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Senate Bills 786 and 787 (as introduced 2-13-14)
Sponsor: Senator Bruce Caswell
Committee: Finance

Date Completed: 3-12-14

CONTENT

Senate Bill 786 would amend the General Property Tax Act, and Senate Bill 787 would enact the "Hydroponics and Aquaculture Production Facilities Specific Tax Act", to exempt hydroponics production facilities and aquaculture production facilities from the tax collected under the General Property Tax Act, for taxes levied after December 31, 2013; and impose on those facilities a specific tax that would be 25% of the property tax plus new millage approved by the local tax collecting unit after the effective date of the proposed Act.

The bills are tie-barred. Senate Bill 787 is described in more detail below.

Specific Tax

The assessor of each local tax collecting unit in which a hydroponics production facility or an aquaculture production facility was located would have to determine annually as of December 31 the value and taxable value of each facility.

The hydroponics and aquaculture production facilities specific tax would be levied upon the owner of every hydroponics production facility or aquaculture production facility. The amount of the specific tax would have to be determined as follows:

- a) Multiply the number of mills that would be assessed in the local tax collecting unit if the property were subject to the collection of taxes under the General Property Tax Act, and if the property were exempt under Section 7cc of the Act (which exempts a principal residence from local school operating taxes), by the facility's taxable value.
- b) Multiply the result of the first calculation by .25.
- c) If a new millage were approved in the local tax collecting unit after the effective date of the proposed Act, multiply the number of approved mills that would be assessed if the facility were subject to the General Property Tax Act, by the facility's taxable value; repeat this calculation for each individual millage approved in the local tax collecting unit after the effective date of the proposed Act.
- d) Add the result of the calculation under b) and the result of all calculations under c).

The hydroponics and aquaculture production facilities specific tax would be an annual tax, payable at the same times, in the same installments, and to the same collecting officer or officers as taxes collected under the General Property Tax Act.

If the specific tax were unpaid, it would be subject to forfeiture, foreclosure, and sale in the same manner and at the same time as taxes returned as delinquent under that Act.

Disbursement

The collecting officer or officers would have to disburse the hydroponics and aquaculture production facilities specific tax to and among the State and cities, townships, villages, school districts, counties, or other taxing units, at the same times and in the same proportions as required by law for the disbursement of taxes collected under the General Property Tax Act.

The collecting officer or officers would have to send a copy of the amount of disbursement made to each taxing unit to the State Tax Commission on a form provided by the Commission.

Definitions

"Aquaculture production facility" would mean an indoor aquaculture production operation using aquaculture techniques or practices for growing aquaculture species.

"Hydroponics production facility" would mean an indoor agriculture production operation using hydroponics techniques or practices for growing plants produced by agriculture that are useful to human beings, including forages, field crops, sod, berries, herbs, fruits, vegetables, flowers, seeds, and nursery stock. The term would not include an indoor agriculture production operation for growing plants that are illegal under Federal law.

An aquaculture production facility or a hydroponics production facility would include the pumps, tanks, controls, application systems, and related infrastructure (as well as indoor recirculating systems, in the case of an aquaculture production facility) required to grow aquaculture species using aquaculture techniques or practices, or agricultural crops using hydroponic techniques or practices, as applicable. An aquaculture production facility or a hydroponics facility also would include any warehouse or shipping area integrated into the operation. In addition, it would include offices integrated into the operation if the taxable value of the offices were less than 50% of the combined taxable value of the facility and the offices.

"Aquaculture" would mean the commercial husbandry of aquaculture species, including culturing, producing, growing, propagating, and harvesting aquaculture products under any applicable permits or registration.

"Hydroponics" would mean a system in which water-soluble nutrients are placed in intimate contact with a plant's root system, being grown in an inert supportive medium that supplies physical support for the roots but does not add or subtract plant nutrients.

Proposed MCL 211.7uu (S.B. 786)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would reduce State Education Tax revenue to the School Aid Fund by approximately \$160,000 and local property tax revenue by approximately \$500,000. For farms that engaged in agricultural activities in addition to aquaculture and/or hydroponics, the impact assumes that the bills would affect only those portions of the farms engaged in aquaculture or hydroponics.

The bills would likely not increase School Aid Fund expenditures because most, if not all, of the affected facilities are already exempt from the 18-mill local school operating levy. As a result, there would be no reduction in local school operating revenue that the School Aid Fund would need to offset in order to maintain per-pupil funding guarantees.

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.