

Farmland and Open Space Preservation - MDARD

PA 116 of 1974

February 22, 2016

BACKGROUND PA 116:

- Established in 1975
- Purpose:
 - To preserve Michigan Farmland
 - To address taxation issues for farmers related to market value assessment
- Landowner enrolls into a temporary restriction requiring the land to remain farmland
- Enrolled landowners may receive a tax credit through their income tax and are exempt from some special assessments.
- Approximately 3.1 million acres are enrolled in the program
- There are over 43,900 restrictive Agreements in Michigan.

PROGRAM OPERATIONAL FUNDING:

- Since the early 1990s program operation funded by repayments when land leaves the program. (Restricted Fund)
- Prior to 2006 repayment annually were between \$1.4 and \$1.8 million.
- Since 2006 operation funding has been decreasing. Why?
 - Landowners may avoid a repayment when land leaves the program by choosing not to claim tax credits under the program. (Statutory requirement to notify landowners of this option.)
 - Landowners are also choosing to remain in the program.
- In 2013 program income from repayment dropped below \$600,000. Result?
 - Reduction in staff from 7 to 3.5 FTEs and two student assistants, October 1, 2013.
 - Unable to complete work in a timely fashion for landowner participants

CURRENT DELAYS:

- Average delays
 - Extensions 7.2 months (2,400 typically processed annually)
 - New Agreements 9 months (562 submitted in 2015)
 - Transfers 16 months (2,400 typically processed annually)
- Impact of delays
 - Landowners not eligible to claim PA 116 tax credits until process completed
 - Not meeting statutory requirement of 60 days to review New Agreements

WHAT WE ARE DOING TO IMPROVE PROCESSES:

- Currently working with the Office of Good Government, Reinventing Performance in Michigan, to improve business processes and change the way we do business.
- Recently completed processing mapping and are moving forward on implementing new process improvements.
- Already instituting time saving measures and database improvements

IMPORTANCE OF THE APPROPRIATION TO MDARD AND THE STATE:

- Michigan's food and agriculture sector contributes \$102 billion to the state's economy
- The PA 116 program places Michigan farmers on a more even land taxation footing with other Mid-West states.