

SENATE BILL NO. 13

January 08, 2025, Introduced by Senator BELLINO and referred to Committee on Appropriations.

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,**
2 **for tax years that begin on and after January 1, 2025, a taxpayer**
3 **that is an owner of agricultural assets may claim a credit against**
4 **the tax imposed by this part for the sale of agricultural assets to**
5 **a beginning farmer or the rental of agricultural assets pursuant to**
6 **a qualified rental agreement or share rent agreement to a beginning**

1 farmer not to exceed the amount certified for that tax year by the
2 department, in consultation with the department of agriculture and
3 rural development, as follows:

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

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

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

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

20 (2) A taxpayer shall not claim a credit under this section
21 unless the department, in consultation with the department of
22 agriculture and rural development, has issued a certificate to the
23 taxpayer. The department, in consultation with the department of
24 agriculture and rural development, shall not issue a certificate
25 under this subsection after December 31, 2029. This subsection does
26 not prevent a taxpayer that receives a certificate before January
27 1, 2030 from claiming a credit under this section after December
28 31, 2029.

29 (3) The taxpayer shall attach both of the following to the

1 annual return filed under this part on which a credit under this
2 section is claimed:

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

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

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

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

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

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

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

29 (5) The total of all credits approved under this section shall

1 not exceed \$5,000,000.00 per calendar year. However, if the
2 department, in consultation with the department of agriculture and
3 rural development, approves a total of all credits under this
4 section of less than \$5,000,000.00 in a calendar year, the
5 department, in consultation with the department of agriculture and
6 rural development, may carry forward for 1 year only the difference
7 between \$5,000,000.00 and the total of all credits approved under
8 this section in the immediately preceding calendar year or
9 \$1,000,000.00, whichever is less.

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

15 (7) Beginning February 1, 2026 and each February 1 thereafter
16 through the first year in which no certificates issued under
17 subsection (2) remain in effect, the department, in consultation
18 with the department of agriculture and rural development, shall
19 submit an annual report to the chairperson of the senate finance,
20 insurance, and consumer protection committee and senate agriculture
21 committee, the chairperson of the house tax policy committee and
22 house agriculture committee, the director of the senate fiscal
23 agency, and the director of the house fiscal agency concerning the
24 operation and effectiveness of the credit under this section. The
25 report must include background information on beginning farmers in
26 this state and any other information relevant to evaluating the
27 effect of the credits on increasing opportunities for the number of
28 beginning farmers. The report must also include all of the
29 following:

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

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

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

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

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

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

14 (8) As used in this section:

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

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

20 (i) Is a resident of this state.

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

23 (iii) Intends to farm land located within the borders of this
24 state.

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

28 (v) Is not a family member of a partner, member, shareholder,
29 or trustee of the owner of agricultural assets from whom the

1 beginning farmer is seeking to purchase or rent agricultural
2 assets.

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

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

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

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

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

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

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

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

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

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

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