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BILL ANALYSIS

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House Bill 5030 (Substitute S-2 as reported)
Sponsor: Representative Howard Walker
House Committee: Land Use and Environment
Senate Committee: Agriculture, Forestry and Tourism

CONTENT

The bill would add Part 363 (Farmland Preservation - Agricultural Districts) to the Natural Resources and Environmental Protection Act to allow a farmland owner to enter into a 20-year agricultural district contract with the Michigan Department of Agriculture (MDA) to keep the land in agricultural use. The bill would do the following:

-- Allow the farmland owner to claim a credit against the State income tax or the single business tax equal to the difference between the property taxes on the farmland and $5 per acre, for tax years beginning after 2005.
-- Require the State to reimburse the State School Aid Fund for all revenue lost as a result of the credits.
-- Limit agricultural district contracts to farmland in local units whose governing body had adopted a resolution to participate and that were located in a county or township that, within the preceding five years, had created or updated a comprehensive land use plan that was consistent with proposed Part 363.
-- Establish procedures for the relinquishment of land subject to an agricultural district contract.
-- Require a lien against the land to be recorded upon relinquishment (except under certain circumstances) and upon the expiration of a contract.
-- Provide for an assessment to be levied on a farmland owner for early withdrawal from an agricultural district contract.
-- Require the unappropriated proceeds from lien payments and early withdrawal assessments to be deposited in the Agricultural Preservation Fund; and require that at least half of this amount be used for the purchase of agricultural easement easements or development rights to farmland in the local unit where the property was located.

Proposed MCL 324.36301-324.36313 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State General Fund revenue by $31.9 million to $42.6 million, depending on whether property taxes on buildings and structures would be eligible for the credit. The fiscal impact assumes near-100% participation for farmland not already enrolled under Part 361 (also called Public Act 116) and located in the 20 counties that either have or are considering the necessary land use plan. If more counties adopted such plans, the fiscal impact of the bill could increase to between $71.3 million and $95.1 million, depending on whether property taxes on buildings could be counted toward the credit.

The bill would have no fiscal impact on local government.

Date Completed: 10-5-04 Fiscal Analyst: David Zin