



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 4257 (Substitute S-1 as reported)

Sponsor: Representative Howard Walker

House Committee: Natural Resources, Great Lakes, 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; and allow the owner to claim a credit against either the State income tax or the single business tax for tax years beginning after December 31, 2007. The bill would do the following:

- Allow an agricultural district to be established in a county, city, village, or township that had adopted a resolution to participate under the Act and had created or updated a comprehensive land use plan that was consistent with proposed Part 363.
- Require an agricultural district to be approved by the local governing body, and allow a farmland owner to appeal a rejection to the MDA.
- Allow the MDA to execute agricultural district contracts for up to 75,000 acres each year from 2008 through 2012.
- Calculate the tax credit as the amount representing the difference between the property taxes on the farmland subject to a contract and \$5 per each acre subject to the contract.
- Require the State to reimburse the State School Aid Fund for all revenue lost as a result of the credits.
- Establish procedures for the relinquishment of land subject to an agricultural district contract, and require a lien against the land to be recorded under certain circumstances.
- Require the MDA to relinquish farmland if it were in the public's best interest and the farmland met certain conditions.
- Provide for an assessment to be levied on a farmland owner for early withdrawal from an agricultural district contract.
- Require an owner of farmland under an agricultural district contract to notify the MDA of any oil or gas exploration, drilling, or removal on the farmland.
- Permit the MDA to charge a fee of up to \$100 to process or renew an agricultural district contract.
- Allow the MDA to promulgate rules to implement proposed Part 363.

Proposed MCL 324.36301-324.36313

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would reduce State General Fund revenue by approximately \$1.1 million to \$1.8 million in the first year, and as much as \$8.9 million by the time enrollment closed in 2013. The acreage limitations presumably would be filled on a first-come, first-served basis. The fiscal impact assumes farmland would be enrolled in a manner that matched the distribution and averages of all farmland located in the 20 counties that have enacted the required land

use plan. To the extent that more farmland was enrolled from higher-tax-per-acre counties (such as Keweenaw, Oakland, Wayne, Washtenaw, Macomb, and St. Clair Counties), the fiscal impact would be greater, while if farmland from lower-tax-per-acre counties (such as Alger, Delta, Iron, Chippewa, and Schoolcraft Counties) comprised a disproportionate share of enrolled land, the fiscal impact would be lower. (Not all of the listed counties have enacted the required land use plans and the bill would provide a credit for land use plans held by entities other than a county.) The fiscal impact would increase as taxable values increased over time, but millage rates for purposes of computing the credit would be fixed at the time the property was enrolled. The credit could be first claimed for tax years beginning after December 31, 2007.

The bill potentially would limit the fiscal impact by not allowing the proposed credit, plus any credit claimed under Chapter 9 of the Income Tax Act (the homestead property tax credit) or the Single Business Tax (SBT) Act, to exceed the property tax paid during the year for which the credit was claimed. However, the coordination with the SBT credit is not relevant because the SBT credit only pertains to credits regarding Public Act 116 farmland, which is excluded by the bill from being enrolled in the contracts.

The bill would have no fiscal impact on local units of government.

Date Completed: 12-8-06

Fiscal Analyst: David Zin

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