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BILL ANALYSIS

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House Bill 5033 (Substitute H-8 as passed by the House)
Sponsor: Representative Richard Ball
House Committee: Agriculture
Senate Committee: Agriculture, Forestry and Tourism

Date Completed: 11-29-06

CONTENT

The bill would amend the General Property Tax Act to exempt from taxation a biomass gasification system, a thermal depolymerization system, and a methane digester and methane digester electric generating system, under certain conditions.

The Act provides a tax exemption for certain personal property, including property used in agricultural operations. That property includes machinery used to prepare a crop for market that is operated incidental to a farming operation, if a certain percentage of the volume of the crops were grown by the farmer in Michigan who is the owner or user of the crop processing machinery.

The bill also would include as property used in agricultural operations a methane digester and a methane digester electric generating system. "Methane digester" would mean a system designed to facilitate the production, recovery, and storage of biogas from the anaerobic (in the absence of oxygen) microbial digestion of animal or food waste. "Methane digester electric generating system" would mean a methane digester and the apparatus and equipment used to generate electricity or heat from biogas or to store biogas for the future generation of electricity or heat.

To qualify for an exemption under the bill, after the construction of the methane digester or the methane digester electric generating system was completed, the person claiming the exemption would have to submit to the local tax collecting unit an application for the exemption and a copy of certification from the Department of Agriculture (MDA) that it had verified that the farm operation on which the methane digester or methane digester electric generating system was located was in compliance with the appropriate system of the Michigan Agriculture Environmental Assurance Program (MAEAP) in the previous year.

The application would have to be in a form prescribed by the Department of Treasury and would have to be provided to the person claiming the exemption by the local tax collecting unit.

Three years after an application for an exemption was approved and every three years thereafter, the person claiming the exemption would have to submit to the local tax collecting unit an affidavit attesting that the MDA had verified that the farm operation on which the digester was located was in compliance with the appropriate system of MAEAP.

(MAEAP is a voluntary program that offers environmental guidelines to farmers that emphasize effective agricultural practices that reduce the risks of pollution or other environmental hazards. The program consists of three systems: Livestock, Farmstead, and Cropping, which address the environmental impacts of each of those areas. A producer may be certified under MAEAP if the MDA conducts a site visit and verifies that the producer is in compliance with the guidelines. To maintain certification, the producer must request additional site visits every three years.)

In addition, when the application was submitted to the local tax collecting unit, the person claiming the exemption would have to submit certification provided by the Department of Environmental Quality (DEQ) that he or she currently was not being investigated for a violation of Part 31 (Water Resources Protection), of the Natural Resources and Environmental Protection Act, that within a three-year period immediately preceding the date the application was submitted, he or she had not been found guilty of a criminal violation under Part 31, and that within a one-year period immediately preceding the date the application was submitted, he or she had not been found responsible for a civil violation that resulted in a civil fine of \$10,000 or more under Part 31. (Part 31 establishes civil fines for discharging prohibited substances into waters of the State or other violations of the part.)

To qualify for an exemption under the bill, the person claiming the exemption would have to cooperate by allowing access for up to two universities to collect information regarding the effectiveness of the methane digester and the methane digester electric generating system in generating electricity and processing animal waste and production area waste. Information collected under this provision could not be provided to the public in a manner that would identify the owner of the digester or the farm operation on which the digester was located. The identity of the owner and the location of the farm operation would be exempt from disclosure under the Freedom of Information Act.

Also, the person claiming an exemption would have to ensure that the methane digester and methane digester electric generating system were operated under the specific supervision and control of people who were certified by the MDA as qualified to operate that equipment, along with related waste management and control facilities. The MDA would have to consult with the DEQ and the Michigan State University cooperative extension service in developing the operator certification program.

In addition, the bill would include a biomass gasification system and a thermal depolymerization system as property used in agricultural operations. "Biomass gasification system" would mean apparatus and equipment that thermally decompresses agricultural, food, or animal waste at high temperatures or in an oxygen-free or oxygen-restricted environment, into a gaseous fuel, and the equipment used to generate electricity or heat from the gaseous fuel or store the fuel for future generation of electricity or heat. "Thermal depolymerization system" would mean apparatus and equipment that uses heat to break down natural and synthetic polymers and that can accept only organic waste.

MCL 211.9

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would have no fiscal impact on State or local government at the present time, because there are currently no methane digester electric generating, biomass gasification, or thermal depolymerization systems in Michigan. The bill could reduce revenue from what it otherwise will be in future years to the extent that any such systems would be built absent the bill. While there is no way to make a reasonable estimate on future use of these systems at this time, the fiscal impact of the bill probably would remain very small for the next few years.

To the extent that it prevented local units from receiving more revenue for school operating mills, the bill would also prevent the reduction of expenses from the School Aid Fund that would occur as local units generated more revenue locally to meet their guaranteed per pupil funding amount.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.