



HOUSE BILL No. 6042

September 11, 1996, Introduced by Rep. Profit and referred to the Committee on Tax Policy.

A bill to amend section 27a of Act No. 206 of the Public Acts of 1893, entitled as amended
"The general property tax act,"
as amended by Act No. 415 of the Public Acts of 1994, being section 211.27a of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 27a of Act No. 206 of the Public Acts of
2 1893, as amended by Act No. 415 of the Public Acts of 1994, being
3 section 211.27a of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 27a. (1) Except as otherwise provided in this section,
6 property shall be assessed at 50% of its true cash value under
7 section 3 of article IX of the state constitution of 1963.

1 (2) Except as otherwise provided in subsection (3), for
2 taxes levied in 1995 and for each year after 1995, the taxable
3 value of each parcel of property is the lesser of the following:

4 (a) The property's taxable value in the immediately preced-
5 ing year minus any losses, multiplied by the lesser of 1.05 or
6 the inflation rate, plus all additions. However, if a fraction
7 the numerator of which is the state equalized value for the cur-
8 rent year minus additions and the denominator of which is the
9 state equalized value for the immediately preceding year minus
10 losses is less than both 1.05 and the inflation rate, for pur-
11 poses of this subdivision the taxable value is the product of the
12 property's taxable value in the immediately preceding year minus
13 losses, multiplied by that fraction, plus additions. For taxes
14 levied in 1995, the property's taxable value in the immediately
15 preceding year is the property's state equalized valuation in
16 1994.

17 (b) The property's current state equalized valuation.

18 (3) Upon a transfer of ownership of property after 1994, the
19 property's taxable value for the calendar year following the year
20 of the transfer is the property's state equalized valuation for
21 the calendar year following the transfer.

22 (4) If the taxable value of property is adjusted under sub-
23 section (3), a subsequent increase in the property's taxable
24 value is subject to the limitation set forth in subsection (2)
25 until a subsequent transfer of ownership occurs.

26 (5) ~~Assessment of property, as required in this section and~~
27 ~~section 27, is inapplicable to the assessment of property subject~~

1 to the levy of ad valorem taxes within voted tax limitation
2 increases to pay principal and interest on limited tax bonds
3 issued by any governmental unit, including a county, township,
4 community college district, or school district, before January 1,
5 1964, if the assessment required to be made under this act would
6 be less than the assessment as state equalized prevailing on the
7 property at the time of the issuance of the bonds. This inappli-
8 cability shall continue until levy of taxes to pay principal and
9 interest on the bonds is no longer required. The assessment of
10 property required by this act shall be applicable for all other
11 purposes.

12 (6) As used in this act, "transfer of ownership" means the
13 conveyance of title to or a present interest in property, includ-
14 ing the beneficial use of the property, the value of which is
15 substantially equal to the value of the fee interest. Transfer
16 of ownership of property includes, but is not limited to, the
17 following:

18 (a) A conveyance by deed.

19 (b) A conveyance by land contract. The taxable value of
20 property conveyed by a land contract executed after December 31,
21 1994 shall be adjusted under subsection (3) for the calendar year
22 following the year in which the contract is entered into and
23 shall not be subsequently adjusted under subsection (3) when the
24 deed conveying title to the property is recorded in the office of
25 the register of deeds in the county in which the property is
26 located.

1 (c) A conveyance to a trust after December 31, 1994, except
2 if the sole present beneficiary or beneficiaries are the settlor
3 or the settlor's spouse, or both.

4 (d) A conveyance by distribution from a trust, except if the
5 distributee is the sole present beneficiary or the spouse of the
6 sole present beneficiary, or both.

7 (e) A change in the sole present beneficiary or beneficia-
8 ries of a trust, except a change that adds or substitutes the
9 spouse of the sole present beneficiary.

10 (f) A conveyance by distribution under a will or by intes-
11 tate succession, except if the distributee is the decedent's
12 spouse.

13 (g) A conveyance by lease if the total duration of the
14 lease, including the initial term and all options for renewal, is
15 more than 35 years AND THE NET LEASEABLE AREA OF THE PROPERTY
16 SUBJECT TO THE LEASE IS MORE THAN 50% OF THE TOTAL NET LEASEABLE
17 AREA OF THE PROPERTY or the lease grants the leasee a bargain
18 purchase option. As used in this subdivision, "bargain purchase
19 option" means the right to purchase the property at the termina-
20 tion of the lease for not more than 80% of the property's
21 projected true cash value at the termination of the lease. After
22 December 31, 1994, the taxable value of property conveyed by a
23 lease with a total duration of more than 35 years AND FOR MORE
24 THAN 50% OF THE TOTAL NET LEASEABLE AREA OF THE PROPERTY or with
25 a bargain purchase option shall be adjusted under subsection (3)
26 for the calendar year following the year in which the lease is
27 entered into. This subdivision does not apply to personal

1 property except buildings described in section 14(6) and personal
2 property described in section 8(h), (i), and (j).

3 (h) A conveyance of an ownership interest in a corporation,
4 partnership, sole proprietorship, limited liability company,
5 limited liability partnership, or other legal entity if the
6 ownership interest conveyed is more than 50% of the corporation,
7 partnership, sole proprietorship, limited liability company,
8 limited liability partnership, or other legal entity. Unless
9 notification is provided under subsection (8), the corporation,
10 partnership, sole proprietorship, limited liability company,
11 limited liability partnership, or other legal entity shall notify
12 the assessing officer on a form provided by the state tax commis-
13 sion not more than 45 days after a conveyance of an ownership
14 interest that constitutes a transfer of ownership under this
15 subdivision.

16 (i) A transfer of property held as a tenancy in common,
17 except that portion of the property not subject to the ownership
18 interest conveyed.

19 (7) Transfer of ownership does not include the following:

20 (a) The transfer of property from 1 spouse to the other
21 spouse or from a decedent to a surviving spouse.

22 (b) A transfer from a husband, a wife, or a husband and wife
23 creating or disjoining a tenancy by the entireties in the grant-
24 ors or the grantor and his or her spouse.

25 (c) A transfer subject to a life estate or life lease
26 retained by the transferor, until expiration or termination of
27 the life estate or life lease.

1 (d) A transfer through foreclosure or forfeiture of a
2 recorded instrument under chapter 31, 32, or 57 of the revised
3 judicature act of 1961, Act No. 236 of the Public Acts of 1961,
4 being sections 600.3101 to 600.3280 and 600.5701 to 600.5785 of
5 the Michigan Compiled Laws, or through deed or conveyance in lieu
6 of a foreclosure or forfeiture, until the mortgagee or land con-
7 tract vendor subsequently transfers the property. If a mortgagee
8 does not transfer the property within 1 year of the expiration of
9 any applicable redemption period, the property shall be adjusted
10 under subsection (3).

11 (e) A transfer by redemption by the person to whom taxes are
12 assessed of property previously sold for delinquent taxes.

13 (f) A conveyance to a trust if the sole present beneficiary
14 of the trust is the settlor or the settlor's spouse.

15 (g) A transfer pursuant to a judgment or order of a court of
16 record making or ordering a transfer, unless a specific monetary
17 consideration is specified or ordered by the court for the
18 transfer.

19 (h) A transfer creating or terminating a joint tenancy
20 between 2 or more persons if at least 1 of the persons is an
21 original owner of the property when the joint tenancy was ini-
22 tially created and, if the property is held as a joint tenancy at
23 the time of conveyance, at least 1 of the persons was a joint
24 tenant when the joint tenancy was initially created and that
25 person has remained a joint tenant since the joint tenancy was
26 initially created. A joint owner at the time of the last
27 transfer of the property is an original owner of the property.

1 For purposes of this subdivision, a person is an original owner
2 of property owned by that person's spouse.

3 (i) A transfer for security or an assignment or discharge of
4 a security interest.

5 (j) A transfer of real property or other ownership interests
6 among members of an affiliated group. As used in this subsec-
7 tion, "affiliated group" means 1 or more corporations connected
8 by stock ownership to a common parent corporation. Upon request
9 by the state tax commission, a corporation shall furnish proof
10 that a transfer meets the requirements of this subdivision. A
11 corporation that fails to comply with a request by the state tax
12 commission under this subdivision is subject to the penalties set
13 forth in section 27b.

14 (k) Normal public trading of shares of stock or other owner-
15 ship interests that, over any period of time, cumulatively repre-
16 sent more than 50% of the total ownership interest in a corpora-
17 tion or other legal entity and are traded in multiple transac-
18 tions involving unrelated individuals, institutions, or other
19 legal entities.

20 (l) A transfer of real property or other ownership interests
21 among corporations, partnerships, limited liability companies,
22 limited liability partnerships, or other legal entities if the
23 entities involved are commonly controlled. Upon request by the
24 state tax commission, a corporation, partnership, limited liabil-
25 ity company, limited liability partnership, or other legal entity
26 shall furnish proof that a transfer meets the requirements of
27 this subdivision. A corporation, partnership, limited liability

1 company, limited liability partnership, or other legal entity
2 that fails to comply with a request by the state tax commission
3 under this subdivision is subject to the penalties set forth in
4 section 27b.

5 (m) A direct or indirect transfer of real property or other
6 ownership interests resulting from a transaction that qualifies
7 as a tax-free reorganization under section 368 of the internal
8 revenue code of 1986, 26 U.S.C. 368. Upon request by the state
9 tax commission, a property owner shall furnish proof that a
10 transfer meets the requirements of this subdivision. A property
11 owner who fails to comply with a request by the state tax commis-
12 sion under this subdivision is subject to the penalties set forth
13 in section 27b.

14 (8) The register of deeds of the county where deeds or other
15 title documents are recorded shall notify the assessing officer
16 of the appropriate local taxing unit not less than once each
17 month of any recorded transaction involving the ownership of
18 property. Unless notification is provided under subsection (6)
19 or (7), the buyer, grantee, or other transferee of the property
20 shall notify the appropriate assessing office in the local unit
21 of government in which the property is located of the transfer of
22 ownership of the property within 45 days of the transfer of
23 ownership, on a form prescribed by the state tax commission that
24 states the parties to the transfer, the date of the transfer, the
25 actual consideration for the transfer, and the property's parcel
26 identification number or legal description. This subsection does
27 not apply to personal property except buildings described in

1 section 14(6) and personal property described in section 8(h),
2 (i), and (j).

3 (9) As used in this section:

4 (a) "Additions" means that term as defined in section 34d.

5 (b) "Beneficial use" means the right to possession, use, and
6 enjoyment of property, limited only by encumbrances, easements,
7 and restrictions of record.

8 (c) "Inflation rate" means that term as defined in section
9 34d.

10 (d) "Losses" means that term as defined in section 34d.