

# SENATE BILL NO. 11

January 12, 2023, Introduced by Senator BELLINO and referred to the Committee on Finance, Insurance, and Consumer Protection.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
(MCL 206.1 to 206.847) by adding section 279.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 279. (1) Subject to the limitations under this section, a  
2 taxpayer that is an owner of agricultural assets may claim a credit  
3 against the tax imposed by this part for the sale of agricultural  
4 assets to a beginning farmer or the rental of agricultural assets  
5 pursuant to a qualified rental agreement or share rent agreement to  
6 a beginning farmer not to exceed the amount certified for that tax

1 year by the department, in consultation with the department of  
2 agriculture and rural development, as follows:

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

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

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

14 (d) A credit under subdivision (b) or (c) must be calculated  
15 based only on gross rental income actually received or accrued,  
16 consistent with the taxpayer's method of accounting for federal  
17 income tax purposes, during the tax year for which the credit is  
18 claimed.

19 (2) A taxpayer shall not claim a credit under this section  
20 unless the department, in consultation with the department of  
21 agriculture and rural development, has issued a certificate to the  
22 taxpayer. The department, in consultation with the department of  
23 agriculture and rural development, shall not issue a certificate  
24 under this subsection after December 31, 2026. This subsection does  
25 not prevent a taxpayer that receives a certificate before January  
26 1, 2027 from claiming a credit under this section after December  
27 31, 2026.

28 (3) The taxpayer shall attach both of the following to the  
29 annual return filed under this act on which a credit under this

1 section is claimed:

2 (a) The certificate required by subsection (2).

3 (b) If the taxpayer is claiming a credit under subsection  
4 (1)(b) or (c), proof that the qualified rental agreement or share  
5 rent agreement was active during the tax year or portion of the tax  
6 year for which the credit was claimed. For purposes of this  
7 subdivision, an agreement is not active if the agreement is  
8 terminated or the beginning farmer no longer engages in farming.

9 (4) The certificate required by subsection (2) shall state all  
10 of the following:

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

12 (b) That the recipient of the agricultural asset is certified  
13 by the department of agriculture and rural development as a  
14 beginning farmer.

15 (c) The maximum amount of the credit that may be claimed under  
16 this section by the owner of the agricultural asset for the  
17 applicable tax year or tax years. For a sale of an agricultural  
18 asset, the applicable tax year is the tax year in which the sale is  
19 completed. For a qualified rental agreement of an agricultural  
20 asset or a share rent agreement of an agricultural asset, the  
21 applicable tax years are the tax years in which the gross rental  
22 income attributable to the first, second, and third years of the  
23 agreement is received or accrued, consistent with the taxpayer's  
24 method of accounting for federal income tax purposes.

25 (d) The taxpayer's federal employer identification number or  
26 the Michigan department of treasury number assigned to the  
27 taxpayer.

28 (5) The total of all credits approved under this section shall  
29 not exceed \$5,000,000.00 per calendar year. However, if the

1 department, in consultation with the department of agriculture and  
2 rural development, approves a total of all credits under this  
3 section of less than \$5,000,000.00 in a calendar year, the  
4 department, in consultation with the department of agriculture and  
5 rural development, may carry forward for 1 year only the difference  
6 between \$5,000,000.00 and the total of all credits approved under  
7 this section in the immediately preceding calendar year or  
8 \$1,000,000.00, whichever is less.

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

14 (7) Beginning February 1, 2024 and each February 1 thereafter  
15 through the first year in which no certificates issued under  
16 subsection (2) remain in effect, the department, in consultation  
17 with the department of agriculture and rural development, shall  
18 submit an annual report to the chairperson of the senate finance  
19 committee and senate agriculture committee, the chairperson of the  
20 house tax policy committee and house agriculture committee, the  
21 director of the senate fiscal agency, and the director of the house  
22 fiscal agency concerning the operation and effectiveness of the  
23 credit under this section. The report must include background  
24 information on beginning farmers in this state and any other  
25 information relevant to evaluating the effect of the credits on  
26 increasing opportunities for the number of beginning farmers. The  
27 report must also include all of the following:

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

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

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

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

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

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

12          (8) As used in this section:

13           (a) "Agricultural assets" means agricultural land, livestock,  
14 facilities, buildings, and machinery used for farming in this  
15 state.

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

18           (i) Is a resident of this state.

19           (ii) Is seeking entry, or has entered within the last 10 years,  
20 into farming.

21           (iii) Intends to farm land located within the borders of this  
22 state.

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

26           (v) Is not a family member of a partner, member, shareholder,  
27 or trustee of the owner of agricultural assets from whom the  
28 beginning farmer is seeking to purchase or rent agricultural  
29 assets.

1           (vi) Has a net worth that does not exceed \$800,000.00. The  
2 maximum amount under this subparagraph shall be adjusted annually  
3 for inflation by multiplying that amount by the cumulative  
4 inflation rate as determined by the United States Consumer Price  
5 Index for all urban consumers as defined and reported by the United  
6 States Department of Labor, Bureau of Labor Statistics. As used in  
7 this subparagraph, "net worth" means the amount remaining after the  
8 deduction of liabilities from assets as determined according to  
9 generally accepted accounting principles.

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

12           (viii) Has, as determined by the department of agriculture and  
13 rural development, adequate farming experience or demonstrates  
14 knowledge in the type of farming for which the beginning farmer  
15 seeks assistance.

16           (ix) Demonstrates to the department of agriculture and rural  
17 development a profit potential by submitting projected earnings  
18 statements.

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

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

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

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

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

12           (g) "Qualified rental agreement" means a cash rental agreement  
13 for agricultural assets that are rented at prevailing community  
14 rates as determined by the department of agriculture and rural  
15 development.

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