

# Legislative Analysis

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## SALES AND USE TAX EXEMPTIONS ON CERTAIN AGRICULTURAL PROPERTY

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**House Bills 5889 & 5890 as enacted**  
**Public Acts 431 & 432 of 2016**  
**Sponsor: Rep. Dan Lauwers**  
**House Committee: Agriculture**  
**Senate Committee: Agriculture**  
**Complete to 1-18-17**

### SUMMARY:

Current statutes provide sales and use tax exemptions for certain tangible personal property used in agriculture and aquaculture. Among other things, the exemption applies to agricultural land tile, subsurface irrigation pipe, portable grain bins, and grain drying equipment when sold to persons engaged in an agricultural business enterprise.

House Bills 5889 and 5890 would specify that the exemption also applies when the property listed above is sold to *a person in the business of constructing, altering, repairing, or improving real estate for others*, to the extent that it is affixed to or made a structural part of real estate and is used for an exempt [agricultural] purpose.

Currently, the agricultural sales and use tax exemptions do not apply to tangible personal property permanently affixed and becoming a structural part of real estate. The bills specify, however, that the exemptions do apply to agricultural land tile, subsurface irrigation pipe, portable grain bins, and grain drying equipment, when they are permanently affixed and become a structural part of real estate.

(The provisions above are said to mirror the manner in which the Department of Treasury currently applies this exemption; the bills put that interpretation explicitly into statute.)

Currently, the exemption applies to "natural or propane gas used to fuel" grain drying equipment. The bills would rewrite this so that the exemption would apply to "the fuel or energy source that powers" grain drying equipment.

House Bill 5889 would amend the General Sales Tax Act (MCL 205.54a). House Bill 5890 would amend and the Use Tax Act (MCL 205.94).

House Bill 5890 also contains amendments that will make the use tax provisions for agriculture and aquaculture the same as current sales tax provisions. Typically, provisions in the sales and use tax acts mirror one another.

**FISCAL IMPACT:**

Because the bills are designed to codify Treasury's existing interpretation, there will be no fiscal impact from the provisions allowing exemptions when certain agricultural property is sold to contractors working for others who are engaged in agriculture. Other provisions are under review.

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