

A Powerful New Incentive for Private Land Conservation

Michigan Public Act 446 of 2006

What Does Public Act 446 Do?

Under current Michigan law, the taxable value of a parcel of property may not increase from one year to the next by more than 5% or the increase in the consumer price index, whichever is lower, until there is a transfer of ownership. When the property is sold or transferred, the assessment is “uncapped” and the parcel is taxed upon its state equalized value (SEV: 50% of its true cash value). This reassessment upon transfer creates a “pop-up” property tax.

P.A. 446, introduced as Senate Bill 1004, eliminates the “pop-up” property tax on the transfer of lands enrolled in a voluntary conservation agreement (also known as “conservation easement”).¹

How Does This Benefit Conservation?

Until the signing of Senate Bill 1004 on December 7, 2006, property taxes on conservation lands, like developed lands, jumped dramatically upon their sale or transfer. Property taxes on conservation lands rose significantly even though their development is permanently limited.

This provided a disincentive for landowners to enter into conservation agreements. To afford the higher taxes, new landowners needed the option of developing the land. The elimination of the pop-up tax on conservation lands means that both current and future landowners have a strong incentive to keep the affected lands intact with habitat, environmental and scenic benefits. This law gives protected conservation property the same tax treatment as protected farmland.

How Does This Benefit Private Landowners?

The Act prevents the taxable value of conservation property from “popping-up” to the state equalized value when it is transferred. This means a potential direct tax savings of hundreds or thousands of dollars per year for new owners of the land.

What’s an Example of How the New Law Works?

An 80-acre non-farm property with a current taxable value of \$43,000 and a state equalized value of \$252,000 would have been subject to \$4,395 in annual property tax payments after transfer. Under the new law, if the 80 acres are all enrolled in a conservation agreement, annual property taxes will remain at their current level after transfer -- \$750 per year. This means **an annual savings of \$3,645**. Over a 50-year span, the new landowner will realize an estimated \$149,131 in value from the change.

How Do I Find Out More?

Contact your local land conservancy, accountant and tax advisor to learn how the new law could benefit you.

¹ Residences and buildings on the lands are still subject to reassessment to the current SEV.