

# SENATE BILL No. 218

February 15, 2001, Introduced by Senators HAMMERSTROM, SCHWARZ, MC MANUS and SHUGARS and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
(MCL 206.1 to 206.532) by adding section 269.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 269. (1) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31,  
2 2000, A QUALIFIED TAXPAYER MAY CLAIM A CREDIT AGAINST THE TAX  
3 IMPOSED BY THIS ACT EQUAL TO 5% OF THE RENT RECEIVED FOR THE  
4 RENTAL OF AGRICULTURAL ASSETS USED FOR FARMING OR LIVESTOCK PRO-  
5 Duction RENTED BY THE TAXPAYER TO A BEGINNING FARMER OR LIVESTOCK  
6 PRODUCER BASED ON A SHARE-RENTAL AGREEMENT.

7 (2) A TAXPAYER SHALL APPLY TO THE DEPARTMENT OF AGRICULTURE  
8 FOR APPROVAL TO CLAIM THE CREDIT ALLOWED UNDER THIS SECTION. IF  
9 THE TAXPAYER MEETS ALL OF THE REQUIREMENTS UNDER THIS SECTION,  
10 THE DEPARTMENT OF AGRICULTURE SHALL APPROVE THE APPLICATION OF  
11 THE TAXPAYER AND ISSUE A CERTIFICATE THAT INCLUDES THE TAX YEARS

1 FOR WHICH THE CREDIT MAY BE CLAIMED, THE AMOUNT OF THE CREDIT THE  
2 QUALIFIED TAXPAYER MAY CLAIM EACH TAX YEAR, AND THE MAXIMUM TOTAL  
3 CREDIT FOR ALL TAX YEARS ALLOWED TO THAT QUALIFIED TAXPAYER.

4 (3) THE DEPARTMENT OF AGRICULTURE SHALL VERIFY THAT EACH  
5 QUALIFIED TAXPAYER HAS A SHARE-RENTAL AGREEMENT WITH A BEGINNING  
6 FARMER OR LIVESTOCK PRODUCER AND THAT THE CONTRACT IS FOR AT  
7 LEAST 3 YEARS. THE QUALIFIED TAXPAYER MAY CLAIM THE CREDIT UNDER  
8 THIS SECTION FOR A 3-YEAR PERIOD WITHIN THE PERIOD OF TIME  
9 SUBJECT TO THE SHARE-RENTAL AGREEMENT. IF THE QUALIFIED TAXPAYER  
10 TERMINATES THE SHARE-RENTAL AGREEMENT BEFORE THE 3-YEAR PERIOD IS  
11 OVER, THE QUALIFIED TAXPAYER SHALL NOT CLAIM A CREDIT IN THE YEAR  
12 OF THE TERMINATION AND SHALL ADD TO HIS OR HER TAX LIABILITY FOR  
13 THE YEAR OF TERMINATION THE TOTAL AMOUNT OF ALL CREDITS CLAIMED  
14 UNDER THIS SECTION FOR ALL YEARS PRIOR TO THE YEAR OF  
15 TERMINATION.

16 (4) AS USED IN THIS SECTION:

17 (A) "AGRICULTURAL ASSETS" MEANS AGRICULTURAL LAND, LIVE-  
18 STOCK, FARMING OR LIVESTOCK PRODUCTION FACILITIES, AND BUILDING  
19 AND MACHINERY USED FOR FARMING OR LIVESTOCK PRODUCTION.

20 (B) "BEGINNING FARMER OR LIVESTOCK PRODUCER" MEANS AN INDI-  
21 VIDUAL WHO MEETS ALL OF THE FOLLOWING CRITERIA:

22 (i) IS A RESIDENT OF THIS STATE.

23 (ii) HAS BEGUN FARMING OR LIVESTOCK PRODUCTION OR IS SEEKING  
24 TO ENTER INTO FARMING OR LIVESTOCK PRODUCTION.

25 (iii) INTENDS TO FARM OR RAISE CROPS OR LIVESTOCK ON PROP-  
26 ERTY LOCATED WITHIN THIS STATE.

1           (iv) HAS A NET WORTH OF \$100,000.00 OR LESS INCLUDING  
2 HOLDINGS BY A SPOUSE OR DEPENDENT BASED ON THE FAIR MARKET VALUE  
3 OF THOSE HOLDINGS.

4           (v) PROVIDES THE MAJORITY OF THE DAY-TO-DAY PHYSICAL LABOR  
5 AND MANAGEMENT OF THE FARM ON WHICH THE FARMING OR LIVESTOCK PRO-  
6 Duction WILL OR DOES OCCUR.

7           (vi) HAS ADEQUATE FARMING OR LIVESTOCK PRODUCTION EXPERIENCE  
8 OR DEMONSTRATES KNOWLEDGE IN THE TYPE OF FARMING OR LIVESTOCK  
9 PRODUCTION HE OR SHE IS BEGINNING, AS DETERMINED BY THE DEPART-  
10 MENT OF AGRICULTURE.

11           (vii) DEMONSTRATES A PROFIT POTENTIAL TO THE DEPARTMENT OF  
12 AGRICULTURE AND AGREES THAT FARMING OR LIVESTOCK PRODUCTION IS  
13 INTENDED TO BECOME HIS OR HER PRINCIPAL SOURCE OF INCOME.

14           (viii) DEMONSTRATES A NEED FOR ASSISTANCE.

15           (ix) SUBMITS A NUTRIENT MANAGEMENT PLAN AND A SOIL CONSERVA-  
16 TION PLAN ON ANY APPLICABLE AGRICULTURAL ASSETS PURCHASED OR  
17 RENTED FROM THE OWNER OF THE AGRICULTURAL ASSETS.

18           (x) IS NOT RELATED TO THE OWNER OF THE AGRICULTURAL ASSETS  
19 THAT ARE THE BASIS OF THE SHARE-RENTAL AGREEMENT INTO WHICH THE  
20 BEGINNING FARMER OR LIVESTOCK PRODUCER HAS ENTERED.

21           (c) "FARMING OR LIVESTOCK PRODUCTION" MEANS THE ACTIVE USE,  
22 MANAGEMENT, AND OPERATION OF REAL OR PERSONAL PROPERTY FOR THE  
23 PRODUCTION OF A FARM PRODUCT.

24           (d) "FARM PRODUCT" MEANS PLANTS AND ANIMALS USEFUL TO PEOPLE  
25 AND INCLUDES, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING:

26           (i) FORAGES AND SOD CROPS.

(ii) GRAINS AND FEED CROPS.

(iii) DAIRY AND DAIRY PRODUCTS.

(iv) POULTRY AND POULTRY PRODUCTS.

(v) LIVESTOCK, INCLUDING BREEDING AND GRAZING LIVESTOCK.

(vi) FRUITS AND VEGETABLES.

(E) "OWNER OF AGRICULTURAL ASSETS" MEANS AN INDIVIDUAL WHO MEETS ALL OF THE FOLLOWING CRITERIA:

(i) IS A RESIDENT OF THIS STATE.

(ii) HAS DERIVED AT LEAST 50% OF HIS OR HER GROSS ANNUAL INCOME FROM FARMING OR LIVESTOCK PRODUCTION FOR A PERIOD OF 5 YEARS PRIOR TO ENTERING INTO A SHARE-RENTAL AGREEMENT UNDER THIS SECTION.

(iii) HAS A NET WORTH OF AT LEAST \$100,000.00 INCLUDING HOLDINGS BY A SPOUSE OR DEPENDENT BASED ON THE FAIR MARKET VALUE OF THOSE HOLDINGS.

(iv) HAS PROVIDED THE MAJORITY OF THE DAY-TO-DAY PHYSICAL LABOR AND MANAGEMENT OF A FARM FOR A SIGNIFICANT PERIOD OF TIME AS DETERMINED BY THE DEPARTMENT OF AGRICULTURE.

(F) "QUALIFIED TAXPAYER" MEANS A TAXPAYER THAT MEETS ALL OF THE FOLLOWING CRITERIA:

(i) IS THE OWNER OF THE AGRICULTURAL ASSETS THAT THE TAXPAYER RENTS TO A BEGINNING FARMER OR LIVESTOCK PRODUCER PURSUANT TO A SHARE-RENTAL AGREEMENT UNDER THIS SECTION.

(ii) HAS APPROVAL FROM AND IS CERTIFIED BY THE DEPARTMENT OF AGRICULTURE TO BE ELIGIBLE TO CLAIM A CREDIT UNDER THIS SECTION.

1           (iii) HAS ENTERED INTO A 3-YEAR SHARE-RENTAL AGREEMENT WITH  
2 A BEGINNING FARMER OR LIVESTOCK PRODUCER FOR AGRICULTURAL ASSETS  
3 OWNED BY THE TAXPAYER.