



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4666 (as reported without amendment)

Sponsor: Representative Andrea LaFontaine

House Committee: Agriculture

Senate Committee: Agriculture

CONTENT

The bill would amend Part 361 (Farmland and Open Space Preservation) of the Natural Resources and Environmental Protection Act to allow certain landowners whose property is subject to a lien recorded by the State because of relinquishment of a development rights agreement (DRA) to pay off the lien at a reduced rate for a temporary period, and to require interest on the amount of a lien recorded on property whose DRA was terminated because the agreement expired.

Under Part 361, the State and a landowner may enter into a farmland DRA, which entitles the owner to a tax credit in exchange for keeping the land in agricultural production for the term of the agreement. Under certain circumstances, a DRA may be relinquished before a specified termination date, and the State land use agency must record a lien against the property. Under the bill, from July 1, 2011, through September 30, 2011, a lien recorded before January 1, 2011, could be paid at 85% of the face value of the lien. From October 1, 2011, through March 31, 2012, a lien recorded before January 1, 2011, could be paid at 90% of its face value.

A DRA expires at the end of its term unless renewed with the consent of the landowner. In addition, under certain circumstances, an owner may request to terminate a DRA. Upon termination of all or a portion of the DRA, the State land use agency must prepare and record a lien, if any, against the property. The lien must be without interest or penalty. Under the bill, however, if the DRA were approved or rejected by the local governing body on or after July 1, 2012, and were terminated upon the expiration of the agreement, the amount of the lien would have to include interest at the current monthly interest rate of one percentage point above the adjusted prime rate per year from the time the lien was recorded until it was paid.

MCL 324.36111

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would provide for a period of nine months when lien payments owed by landowners due to a relinquishment of a development rights agreement could be paid at a discount to the State. The Department of Agriculture and Rural Development has estimated that \$12.0 million is owed the State from these liens. The Department further estimates that the bill would result in a payment of approximately \$5.0 million of these owed funds. The total number of landowners participating under Part 361 is 41,200, with 21,000 land use contracts and agreements. Lien payments made under Part 361 are forwarded to the State Treasurer for deposit in the Agriculture Preservation Fund. The Fund supports Farmland and Open Space programs of the Department, and \$2.0 million has been appropriated by the Legislature for FY 2011-12.

Date Completed: 6-20-11

Fiscal Analyst: Bruce Baker