmer is being taxed on this damaged, unused silo. The bill would help provide some much-needed tax relief to farmers who are once again facing difficult financial times.

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Against:

While proponents say the bill's impact on the state as a whole would be negligible, it is possible that there could be a negative impact on local units in some parts of the state. When coupled with other "minor" tax breaks, granted or requested, this bill could affect local budgets. Property is supposed to be assessed based on its market value. It is not clear why there should be an exception in this case. Moreover, it should be noted that agricultural property received a significant tax reduction as a result of Proposal A of 1999, which created the new school financing system.

POSITIONS:

The Michigan Farm Bureau supports the bill. (2-22-00)

The Michigan Assessors Association opposes the bill. (2-22-00)

Analyst: S. Ekstrom

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.