Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5189 (Substitute S-1 as reported)
House Bill 5189 (Substitute S-1 as reported)
House Bill 5189 (Substitute H-1 as reported without amendment)
Sponsor: Representative Dan Lauwers (H.B. 5189 & H.B. 5191)
Representative Brett Roberts (H.B. 5190)
House Committee: Agriculture
Senate Committee: Agriculture

CONTENT

House Bill 5189 (S-1) would amend Part 361 (Farmland and Open Space Preservation) of the Natural Resources and Environmental Protection Act to do the following:

-- Prohibit the Department of Agriculture and Rural Development from charging a fee to process a change in ownership or subdivision of land subject to a development rights agreement or easement.
-- Require the Department to provide a list of current agreements to county equalization offices and local governing bodies each year.
-- Require an applicant for a farmland development rights agreement, instead of the Department, to have the agreement recorded by the register of deeds.
-- Require the applicant for a relinquishment of development rights agreement, instead of the Department, to have the instrument recorded.
-- Remove language requiring a county or township governing board to notify the governing body of a city or village if the land subject to an application for a farmland development rights agreement is within a certain distance of the city's or village's boundary.

The bill also would repeal Section 36117 of the Act, which required the Department to prepare a report and make recommendations to the Legislature for a State plan to preserve particular land by January 30, 1976.

House Bill 5190 (S-1) would amend the Income Tax Act to do the following:

-- Require an amount equal to 3.5% of the average amount of farmland tax credits claimed in the preceding three State fiscal years to be deposited into the Agricultural Preservation Fund.
-- Allow a taxpayer to file a farmland preservation tax credit claim electronically.

House Bill 5191 (H-1) would amend the revenue Act to do the following:

-- Apply certain interest calculations to farmland tax credit refunds, beginning January 1, 2017.
-- Require the Department of Treasury to notify a taxpayer of the status of a return if the State did not pay or refund a farmland preservation tax credit within 45 days of the date the return was received.

House Bill 5189 (S-1) is tie-barred to House Bill 5190, and would take effect 90 days after its enactment.

MCL 324.36101 et al. (H.B. 5189) Legislative Analyst: Jeff Mann
206.51 (H.B. 5190)
205.30 (H.B. 5191)

FISCAL IMPACT

House Bill 5189 (S-1) would reduce restricted revenue used to administer the Natural Resources and Environmental Protection Act by an unknown and likely minimal amount, by eliminating the fee for processing an ownership change for farmland enrolled in a preservation program. Between 2011 and 2015, transfer requests processed have varied between approximately 700 and 1,900 per year, indicating that the bill would reduce revenue to administer the Act by between $17,500 and $47,500 each year.

The bill also would result in increased costs to local registers of deeds to meet the recording requirements. Increased revenue charged on the records would be sufficient to meet the increased costs.

House Bill 5190 (S-1) would reduce General Fund revenue by approximately $1.4 million per year. In tax year 2014, approximately 7,200 farms claimed $40.8 million in credits, for an average credit of $5,704. Over the 2009 to 2012 tax years, an average of $40.2 million of farmland preservation tax credits were claimed each year. Although the School Aid Fund receives revenue from the individual income tax, credits are applied against the portion received by the General Fund, and the bill's proposed redirection of revenue would be taken from the revenue remaining after any School Aid Fund distributions. As a result, all of the reduction in revenue under the bill would lower General Fund revenue. The Department of Treasury would experience minimal expenses that would be within current appropriation.

House Bill 5191 (H-1) would have no fiscal impact on State or local government.

Date Completed: 4-26-16 Fiscal Analyst: Cory Savino
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