



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

March 3, 2022

The Honorable Roger Victory  
Michigan Senate  
P.O. Box 30036  
Lansing, MI 48909-7536

Re: Farmland and Open Space Preservation Program

Dear Senator Victory:

Public Act 87 of 2021 included boilerplate sections 610 and 949c, which required the Department of Agriculture and Rural Development (MDARD) and Department of Treasury (Treasury) to work in coordination to improve processing of tax credits within the farmland and open space preservation program. This memo summarizes new and ongoing efforts to continue to improve in this program. These improvements and ongoing efforts with the MDARD have allowed Treasury to finalize approximately 1,000 more tax credit claims in 2021 compared to 2020 with no current backlog.

**Program Framework**

Part 361 of Public Act 451 of 1994, the Michigan Farmland and Open Space Preservation Act (formerly Public Act 116 of 1974), is a law that works to preserve farmland by offering incentives to farmers who are willing to participate. Administered by the [Michigan Department of Agriculture and Rural Development \(MDARD\)](#), the law allows a farm landowner to voluntarily enter into an agreement with MDARD that ensures the land will remain in agricultural use for a minimum of 10 years and up to 90 years. In return, the landowners may be eligible for income tax credits associated with agricultural use land that is legally described within an approved agreement. The administration of the related tax credits is the responsibility of the Michigan Department of Treasury. Each year, Treasury receives approximately 10,000 farmland tax credit claims. To facilitate the tax credit review, Treasury and MDARD have established a data sharing agreement that provides for secure transfer of data between the two departments and allows Treasury access to the MDARD system to confirm agreements (covering the appropriate land) are in place and recorded with the appropriate county register of deeds prior to approving credits.

**Tax Credit Review Background**

Through both systematic and staff processes, each tax credit claim is reviewed for accuracy ensuring the claim and related agricultural use property is appropriately included within an approved MDARD Development Rights Agreement. In general, the review focuses on the following documents: Development Rights Agreement, Federal 1040 and schedules as applicable, MI 1040 and schedules, and property tax statements. Depending on the complexity of the tax credit claim (amount of land, number of owners, and number of agreements involved, for example) the review can take as much as a full day to properly complete. To ensure farmland tax credits are processed as accurately and as efficiently as possible, several improvements have been made or are in the process of being implemented.

**Treasury legacy system enhancement:** previously the Treasury farmland tax credit system could only review claims that were associated with 12 or less development agreements. Claims that involved 13 or more agreements automatically required manual review. In 2019, this limitation was improved and now the system can process claims with up to 24 development agreements decreasing the instances of manual review and improving customer service.

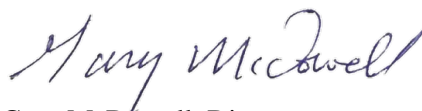
- **Treasury metric tracking:** 5 years of historical data was reviewed to create a metric report that shows projected targets as compared to actual tax credits finalized. This active monitoring ensures Treasury staff stay on track for processing goals and customer service targets.
- **Treasury procedures review:** Farmland tax credit processing and refund approval procedures are regularly reviewed to strike the appropriate balance between customer service, compliance, and separation of duties. The most recent review took place in May of 2021.
- **Treasury training review:** Each year, the farmland tax credit training procedures and documents are reviewed for continued accuracy and effectiveness in maximizing proficiency for both new and existing Treasury staff.
- **Treasury live connection to MDARD database:** Through discussions between Treasury and MDARD, Treasury has implemented a new software connection that allows its farmland staff to access MDARD's live/real time database. This new connection provides staff the ability to view and add data in real time which facilitates the accuracy and efficiency of reviewing and approving farmland tax credit claims. This is critical as the current database lacks certain taxpayer/claimant information. As Treasury inputs that information over the next tax year, approximately 33% fewer future farmland tax credit claims will error out for manual review.
- **Treasury imaging of historical plat maps and parcel descriptions:** In September of 2021, Treasury electronically imaged its historical, paper plat maps and parcel descriptions related to previous tax credit claims. This will contribute to greater staff efficiency as all information can be searched, retrieved, and viewed from individual laptops – eliminating the need to manually retrieve and search through pages of historical records.
- **Treasury ArcGis software:** This software was acquired in October of 2021 and Treasury farmland tax credit staff members have been fully trained on its use. This software allows farmland tax credit staff to digitally draw and map property legal descriptions and will electronically store those descriptions for future reference. This will eliminate the creation of paper records and will decrease farmland tax credit claim review time.
- **Treasury cross training opportunities:** The Treasury farmland tax credit review staff is a small and highly specialized group. Due to the small size, farmland tax credit staff can be particularly vulnerable to turnover, budget restrictions, and hiring restrictions. To improve this weakness, the area is exploring opportunities to cross train other staff that can be utilized when needed.
- **Treasury complete legacy system replacement:** Treasury is in the process of replacing its individual income tax system which includes the farmland tax credit process. The new system will be based on a modern SAP platform and will provide opportunities for further enhancements, improved business rules, and increased automation - all increasing customer service. This project will take approximately 2 years to complete and is scheduled to go live in January of 2025.

If you have questions, please contact Budget Division Administrator, Ken Osborne at [osbornek1@michigan.gov](mailto:osbornek1@michigan.gov) or 517-335-0965.

Sincerely,



Rachael Eubanks, State Treasurer  
Department of Treasury



Gary McDowell, Director  
Department of Agriculture & Rural Development

Cc: Rep. Greg VanWoerkom