



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

## BILL ANALYSIS



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

House Bill 4561 (Substitute S-2 as reported)  
House Bill 4562 (Substitute S-1 as reported)  
House Bill 4563 (Substitute S-1 as reported)  
House Bill 4564 (Substitute S-2 as reported)  
Sponsor: Representative Dan Lauwers (H.B. 4561)  
Representative Curtis S. VanderWall (H.B. 4562)  
Representative Daire Rendon (H.B. 4563)  
Representative Tom Barrett (H.B. 4564)  
House Committee: Agriculture  
Senate Committee: Agriculture

**CONTENT**

House Bills 4561 (S-2) and 4564 (S-2) would amend the General Sales Tax Act and the Use Tax Act, respectively, to rephrase and reorganize current exemptions for certain property used or consumed in agriculture, and include an exemption for the sale of the following property to a person engaged in a business enterprise that used or consumed it for an agricultural purpose:

- Tangible personal property purchased and installed as a component part of an agricultural structure, including a barn, shop, green house, or other structure or appurtenance used in the production of agricultural products.
- Equipment and technology used or consumed in the business enterprise.
- The sale of tangible personal property that was specifically designed for and used in the harvesting of aquatic vegetation from the waters of the State, including parts and materials used for the repair of that property.

The exemptions for tangible personal property purchased and installed as a component part of an agricultural structure, and equipment or technology used or consumed in the business enterprise would be retroactive and would apply to sales beginning six years immediately preceding the bills' effective date.

Beginning on January 1, 2019, exemptions for the sale of property to, or property sold to, a person engaged in a business enterprise that used or consumed the tangible personal property for either the tilling, planting, draining, caring for, or harvesting of things of the soil or the breeding, raising, or caring for livestock, poultry, or horticultural products would not apply unless the property was used or consumed in the production of an agricultural product or for agricultural purposes.

House Bill 4562 (S-1) would reenact the "Agricultural Disaster Loan Origination Program Act", which sunsetted on February 15, 2018, with changes to eliminate the sunset language and dates or deadlines associated with the expiration of the program.

House Bill 4563 (S-1) would amend Public Act 105 of 1855, which governs the disposition of excess funds in the State Treasury, to amend the definitions of "qualified agricultural loan" and "facility" to reflect the changes proposed by House Bill 4561 (S-2).

MCL 205.54a (H.B. 4561)  
21.142a (H.B. 4563)  
205.94 (H.B. 4564)

Legislative Analyst: Jeff Mann

### **FISCAL IMPACT**

House Bills 4561 (S-2) and 4564 (S-2) include provisions that would potentially increase State sales and use tax revenue by a negligible amount as well as provisions that would reduce State sales and use tax revenue. Based on estimates from the Department of Treasury, the bills would reduce revenue by approximately \$92.2 million in FY 2017-18, with approximately \$56.7 million of the impact reflecting refunds for prior tax years. As claims for prior year refunds declined, the bills would reduce revenue by \$46.8 million in FY 2018-19, and approximately \$8.0 million per year in FY 2019-20 and later years.

The changes in the bills related to exempted activities that must be for an agricultural (and related) purposes would prevent the exemptions from being interpreted to allow a taxpayer that engaged in the listed activities, such as draining, to claim the exemption when the activities did not serve an agricultural purpose. It is unknown how many taxpayers that are engaged in listed activities for nonagricultural purposes currently claim the exemptions, but the magnitude of any affected revenue would likely be negligible.

However, the bills also would expand the exemptions, both to some property related to aquaculture and a variety of property consumed by a business or affixed as a component part of an agricultural structure, and to entities that provide such property. These provisions would reduce revenue, particularly in the first year the bills would be effective, due to a six-year retroactive provision for the exemptions.

It is unknown how the impact of the bills would be divided between the sales tax and the use tax. Any reduction in revenue under the sales tax would primarily affect School Aid Fund revenue, as approximately 73% of sales tax revenue is directed to the School Aid Fund. Additionally, 10% of any sales tax reduction would lower constitutional revenue sharing payment to local units of government, while any remaining impact would lower General Fund revenue. For reductions under the use tax, one-third of any impact would reduce School Aid Fund revenue, with the remaining impact lowering General Fund revenue.

House Bill 4562 (S-1) would have no fiscal impact on State or local government. Although the bill reenact the expired agricultural loan program, no current funding has been appropriated to it. Any appropriations to the program in the future would be at the discretion of the Legislature.

House Bill 4463 (S-1) would have no fiscal impact on State or local government.

Date Completed: 3-1-18

Fiscal Analyst: Cory Savino  
David Zin

[floor\hb4561](#)

Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

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.