

SENATE BILL NO. 697

October 21, 2021, Introduced by Senators LASATA, BIZON, VICTORY and VANDERWALL
and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.713) by adding section 279.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 279. (1) Subject to the limitations under this section,
2 for tax years that begin on and after January 1, 2022 and before
3 January 1, 2027, a taxpayer that is an owner of agricultural assets
4 may claim a credit against the tax imposed by this part for the
5 sale of agricultural assets to a beginning farmer or the rental of
6 agricultural assets pursuant to a qualified rental agreement or

1 share rent agreement to a beginning farmer equal to the amount
2 certified each year by the department, in consultation with the
3 department of agriculture and rural development, as follows:

4 (a) For the sale of an agricultural asset, 5% of the lesser of
5 the sale price or the fair market value of the agricultural asset,
6 up to a maximum of \$32,000.00.

7 (b) For a qualified rental agreement of an agricultural asset,
8 10% of the gross rental income in each of the first, second, and
9 third years of a rental agreement, up to a maximum of \$7,000.00 per
10 year.

11 (c) For a share rent agreement of an agricultural asset, 15%
12 of the cash equivalent of the gross rental income in each of the
13 first, second, and third years of a share rent agreement, up to a
14 maximum of \$10,000.00 per year.

15 (2) A taxpayer shall not claim a credit under this section
16 unless the department, in consultation with the department of
17 agriculture and rural development, has issued a certificate to the
18 taxpayer. The taxpayer shall attach the certificate to the annual
19 return filed under this act on which a credit under this section is
20 claimed.

21 (3) The certificate required by subsection (2) shall state all
22 of the following:

23 (a) That the taxpayer is an owner of an agricultural asset.

24 (b) That the recipient of the agricultural asset is certified
25 by the department of agriculture and rural development as a
26 beginning farmer.

27 (c) The amount of the credit under this section for the owner
28 of the agricultural asset for the designated tax year.

29 (d) The taxpayer's federal employer identification number or

1 the Michigan department of treasury number assigned to the
2 taxpayer.

3 (4) The total of all credits approved under this section shall
4 not exceed \$5,000,000.00 per calendar year. However, if the
5 department, in consultation with the department of agriculture and
6 rural development, approves a total of all credits under this
7 section of less than \$5,000,000.00 in a calendar year, the
8 department, in consultation with the department of agriculture and
9 rural development, may carry forward for 1 year only the difference
10 between \$5,000,000.00 and the total of all credits approved under
11 this section in the immediately preceding calendar year or
12 \$1,000,000.00, whichever is less.

13 (5) If the credit allowed under this section exceeds the tax
14 liability of the taxpayer for the tax year, that excess shall not
15 be refunded, but may be carried forward to offset tax liability in
16 subsequent years for 5 years or until it is used up, whichever
17 occurs first.

18 (6) If an owner of agricultural assets or beginning farmer
19 terminates a qualified rental agreement or a share rent agreement,
20 without reasonable cause as determined by the department of
21 agriculture and rural development, then the amount of any credits
22 claimed based on rental income that was not received due to the
23 termination of that agreement shall be added back to the tax
24 liability of the taxpayer in the year of the termination.

25 (7) Beginning February 1, 2024 and each February 1 through
26 2028, the department, in consultation with the department of
27 agriculture and rural development, shall submit an annual report to
28 the chairperson of the senate finance committee and senate
29 agriculture committee, the chairperson of the house tax policy

1 committee and house agriculture committee, the director of the
2 senate fiscal agency, and the director of the house fiscal agency
3 concerning the operation and effectiveness of the credit under this
4 section. The report must include background information on
5 beginning farmers in this state and any other information relevant
6 to evaluating the effect of the credits on increasing opportunities
7 for the number of beginning farmers. The report must also include
8 all of the following:

9 (a) The number and amount of credits issued under subsection
10 (1) (a), (b), and (c).

11 (b) The geographic distribution of credits issued under
12 subsection (1) (a), (b), and (c).

13 (c) The type of agricultural assets for which credits were
14 issued under this section.

15 (d) The number and geographic distribution of beginning
16 farmers whose purchase or rental of assets resulted in credits for
17 the seller or owner of the asset.

18 (e) The number of beginning farmers by geographic region in
19 each calendar year.

20 (f) The number and amount of credit applications that exceeded
21 the allocation available each year.

22 (8) As used in this section:

23 (a) "Agricultural assets" means agricultural land, livestock,
24 facilities, buildings, and machinery used for farming in this
25 state.

26 (b) "Beginning farmer" means an individual who satisfies each
27 of the following:

28 (i) Is a resident of this state.

29 (ii) Is seeking entry, or has entered within the last 10 years,

1 into farming.

2 (iii) Intends to farm land located within the borders of this
3 state.

4 (iv) Is not a family member of the owner of the agricultural
5 assets from whom the beginning farmer is seeking to purchase or
6 rent agricultural assets.

7 (v) Is not a family member of a partner, member, shareholder,
8 or trustee of the owner of agricultural assets from whom the
9 beginning farmer is seeking to purchase or rent agricultural
10 assets.

11 (vi) Has a net worth that does not exceed \$800,000.00. The
12 maximum amount under this subparagraph shall be adjusted annually
13 for inflation by multiplying that amount by the cumulative
14 inflation rate as determined by the United States Consumer Price
15 Index for all urban consumers as defined and reported by the United
16 States Department of Labor, Bureau of Labor Statistics.

17 (vii) Provides the majority of the day-to-day physical labor
18 and management of the farm.

19 (viii) Has, as determined by the department of agriculture and
20 rural development, adequate farming experience or demonstrates
21 knowledge in the type of farming for which the beginning farmer
22 seeks assistance.

23 (ix) Demonstrates to the department of agriculture and rural
24 development a profit potential by submitting projected earnings
25 statements.

26 (x) Asserts to the satisfaction of the department of
27 agriculture and rural development that farming will be a
28 significant source of income for the beginning farmer.

29 (xi) Has other qualifications as specified by the department of

1 agriculture and rural development.

2 (c) "Family member" means the family of an individual as
3 provided under section 267(c)(4) of the internal revenue code.

4 (d) "Farm product" means plants and animals useful to humans
5 and includes, but is not limited to, forage and sod crops,
6 oilseeds, grain and feed crops, dairy and dairy products, poultry
7 and poultry products, livestock, fruits, and vegetables.

8 (e) "Farming" means the active use, management, and operation
9 of real and personal property for the production of a farm product.

10 (f) "Owner of agricultural assets" means an individual, trust,
11 or flow-through entity that is the owner in fee of agricultural
12 land or has legal title to any other agricultural asset. Owner of
13 agricultural assets does not mean an equipment dealer, livestock
14 dealer, or comparable entity that is engaged in the business of
15 selling agricultural assets for profit and that is not engaged in
16 farming as its primary business activity. An owner of agricultural
17 assets approved and certified by the department of agriculture and
18 rural development under this section must notify the department of
19 agriculture and rural development if the owner no longer meets this
20 definition within the tax year.

21 (g) "Qualified rental agreement" means a cash rental agreement
22 for agricultural assets that are rented at prevailing community
23 rates as determined by the department of agriculture and rural
24 development.

25 (h) "Share rent agreement" means a rental agreement in which
26 the principal consideration given to the owner of agricultural
27 assets is a predetermined portion of the production of farm
28 products produced from the rented agricultural assets and that
29 provides for sharing production costs or risk of loss, or both.