

13. Amend Michigan's General Property Tax Act to exempt certain on-farm renewable energy installations.

## ADDING SOLAR AND WIND ENERGY TO FARMS CAN REDUCE COSTS, BUILD MARKETS

Mark Elzinga is a third-generation Kalamazoo County farmer who has no intention of letting volatile global oil prices undermine the stability of his 30-acre greenhouse business.

Elzinga-Hoeksema Greenhouses has embarked, therefore, on a strategy to wean the company off of fossil fuels for heating and cooling and to diversify its product mix and customer base at the same time. The cost-reduction and revenue-enhancing strategy involves major investments in alternative energy and new winter crops: fresh organic lettuce, spinach, and other greens.



*Photo courtesy of Elzinga-Hoeksema Greenhouses.*

"We were watching gas prices go up every year, electricity prices go up every year," Elzinga said. "We decided to take a chance."

To diversify the business and help pay off alternative energy investments, Elzinga-Hoeksema Greenhouses now harvests more than 200 pounds of organic greens each week, from October to February. Most of it moves through food service distributor Sysco to west Michigan customers hungry for local produce in the winter. Elzinga-Hoeksema plans to continue ramping up as it learns more about these new crops while still focusing on its mainline business of producing spring bedding plants for major garden centers.

The only problem is the Michigan Department of Treasury does not support the farm's move toward energy self-reliance and, by extension, its pioneering venture into off-season local food production.

Rather than encourage such investment and innovation, the state taxes the farm's solar panels and wind towers as personal property. That adds up to \$20,000 per year in personal property taxes on the relatively small solar and wind components of the company's \$5.7 million investment in an integrated energy efficiency and renewable energy system. Geothermal produces 80 percent of the system's power.

"It's killing us," Elzinga said. "Everything we save we're paying to Michigan in taxes." This reality is not very encouraging to other greenhouses in the Kalamazoo area that have the potential to also add winter produce to their March-through-September business of growing impatiens, petunias, mums, and other flower and vegetable starts.

Yet such a move could help build Michigan's local food economy. With approximately 60 other large-scale bedding-plant greenhouse operations, the Kalamazoo area has one of the largest concentrations of growing space "under glass" in the Midwest. Winter heating costs are a big impediment, along with a lack of market and production research, for greenhouse growers interested in the new local food opportunity. Mark Elzinga says the tax hit he is taking for solar and wind energy does not help.

## Need

To move Michigan's economy into the 21st century, local and state governments need to encourage 21st century technologies and markets. The double benefit of moving farms toward energy self-reliance and developing new products and markets, such as winter produce, is a value-adding economic development strategy.

Michigan lawmakers have already taken steps to exempt one group of farms from personal property taxes on renewable energy installations. Large livestock farms generating electricity with methane digester systems, fueled by large volumes of manure waste, have received an exemption. Geothermal systems, in use by Elzinga-Hoeksema and many large-scale commodity grain growers in Michigan for irrigation, also are not subject to personal property taxation.

## Opportunity

Local food offers a major economic opportunity for Michigan. Michigan is second only to California in its broad range of agricultural products — from pears to perennials. The state's farmers also sit within 500 miles of half of the populations of both Canada and the United States. This combination — product diversity and customer proximity — heralds a new age for agriculture in Michigan. The more local and state leaders support local food production and marketing on farms of all types and sizes, the more Michigan's local economies, communities, and environment may benefit.

Reducing the energy cost of farm operations, including colder season production of food, is an essential part of moving the state's farms and economy in this Midwest food basket direction. Eliminating personal property taxes for on-farm solar and wind installations that power farm business operations would be a powerful incentive to reduce these costs.

## Action

Personal property taxation of businesses in Michigan is a controversial topic. So is taxation of solar and wind installations on farms, particularly commercial wind projects that lease farmland for turbine placement. Local governments and schools stand to lose significant revenue should the state eliminate the personal property tax on business equipment and on commercial wind and solar installations.

Farms using solar and wind energy, to both power their businesses and develop new products and markets, get caught in the crossfire. As policymakers weigh personal property tax changes, it's important to consider:

- *The economic development value of helping farms reduce energy costs and move successfully into new local food markets. While all businesses could use lower costs, investments in building greater sustainability in Michigan through food and energy self-reliance have added merit.*
- *The difference between farms hosting commercial renewable energy projects, which supply energy markets, and farms using renewable energy in their operations to reduce costs.*

## 1-2-3 Go!

Advocate for farms in programs that support investments in energy efficiency and renewable energy. Many of these focus on residential applications and general business applications. Leaders often overlook the fact that farms are businesses that need and could use some of the same assistance.