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House Bill 4887 (Substitute S-3 as reported)

Sponsor: Representative Jeff Mayes

House Committee: Energy and Technology Senate Committee: Agriculture and Bioeconomy

CONTENT

The bill would amend Part 361 (Farmland and Open Space Preservation) of the Natural Resources and Environmental Protection Act to include a renewable energy system at a farm operation as a permitted use of land that is subject to a development rights agreement.

Part 361 permits the Michigan Department of Agriculture or a local unit of government to execute a development rights easement or agreement with the owner of farmland or open space land. In exchange for a credit against the income tax or Michigan Business Tax, the owner agrees not to undertake development of the land for a term of years or in perpetuity. The land may be used only as specified in the easement or agreement, or for permitted uses specified in the Act.

"Permitted use" means any use expressly authorized within a development rights agreement, development rights easement, or agricultural conservation easement that is consistent with the farming operation or that does not alter the open space character of the land. Storage, retail or wholesale marketing, or processing of agricultural products is a permitted use if certain criteria are met.

Under the bill, a renewable energy system at a farm operation also would be a permitted use, whether or not the use was expressly authorized in the agreement. "Renewable energy system" would mean a wind energy conversion system or solar energy system used to generate electricity, or a system that uses biomass to generate energy.

MCL 324.36101 & 324.36104a

FISCAL IMPACT

The bill would have an indeterminate impact on State revenue. If property subject to an agreement is used for nonpermitted use, it carries the risk that the land will no longer qualify for the credit. The bill's fiscal impact would depend on whether the new permitted uses would occur at all or would occur on the same property, absent the bill. If the same property would otherwise be used for a renewable energy system and the property would lose eligibility for the credit, then the bill would decrease State revenue relative to current law. The magnitude of any decrease would depend upon the specific characteristics of the affected property. If the same uses would occur, but occur on other property (or not at all), the bill would have no effect on revenue.

Farmland preservation credits under the Michigan Business Tax and the individual income tax are expected to total \$37.8 million in FY 2009-10.

Date Completed: 11-9-10 Fiscal Analyst: David Zin

Legislative Analyst: Julie Cassidy