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**BILL ANALYSIS**

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Senate Bill 955 (Substitute S-2)
Sponsor: Senator Cameron S. Brown
Committee: Agriculture, Forestry and Tourism

Date Completed: 5-26-04

CONTENT

The bill would amend the General Property Tax Act to exempt from taxation methane digesters and other thermal decomposing systems used in agricultural operations.

The Act exempts from taxation property actually used in agricultural operations and farm implements held for sale or resale by retail servicing dealers for use in agricultural production.

The bill would include a methane digester, a methane digester electric generating system, a biomass gasification system, and a thermal depolymerization system as property used in agricultural operations.

A person claiming an exemption for a methane digester or a methane digester electric generating system would have to submit an affidavit to the local tax collecting unit, attesting that he or she had not been found guilty of a criminal violation under, or found responsible for a civil violation under, Part 31 (Water Resources Protection) of the Natural Resources and Environmental Protection Act within a one-year period immediately preceding the date the affidavit was submitted to the local tax collecting unit.

"Methane digester" would be defined as a system designed to facilitate the production, recovery, and storage of biogas from the anaerobic microbial digestion of animal or food waste. "Biogas" would mean a mixture of gases composed primarily of methane and carbon dioxide. "Methane digester electric generating system" would mean a methane digester and the apparatus and equipment used to generate electricity or heat from biogas or to store biogas for the future generation of electricity or heat.

"Biomass gasification system" would be defined as apparatus and equipment that thermally decomposed agricultural, food, or animal waste at high temperatures and in an oxygen-free or a controlled oxygen-restricted environment into a gaseous fuel, and the equipment used to generate electricity or heat from the gaseous fuel or store the gaseous fuel for future generation of electricity or heat. "Thermal depolymerization system" would mean apparatus and equipment that use heat to break down natural and synthetic polymers and that can accept mixed wastes including, but not limited to, plastics, tires, and organic waste.

Presently, property used in agricultural operations includes machinery used to prepare the crop for market that is operated incidental to a farming operation that does not substantially alter the form, shape, or substance of the crop, and is limited to cleaning, cooling, washing, pitting, grading, sizing, sorting, drying, bagging, boxing, crating, and handling, if at least

33% of the volume of the crops processed in the year ending on the applicable tax day, or in at least three of the immediately preceding five years, were grown by a Michigan farmer who owns or used the crop processing machinery.

MCL 211.9

Legislative Analyst: Claire Layman

FISCAL IMPACT

This bill would have no fiscal impact on State or local government at the present time, because there are currently no methane digester electric generating, biomass gasification, or thermal depolymerization systems in Michigan. There could be a fiscal impact in future years if technological improvements make the operation of these systems more efficient and less costly in terms of start-up capital costs. While there is no way to make a reasonable estimate on future use of these systems at this time, the fiscal impact of this bill would probably remain very small for the next few years.

Fiscal Analyst: Jay Wortley

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