

## **CLARIFY AGRICULTURAL EXEMPTIONS IN SALES AND USE TAX ACTS**

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 4561 (reported from committee w/o amendment)**  
**Sponsor: Rep. Dan Lauwers**

**House Bill 4562 (reported from committee w/o amendment)**  
**Sponsor: Rep. Curtis S. VanderWall**

**House Bill 4563 (reported from committee w/o amendment)**  
**Sponsor: Rep. Daire Rendon**

**House Bill 4564 (reported from committee w/o amendment)**  
**Sponsor: Rep. Tom Barrett**

**Committee: Agriculture**  
**Preliminary Analysis as of 6-4-17**

***BRIEF SUMMARY:*** The stated aim of House Bills 4561 and 4564 is to clarify the original intent of the legislature that the exemption in Section 4a(1)(e) of the General Sales Tax Act in regard to the tilling, planting, draining, caring for, or harvesting of things of the soil is only applicable when these activities are performed in a business enterprise that constitutes an agricultural purpose. The bills would re-write and re-organize the exemption provisions. The other bills make complementary amendments and, in addition, House Bill 4562 would extend the life of Agricultural Disaster Loan Origination Program, which is due to be repealed effective February 15, 2018.

### ***FISCAL IMPACT:***

#### House Bills 4561, 4563, and 4564

To the extent that the bills would prohibit a current set of recipients of the exemption from receiving the exemption after the effective date of the bill, the provisions of the bill would have a positive fiscal impact on state revenues. The magnitude of the impact is unknown, but likely small.

#### House Bill 4562

The bill would have no fiscal impact on state or local government. The Agricultural Disaster Loan Origination Program would be authorized to continue with the elimination of the repealer and repayment dates and other related deadlines under the bill. However, funding does not currently exist for the program. Operation of the program in the future would require the appropriation of funds by the legislature.

## ***THE CONTENT OF THE BILLS:***

**House Bill 4561** would amend the General Sales Tax Act and **House Bill 4564** would amend the Use Tax Act. Enacting Section 1 of each bill says the aim of the bills is to clarify the original intent of the legislature that the exemption in Section 4a(1)(e) of the General Sales Tax Act in regard to the tilling, planting, draining, caring for, or harvesting of things of the soil is only applicable when these activities are performed in a business enterprise that constitutes an agricultural purpose. The bills would re-write and re-organize the exemption provisions.

**House Bill 4563** would make a complementary amendment to Public Act 105 of 1855, which addresses how surplus funds in the state treasury can be invested. In sections of the act addressing agricultural loan programs, the bill makes reference to new subdivisions created by amendments to the General Sales Tax Act in HB 4561.

### ***Agricultural Disaster Loan Origination Program Extension***

**House Bill 4562** would make complementary amendments to the Agricultural Disaster Loan Origination Program Act of 2012 to make reference to new subdivisions created by amendments to the General Sales Tax Act in HB 4561. It also would extend the life of the act, which is due to be repealed effective February 15, 2018. The repealer would be struck from the act. Under the program, loans had to be made before March 31, 2013. That language also would be struck. Other related deadlines would be deleted.

This act established a low-interest loan program within the Department of Treasury to provide financial assistance to growers, producers, processors, and some retail establishments to help alleviate the financial impacts caused by crop damage directly attributable to a natural disaster. The intent was to aid fruit growers and producers who had lost significant amounts of their crop due to fluctuations in the spring temperature in 2012.

## ***ARGUMENTS:***

### ***For:***

As noted earlier, the stated aim of the legislation is to clarify the original intent of the legislature that the exemption in Section 4a(1)(e) of the General Sales Tax Act in regard to the tilling, planting, draining, caring for, or harvesting of things of the soil is only applicable when these activities are performed in a business enterprise that constitutes an agricultural purpose. The bills are consistent with the current interpretation of the Sales and Use Tax exemptions by the Department of Treasury.

The bills are a follow-up to legislation last session specifying that (1) sales and use tax exemptions apply to agricultural land tile, subsurface irrigation pipe, portable grain bins, and grain drying equipment, even when they are permanently affixed and become a structural part of real estate; and (2) the exemptions also apply when the property qualified property is sold to a person in the business of constructing, altering, repairing, or improving real estate for others and not just to persons engaged in an agricultural business enterprise.

***For:***

March 2012 was an unusual spring for Michigan when temperatures reached over 80 degrees throughout the state for just a few days in a row. As a result, fruit crops began to bloom extremely early, which were subsequently destroyed from the inevitable frost that followed. Many farms and fruit growers lost a majority of their crop that season due to the early blooms, so the Michigan Legislature created a low-interest loan program specifically for farmers in such cases of disaster. However, this program is slated to end in February of 2018. Because Michigan weather can be fickle, proponents of House Bill 4562 believe that the sunset provision in the Agricultural Disaster Loan Origination Program should be eliminated so that the program can be resuscitated when needed in the future to help farmers deal with adverse consequences of unpredictable weather.

***Against:***

No opposing arguments were presented for any of the bills.

***POSITIONS:***

A representative from the Department of Treasury testified in support of HB 4561 and 4562. (5-17-17)

A representative from the Cherry Marketing Institute testified in support of HB 4562. (5-17-17)

A representative from the United Equipment Dealers Association indicated support for HB 4564. (5-17-17)

A representative from Michigan Land Improvement Association indicated support for HB 4561 and HB 4564. (5-17-17)

A representative from Michigan Farm Bureau indicated support for all bills. (5-17-17)

A representative from Michigan Food Processors Association indicated support for all bills. (5-17-17)

Legislative Analyst: Emily S. Smith  
Chris Couch  
Fiscal Analyst: Ben Gielczyk

---

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.