

SENATE BILL NO. 690

October 30, 2025, Introduced by Senators VICTORY, SINGH, DALEY, LAUWERS, SHINK and CHERRY and referred to Committee on Natural Resources and Agriculture.

A bill to amend 1994 PA 451, entitled
"Natural resources and environmental protection act,"
by amending section 36109 (MCL 324.36109), as amended by 2016 PA
265.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 36109. (1) An owner of farmland and related buildings
2 subject to 1 or more development rights agreements under section
3 36104 or agricultural conservation easements or purchases of
4 development rights under **subpart 11 of part 21**, section **36101(a)**,
5 36111b, or 36206, **or sections 506 to 509 of the Michigan zoning**

1 **enabling act, 2006 PA 110, MCL 125.3506 to 125.3509,** who is
2 required or eligible to file a return as an individual or a
3 claimant under the state income tax act may claim a credit against
4 state income tax liability. **The credit may be claimed** for the
5 amount by which the property taxes on the land and structures used
6 in the farming operation, including the homestead, restricted by
7 the development rights agreements, agricultural conservation
8 easements, or purchases of development rights exceed 3.5% of ~~the~~
9 ~~household income as defined in section 508 of the income tax act of~~
10 ~~1967, 1967 PA 281, MCL 206.508,~~ **all income received by all persons**
11 **of a household in a tax year while members of a household,**
12 excluding a deduction if taken under section 613 of the internal
13 revenue code of 1986, 26 USC 613. For the purposes of this section,
14 all of the following apply:

15 (a) A partner in a partnership is considered an owner of
16 farmland and related buildings owned by the partnership and covered
17 by a development rights agreement, agricultural conservation
18 easement, or purchase of development rights. A partner is
19 considered to pay a proportion of the property taxes on that
20 property equal to the partner's share of ownership of capital or
21 distributive share of ordinary income as reported by the
22 partnership to the Internal Revenue Service or, if the partnership
23 is not required to report that information to the Internal Revenue
24 Service, as provided in the partnership agreement or, if there is
25 no written partnership agreement, a statement signed by all the
26 partners. A partner claiming a credit under this section based upon
27 the partnership agreement or a statement shall file a copy of the
28 agreement or statement with his or her income tax return. If the
29 agreement or statement is not filed, the department of treasury

1 shall deny the credit. All partners in a partnership claiming the
2 credit allowed under this section shall compute the credit using
3 the same basis for the apportionment of the property taxes.

4 (b) A shareholder of a corporation that has filed a proper
5 election under subchapter S of chapter 1 of subtitle A of the
6 internal revenue code of 1986, 26 USC 1361 to 1379, is considered
7 an owner of farmland and related buildings covered by a development
8 rights agreement that are owned by the corporation. A shareholder
9 is considered to pay a proportion of the property taxes on that
10 property equal to the shareholder's percentage of stock ownership
11 for the tax year as reported by the corporation to the Internal
12 Revenue Service. Except as provided in subsection (8), this
13 subdivision applies to tax years beginning after 1987.

14 (c) Except as otherwise provided in this subdivision, an
15 individual in possession of property for life under a life estate
16 with remainder to another person or holding property under a life
17 lease is considered the owner of that property if it is farmland
18 and related buildings covered by a development rights agreement.
19 Beginning January 1, 1986, if an individual in possession of
20 property for life under a life estate with remainder to another
21 person or holding property under a life lease enters into a written
22 agreement with the person holding the remainder interest in that
23 land and the written agreement apportions the property taxes in the
24 same manner as revenue and expenses, the life lease or life estate
25 holder and the person holding the remainder interest may claim the
26 credit under this act as it is apportioned to them under the
27 written agreement upon filing a copy of the written agreement with
28 the return.

29 (d) If a trust holds farmland and related buildings covered by

1 a development rights agreement and an individual is treated under
2 subpart E of subchapter J ~~of subchapter A~~ of chapter 1 **of subtitle**
3 **A** of the internal revenue code of 1986, 26 USC 671 to 679, as the
4 owner of that portion of the trust that includes the farmland and
5 related buildings, that individual is considered the owner of that
6 property.

7 (e) An individual who is the sole beneficiary of a trust that
8 is the result of the death of that individual's spouse is
9 considered the owner of farmland and related buildings covered by a
10 development rights agreement and held by the trust if the trust
11 conforms to all of the following:

12 (i) One hundred percent of the trust income is distributed to
13 the beneficiary in the tax year in which the trust receives the
14 income.

15 (ii) The trust terms do not provide that any portion of the
16 trust is to be paid, set aside, or otherwise used in a manner that
17 would qualify for the deduction allowed by section 642(c) of the
18 internal revenue code of 1986, 26 USC 642.

19 (f) A member in a limited liability company is considered an
20 owner of farmland and related buildings covered by a development
21 rights agreement that are owned by the limited liability company. A
22 member is considered to pay a proportion of the property taxes on
23 that property equal to the member's share of ownership or
24 distributive share of ordinary income as reported by the limited
25 liability company to the Internal Revenue Service.

26 (2) An owner of farmland and related buildings subject to 1 or
27 more development rights agreements under section 36104 or
28 agricultural conservation easements or purchases of development
29 rights under **subpart 11 of part 21**, section **36101(a)**, 36111b, or

1 36206, or sections 506 to 509 of the Michigan zoning enabling act,
 2 2006 PA 110, MCL 125.3506 to 125.3509, to whom subsection (1) does
 3 not apply may claim a credit under ~~the former single business tax~~
 4 ~~act, 1975 PA 228, or the Michigan business tax act, 2007 PA 36, MCL~~
 5 ~~208.1101 to 208.1601, 208.1519~~, for the amount by which the
 6 property taxes on the land and structures used in farming
 7 operations restricted by the development rights agreements,
 8 agricultural conservation easements, or purchases of development
 9 rights exceed 3.5% of ~~the adjusted business income of the owner as~~
 10 ~~defined in section 36 of the former single business tax act, 1975~~
 11 ~~PA 228, or the~~ **owner's** business income tax base, ~~of the owner as~~
 12 defined in section 201 of the Michigan business tax act, 2007 PA
 13 36, MCL 208.1201, plus compensation to shareholders not included in
 14 adjusted business income or the business income tax base, excluding
 15 any deductions if taken under section 613 of the internal revenue
 16 code of 1986, 26 USC 613. ~~When calculating adjusted business income~~
 17 ~~for tax years beginning before 1987, federal taxable income shall~~
 18 ~~not be less than zero for the purposes of this subsection only. A~~
 19 participant is not eligible to claim a credit and refund against
 20 ~~the former single business tax act, 1975 PA 228, or the Michigan~~
 21 ~~business tax act, 2007 PA 36, MCL 208.1101 to 208.1601, 208.1519~~,
 22 unless the participant demonstrates that the participant's
 23 agricultural gross receipts of the farming operation exceed 5 times
 24 the property taxes on the land for each of 3 out of the 5 tax years
 25 immediately preceding the year in which the credit is claimed. This
 26 eligibility requirement does not apply to those participants who
 27 executed farmland development rights agreements under this part
 28 before January 1, 1978. A participant may compare, during the
 29 contract period, the average of the most recent 3 years of

1 agricultural gross receipts to property taxes in the first year
2 that the participant entered the program under the present contract
3 in calculating the gross receipts qualification. Once an election
4 is made by the participant to compute the benefit in this manner,
5 all future calculations shall be made in the same manner.

6 (3) If the farmland and related buildings covered by a
7 development rights agreement under section 36104 or an agricultural
8 conservation easement or purchase of development rights under
9 **subpart 11 of part 21, section 36101(a), 36111b, or 36206, or**
10 **sections 506 to 509 of the Michigan zoning enabling act, 2006 PA**
11 **110, MCL 125.3506 to 125.3509,** are owned by more than 1 owner, each
12 owner is allowed to claim a credit under this section based upon
13 that owner's share of the property tax payable on the farmland and
14 related buildings. The department of treasury shall consider the
15 property tax equally apportioned among the owners unless a written
16 agreement signed by all the owners is filed with the return, which
17 agreement apportions the property taxes in the same manner as all
18 other items of revenue and expense. If the property taxes are
19 considered equally apportioned, a husband and wife shall be
20 considered 1 owner, and a person with respect to whom a deduction
21 under section 151 of the internal revenue code of 1986, 26 USC 151,
22 is allowable to another owner of the property shall not be
23 considered an owner.

24 (4) A beneficiary of an estate or trust to which subsection
25 (1) does not apply is entitled to the same percentage of the credit
26 provided in this section as that person's percentage of all other
27 distributions by the estate or trust.

28 (5) If the allowable amount of the credit claimed exceeds the
29 state income tax or the state business tax otherwise due for the

1 tax year or if there is no state income tax or the state business
2 tax due for the tax year, the amount of the claim not used as an
3 offset against the state income tax or the state business tax,
4 after examination and review, shall be approved for payment to the
5 claimant pursuant to 1941 PA 122, MCL 205.1 to 205.31. The total
6 credit allowable under this part and chapter 9 of the income tax
7 act of 1967, 1967 PA 281, MCL 206.501 to 206.532, ~~or the former~~
8 ~~single business tax act, 1975 PA 228,~~ or the Michigan business tax
9 act, 2007 PA 36, MCL 208.1101 to ~~208.1601,~~ **208.1519**, shall not
10 exceed the total property tax due and payable by the claimant in
11 that year. The amount the credit exceeds the property tax due and
12 payable shall be deducted from the credit claimed under this part.

13 (6) For purposes of audit, review, determination, appeals,
14 hearings, notices, assessments, and administration relating to the
15 credit program provided by this section, the state income tax act,
16 ~~the former single business tax act, 1975 PA 228,~~ or the Michigan
17 business tax act, 2007 PA 36, MCL 208.1101 to ~~208.1601,~~ **208.1519**,
18 applies according to which tax the credit is claimed against. If an
19 individual is allowed to claim a credit under subsection (1) based
20 upon property owned or held by a partnership, S corporation, or
21 trust, the department of treasury may require that the individual
22 furnish it with a copy of a tax return, or portion of a tax return,
23 and supporting schedules that the partnership, S corporation, or
24 trust files under the internal revenue code.

25 (7) The department of treasury shall account separately for
26 payments under this part and not combine them with other credit
27 programs. A payment made to a claimant for a credit claimed under
28 this part shall be issued by 1 or more warrants made out to the
29 county treasurer in each county in which the claimant's property is

1 located and the claimant, unless the claimant specifies on the
2 return that a copy of the receipt showing payment of the property
3 taxes that became a lien in the year for which the credit is
4 claimed, or that became a lien in the year before the year for
5 which the credit is claimed, is attached to the income tax or
6 business tax return filed by the claimant. If the claimant
7 specifies that a copy of the receipt is attached to the return, the
8 payment shall be made directly to the claimant. A warrant made out
9 to a claimant and a county treasurer shall be used first to pay
10 delinquent property taxes, interest, penalties, and fees on
11 property restricted by the development rights agreement. If the
12 warrant exceeds the amount of delinquent taxes, interest,
13 penalties, and fees, the county treasurer shall remit the excess to
14 the claimant. If a claimant falsely specifies that the receipt
15 showing payment of the property taxes is attached to the return and
16 if the property taxes on the land subject to that development
17 rights agreement were not paid before the return was filed, all
18 future payments to that claimant of credits claimed under this act
19 attributable to that development rights agreement may be made
20 payable to the county treasurer of the county in which the property
21 subject to the development rights agreement is located and to that
22 claimant.

23 (8) For property taxes levied after 1987, a person that was an
24 S corporation and had entered into a development rights agreement
25 before January 1, 1989, and paid property taxes on that property,
26 may claim the credit allowed by this section as an owner eligible
27 under subsection (2). ~~A subchapter S corporation claiming a credit~~
28 ~~as permitted by this subsection for taxes levied in 1988 through~~
29 ~~1990 shall claim the credit by filing an amended return under the~~

~~former single business tax act, 1975 PA 228. If a subchapter S corporation files an amended return as permitted by this subsection and if a shareholder of the subchapter S corporation claimed a credit under subsection (1) (b) for the same property taxes, the shareholder shall file an amended return under the state income tax act. A subchapter S corporation is not entitled to a credit under this subsection until all of its shareholders file the amended returns required by this subsection. The department of treasury shall first apply a credit due to a subchapter S corporation under this subsection to repay credits claimed under this section by the subchapter S corporation's shareholders for property taxes levied in 1988 through 1990 and shall refund any remaining credit to the S corporation. Interest or penalty is not due or payable on an income tax liability resulting from an amended return required by this subsection. A subchapter S corporation electing to claim a credit as an owner eligible under subsection (2) shall not claim a credit under subsection (1) for property taxes levied after 1987.~~

(9) The department shall maintain a record of each development rights agreement under section 36104 or agricultural conservation easement or purchase of development rights under subpart 11 of part 21, section 36101(a), 36111b, or 36206, or sections 506 to 509 of the Michigan zoning enabling act, 2006 PA 110, MCL 125.3506 to 125.3509, for which a credit is claimed as authorized by this subsection.

(10) A landowner shall submit a recorded copy of a permanent conservation easement to the department by November 1 for the purposes of obtaining a tax credit under this section for the current tax year. The submitted document must include the legal description of the land preserved in the conservation easement and

1 be accompanied by any application form required by the department.
2 If the department finds that the applicant meets all applicable
3 requirements, the department shall issue to the landowner an
4 acknowledgment of the permanent conservation easement. The
5 acknowledgment shall list a unique identification number for the
6 easement, consistent with this state's development rights agreement
7 tracking system. For the purpose of claiming a tax credit under
8 this section, the identification number shall serve as confirmation
9 that the land described in the easement is permanently preserved.

10 Enacting section 1. This amendatory act does not take effect
11 unless all of the following bills of the 103rd Legislature are
12 enacted into law:

13 (a) Senate Bill No. 688.

14
15 (b) Senate Bill No. 686.

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17 (c) Senate Bill No. 689.

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19 (d) Senate Bill No. 687.

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21 (e) Senate Bill No. 685.