



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5889 (Substitute H-2 as reported without amendment)
House Bill 5890 (Substitute H-2 as reported without amendment)
Sponsor: Representative Dan Lauwers
House Committee: Agriculture
Senate Committee: Agriculture

CONTENT

House Bill 5889 (H-2) and 5890 (H-2) would amend the General Sales Tax Act and the Use Tax Act, respectively, to extend exemptions for certain personal property used in agriculture to property used for draining, portable grain bins, and grain-drying equipment that was affixed to or made a structural part of real estate. House Bill 5890 (H-2) would extend the use tax exemption to grain drying equipment and property used in fishing.

Currently, the Acts provide an exemption for property sold to, or the sale of property to a person engaged in a business enterprise and using or consuming the tangible personal property in the tilling, planting, caring for, or harvesting of the things of the soil. The bills would also refer to property used or consumed in draining.

The existing exemptions include agricultural land tile, portable grain bins, and, under the General Sales Tax Act, grain drying equipment (which House Bill 5890 (H-2) would include in the Use Tax Act). Under each Act, the exemption for personal property used in agriculture does not include property permanently affixed to and becoming a structural part of real estate. Under the bills, this exclusion would not apply to agricultural land tile, subsurface irrigation pipe, portable grain bins, or grain drying equipment.

The bills specify that the exemptions would include tangible personal property affixed to or to be affixed to and directly used in the operation of a portable grain bin or grain drying equipment. The exemptions also would include agricultural land tile, subsurface irrigation pipe, portable grain bins, and grain drying equipment sold to a person in the business of constructing, altering, repairing, or improving real estate for others to the extent that it was affixed to or made a structural part of real estate and was used for an exempt purpose under the exemptions.

In addition, House Bill 5890 (H-2) would extend the exemption to property sold to a person engaged in a business enterprise and using or consuming the property in the direct gathering of fish, by net, by line, or otherwise only by an owner-operator of the business enterprise, not including a charter fishing business enterprise.

MCL 205.54a (H.B. 5889)
205.94 (H.B. 5890)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

For some property affected by the bills, the bills would codify existing practice by the Michigan Department of Treasury, and under those circumstances the bills would have no fiscal impact.

For the other property affected by the bills, both General Fund and School Aid Fund revenue, and local unit revenue, would be reduced by an unknown amount that would depend on the prices of, and demand for, the affected property. Of the revenue loss resulting from the sales tax exemption, 10% would lower local unit revenue by reducing constitutional revenue sharing, 73.3% would lower School Aid Fund revenue, and the remaining 16.7% would lower General Fund revenue. Of the revenue loss resulting from the use tax exemptions, one-third would reduce School Aid Fund revenue while the remaining two-thirds would lower General Fund revenue.

Date Completed: 12-6-16

Fiscal Analyst: David Zin

Floor\hb5889

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.