

Property Taxes And Restored Barns By Gary Howell

The Howell-Redfield Barn 120 Years of Agricultural History

The Michigan property tax is very kind to renovated barns such as the one shown above. In fact, the renovation of an older barn for agricultural use has the least tax cost of any comparable project.

All rural property owners are enjoying the benefits of Proposal A, which was adopted by Michigan voters in 1994. By eliminating most school millages, property taxes on homes and farms (including barns) were cut by over one-half. Equally beneficial is the provision in Proposal A which prevents property tax increases in excess of the yearly cost of living change (or 5%, whichever is less). In 1999, the increase is limited to 1.6% for land and existing buildings which did not change ownership.

Many farm owners are enrolled in the Farmland Preservation Program (Public Act 116 of 1974). This program refunds all property taxes in excess of 7% of household income. If a farm is receiving benefits under this program, any property tax increases are effectively paid by the State in the form of a refund to the taxpayer. Barns located on farms in the program are protected by this property tax benefit.

In addition to the general property tax reduction programs described above, older barns are uniquely under-taxed in Michigan. Generally, older barns are given a flat value rather than the square footage value used for more modern structures. A township assessor will typically place a nominal value on an older barn. As an example, the barn pictured on the front page (constructed in 1878) has a 1999 taxable value of \$2,510.00. This means that the 1999 tax bill for the barn will be \$61.50. Valuations and taxes in this range are common for older barns throughout the State of Michigan. By comparison, a new pole building on the 1999 tax roll with the same usable floor area of 10,000 square feet would have a tax bill of \$1,347.82.

Construction of new buildings results in an assessment at current market value and thus a substantial tax increase. However, renovation of an older barn does not generally result in a tax increase. This is due to several factors. First, a renovation simply extends the life of an existing building rather than adding a new building. Second, renovations are typically either not noticed or ignored by tax assessors. This is due partly to the fact that building permits are not required for agricultural structures. Tax assessors often take assessment data from building permits. Third, Proposal A does not provide for assessment increases for maintenance work. Only new value--such as an addition to an existing building or construction of a new building—is added to the taxable value.

A common misconception is that a barn will be assessed at a higher value if it is well maintained (painting, roofing, etc.). This has not been the practice in Michigan. A review of the assessment cards in rural townships across the State shows that barns of comparable size are assessed similarly regardless of their maintenance status. This is largely due to the fact that assessments on older barns are set at a flat rate and are capped under Proposal A.

The combination of all these factors results in a very low tax for renovated barns in Michigan. As the years go by and the Proposal A assessment cap further limits taxes on existing structures, the use of older barns will become ever more financially advantageous for farm owners.

(Gary Howell is a graduate of Michigan State University and the University of Michigan Law School. He is a township attorney and farmer in Lapeer County. He maintains a Level II Tax Assessing Certification through the State of Michigan. He also serves as president of the North Branch School Board. In 1993 the Howell's extensively restored and renovated a large 1878 barn for use in the family farm operation.)