



Court Ruling in Blake's Farm Case Clarifies Tax Exemptions for Agritourism Businesses in Michigan

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In a closely watched decision with significant implications for Michigan's agritourism industry, the Michigan Court of Appeals has upheld a ruling that limits the scope of agricultural tax exemptions for properties engaged in commercial agritourism activities. The case, *Blake's Farm, Inc. v. Armada Township*, centered on whether a popular agritourism destination could claim a full Qualified Agricultural Exemption (QAE) for its entire property, including areas used for retail, dining, and entertainment.

The Dispute

Blake's Farm, a popular agritourism destination in Armada Township, operates an apple orchard alongside a farm market, restaurant, gift shop, and seasonal attractions like an ice rink and spaces for events. The farm sought a 100% Qualified Agricultural Exemption (QAE) for two parcels of land, arguing that all its operations were part of a "farm operation" under the Michigan Right to Farm Act (RTFA). The farm therefore contended that, because its activities met the definition of "farm operation" under the RTFA, its use of the property qualified for exemption under the General Property Tax Act (GPTA).

However, the court ruled that the RTFA's broader definition of "farm operations" does not apply to tax exemptions under the GPTA. The court found that buildings used for commercial purposes—such as the restaurant, gift shop, and event spaces—do not qualify for the QAE, even if they are located on land classified as agricultural.

The Court's Decision

Key to the court's reasoning was the distinction between agricultural and commercial uses. Buildings such as the restaurant, gift shop, snack bar, cider retail area, and event spaces were deemed commercial in nature. The court noted that the GPTA explicitly excludes property used for "commercial storage, commercial processing, commercial distribution, commercial marketing, or commercial shipping operations"

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from the QAE.

Blake's Farm did not provide evidence to counter the township's assessment of how the buildings were used, relying instead on the RTFA's broader protections for farm operations. The court rejected this approach, stating that, while both the RTFA and GPTA refer to agriculture, they do not share a common purpose and therefore, cannot be read interchangeably.

Implications for Agritourism Operators

This ruling sends a clear message to agritourism operators across Michigan: while the RTFA may shield certain farm-related activities from local regulation, it does not automatically entitle those activities to the beneficial QAE exemption under the GPTA.

For farms that have diversified into tourism, retail, and entertainment, this decision underscores the importance of understanding how different parts of their operations are classified for tax purposes. Structures and land used primarily for commercial purposes—even if located on property classified as agricultural—may not qualify for full tax exemptions.

What You Should Do Now

If you're in the agritourism business or looking to branch into it, here are key steps to protect your operation and optimize your tax position:

1. Consult a Property Tax Professional and/or an attorney

- Work with a tax advisor and/or attorney who is familiar with Michigan's GPTA and agricultural exemptions. They can help you navigate the nuances of the law and prepare for potential audits or disputes.

2. Review Your Property Use

- Conduct a detailed review of how each building and area on your property is used.
- Identify which structures are directly tied to agricultural production (e.g., barns, cold storage for crops) versus those used for commercial purposes (e.g., restaurants, gift shops, event venues).

3. Separate Agricultural and Commercial Operations

- If feasible, consider separating commercial operations from agricultural ones—either physically or through distinct legal entities. This can help clarify which portions of your property qualify for exemptions and reduce the risk of losing tax benefits.

4. Document Agricultural Use

- Keep thorough records of how buildings are used, especially if they serve dual purposes. For example, if a structure is used for both apple storage and cider sales, document the proportion of each use.

5. Engage with Local Assessors Early



- Don't wait for a dispute to arise! Proactively engage with your township assessor to explain your operations and provide supporting documentation. Transparency can go a long way to avoiding misunderstandings.

6. Advocate for Policy Clarity

- Consider joining or supporting agricultural advocacy groups that are working to clarify how agritourism fits into Michigan's tax framework. Legislative changes may be needed to better align the RTFA and GPTA in the future.

What's Next for Michigan Agritourism?

The *Blake's Farm* decision is a wake-up call for Michigan's agritourism sector. As farms continue to innovate and diversify, it's critical to understand how those innovations are treated under the law.

Legal advocates suggest that future legislative clarification could help bridge the gap between the RTFA and GPTA, but for now, the court's decision stands as a precedent.

As agritourism continues to grow in popularity in Michigan, this case highlights the evolving legal landscape that farm-based businesses must navigate. Agritourism may be a lifeline for many farms, but when it comes to taxes, not all farm activities are treated equally.