

HOUSE BILL No. 4718

May 21, 2003, Introduced by Reps. Zelenko, Rivet, Waters, Dennis, Spade, Tobocman, Kolb, Vagnozzi, Whitmer and Reeves and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 34d (MCL 211.34d), as amended by 1996 PA
476.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 34d. (1) As used in this section or section 27a, or
2 section 3 or 31 of article IX of the state constitution of 1963:

3 (a) For taxes levied before 1995, "additions" means all
4 increases in value caused by new construction or a physical
5 addition of equipment or furnishings, and the value of property
6 that was exempt from taxes or not included on the assessment
7 unit's immediately preceding year's assessment roll.

8 (b) For taxes levied after 1994, "additions" means, except as
9 provided in subdivision (c), all of the following:

10 (i) Omitted real property. As used in this subparagraph,

1 "omitted real property" means previously existing tangible real
2 property not included in the assessment. Omitted real property
3 shall not increase taxable value as an addition unless the
4 assessing jurisdiction has a property record card or other
5 documentation showing that the omitted real property was not
6 previously included in the assessment. The assessing
7 jurisdiction has the burden of proof in establishing whether the
8 omitted real property is included in the assessment. Omitted
9 real property for the current and the 2 immediately preceding
10 years, discovered after the assessment roll has been completed,
11 shall be added to the tax roll pursuant to the procedures
12 established in section 154. For purposes of determining the
13 taxable value of real property under section 27a, the value of
14 omitted real property is based on the value and the ratio of
15 taxable value to true cash value the omitted real property would
16 have had if the property had not been omitted.

17 (ii) Omitted personal property. As used in this
18 subparagraph, "omitted personal property" means previously
19 existing tangible personal property not included in the
20 assessment. Omitted personal property shall be added to the tax
21 roll pursuant to section 154.

22 (iii) New construction. As used in this subparagraph **and**
23 **subdivision (c)(iv)**, "new construction" means property not in
24 existence on the immediately preceding tax day and not
25 replacement construction. New construction includes the physical
26 addition of equipment or furnishings, subject to the provisions
27 set forth in section 27(2)(a) to (o). For purposes of

1 determining the taxable value of property under section 27a, the
2 value of new construction is the true cash value of the new
3 construction multiplied by 0.50.

4 (iv) Previously exempt property. As used in this
5 subparagraph, "previously exempt property" means property that
6 was exempt from ad valorem taxation under this act on the
7 immediately preceding tax day but is subject to ad valorem
8 taxation on the current tax day under this act. For purposes of
9 determining the taxable value of real property under section
10 27a:

11 (A) The value of property previously exempt under section 7u
12 is the taxable value the entire parcel of property would have had
13 if that property had not been exempt, minus the product of the
14 entire parcel's taxable value in the immediately preceding year
15 and the lesser of 1.05 or the inflation rate.

16 (B) The taxable value of property that is a facility as that
17 term is defined in section 2 of ~~Act No. 198 of the Public Acts~~
18 ~~of 1974, being section 207.552 of the Michigan Compiled Laws~~
19 **1974 PA 198, MCL 207.552**, that was previously exempt under
20 section 7k is the taxable value that property would have had
21 under this act if it had not been exempt.

22 (C) The value of property previously exempt under any other
23 section of law is the true cash value of the previously exempt
24 property multiplied by 0.50.

25 (v) Replacement construction. As used in this subparagraph,
26 "replacement construction" means construction that replaced
27 property damaged or destroyed by accident or act of God and that

1 occurred after the immediately preceding tax day to the extent
2 the construction's true cash value does not exceed the true cash
3 value of property that was damaged or destroyed by accident or
4 act of God in the immediately preceding 3 years. For purposes of
5 determining the taxable value of property under section 27a, the
6 value of the replacement construction is the true cash value of
7 the replacement construction multiplied by a fraction the
8 numerator of which is the taxable value of the property to which
9 the construction was added in the immediately preceding year and
10 the denominator of which is the true cash value of the property
11 to which the construction was added in the immediately preceding
12 year, and then multiplied by the lesser of 1.05 or the inflation
13 rate.

14 (vi) An increase in taxable value attributable to the
15 complete or partial remediation of environmental contamination
16 existing on the immediately preceding tax day. The department of
17 environmental quality shall determine the degree of remediation
18 based on information available in existing department of
19 environmental quality records or information made available to
20 the department of environmental quality if the appropriate
21 assessing officer for a local tax collecting unit requests that
22 determination. The increase in taxable value attributable to the
23 remediation is the increase in true cash value attributable to
24 the remediation multiplied by a fraction the numerator of which
25 is the taxable value of the property had it not been contaminated
26 and the denominator of which is the true cash value of the
27 property had it not been contaminated.

1 (vii) An increase in the value attributable to the property's
2 occupancy rate if either a loss, as that term is defined in this
3 section, had been previously allowed because of a decrease in the
4 property's occupancy rate or if the value of new construction was
5 reduced because of a below-market occupancy rate. For purposes
6 of determining the taxable value of property under section 27a,
7 the value of an addition for the increased occupancy rate is the
8 product of the increase in the true cash value of the property
9 attributable to the increased occupancy rate multiplied by a
10 fraction the numerator of which is the taxable value of the
11 property in the immediately preceding year and the denominator of
12 which is the true cash value of the property in the immediately
13 preceding year, and then multiplied by the lesser of 1.05 or the
14 inflation rate.

15 (viii) Public services. As used in this subparagraph,
16 "public services" means water service, sewer service, a primary
17 access road, natural gas service, electrical service, telephone
18 service, sidewalks, or street lighting. For purposes of
19 determining the taxable value of real property under section 27a,
20 the value of public services is the amount of increase in true
21 cash value of the property attributable to the available public
22 services multiplied by 0.50 and shall be added in the calendar
23 year following the calendar year when those public services are
24 initially available.

25 (c) For taxes levied after 1994, additions do not include
26 increased value attributable to any of the following:

27 (i) Platting, splits, or combinations of property.

1 (ii) A change in the zoning of property.

2 (iii) For the purposes of the calculation of the millage
3 reduction fraction under subsection (7) only, increased taxable
4 value under section 27a(3) after a transfer of ownership of
5 property.

6 (iv) New construction if it is occupied or will be occupied
7 by, or is used or will be used to assist in the care of, a family
8 member who is 62 years of age or older or who is totally and
9 permanently disabled. As used in this subparagraph, "totally and
10 permanently disabled" means disability as defined in section 216
11 of title II of the social security act, 42 U.S.C. 416.

12 (d) "Assessed valuation of property as finally equalized"
13 means taxable value under section 27a.

14 (e) "Financial officer" means the officer responsible for
15 preparing the budget of a unit of local government.

16 (f) "General price level" means the annual average of the 12
17 monthly values for the United States consumer price index for all
18 urban consumers as defined and officially reported by the United
19 States department of labor, bureau of labor statistics.

20 (g) For taxes levied before 1995, "losses" means a decrease
21 in value caused by the removal or destruction of real or personal
22 property and the value of property taxed in the immediately
23 preceding year that has been exempted or removed from the
24 assessment unit's assessment roll.

25 (h) For taxes levied after 1994, "losses" means, except as
26 provided in subdivision (i), all of the following:

27 (i) Property that has been destroyed or removed. For

1 purposes of determining the taxable value of property under
2 section 27a, the value of property destroyed or removed is the
3 product of the true cash value of that property multiplied by a
4 fraction the numerator of which is the taxable value of that
5 property in the immediately preceding year and the denominator of
6 which is the true cash value of that property in the immediately
7 preceding year.

8 (ii) Property that was subject to ad valorem taxation under
9 this act in the immediately preceding year that is now exempt
10 from ad valorem taxation under this act. For purposes of
11 determining the taxable value of property under section 27a, the
12 value of property exempted from ad valorem taxation under this
13 act is the amount exempted.

14 (iii) An adjustment in value, if any, because of a decrease
15 in the property's occupancy rate, to the extent provided by law.
16 For purposes of determining the taxable value of real property
17 under section 27a, the value of a loss for a decrease in the
18 property's occupancy rate is the product of the decrease in the
19 true cash value of the property attributable to the decreased
20 occupancy rate multiplied by a fraction the numerator of which is
21 the taxable value of the property in the immediately preceding
22 year and the denominator of which is the true cash value of the
23 property in the immediately preceding year.

24 (iv) A decrease in taxable value attributable to
25 environmental contamination existing on the immediately preceding
26 tax day. The department of environmental quality shall determine
27 the degree to which environmental contamination limits the use of

1 property based on information available in existing department of
 2 environmental quality records or information made available to
 3 the department of environmental quality if the appropriate
 4 assessing officer for a local tax collecting unit requests that
 5 determination. The department of environmental quality's
 6 determination of the degree to which environmental contamination
 7 limits the use of property shall be based on the criteria
 8 established for the ~~classifications~~ **categories** set forth in
 9 section 20120a(1) of part 201 ~~(environmental remediation)~~ of
 10 the natural resources and environmental protection act, ~~Act~~
 11 ~~No. 451 of the Public Acts of 1994, being section 324.20120a of~~
 12 ~~the Michigan Compiled Laws~~ **1994 PA 451, MCL 324.20120a**. The
 13 decrease in taxable value attributable to the contamination is
 14 the decrease in true cash value attributable to the contamination
 15 multiplied by a fraction the numerator of which is the taxable
 16 value of the property had it not been contaminated and the
 17 denominator of which is the true cash value of the property had
 18 it not been contaminated.

19 (i) For taxes levied after 1994, losses do not include
 20 decreased value attributable to either of the following:

21 (i) Platting, splits, or combinations of property.

22 (ii) A change in the zoning of property.

23 (j) "New construction and improvements" means additions less
 24 losses.

25 (k) "Current year" means the year for which the millage
 26 limitation is being calculated.

27 (l) "Inflation rate" means the ratio of the general price

1 level for the state fiscal year ending in the calendar year
2 immediately preceding the current year divided by the general
3 price level for the state fiscal year ending in the calendar year
4 before the year immediately preceding the current year.

5 (2) On or before the first Monday in May of each year, the
6 assessing officer of each township or city shall tabulate the
7 tentative taxable value as approved by the local board of review
8 and as modified by county equalization for each classification of
9 property that is separately equalized for each unit of local
10 government and provide the tabulated tentative taxable values to
11 the county equalization director. The tabulation by the
12 assessing officer shall contain additions and losses for each
13 classification of property that is separately equalized for each
14 unit of local government or part of a unit of local government in
15 the township or city. If as a result of state equalization the
16 taxable value of property changes, the assessing officer of each
17 township or city shall revise the calculations required by this
18 subsection on or before the Friday following the fourth Monday in
19 May. The county equalization director shall compute these
20 amounts and the current and immediately preceding year's taxable
21 values for each classification of property that is separately
22 equalized for each unit of local government that levies taxes
23 under this act within the boundary of the county. The county
24 equalization director shall cooperate with equalization directors
25 of neighboring counties, as necessary, to make the computation
26 for units of local government located in more than 1 county. The
27 county equalization director shall calculate the millage

1 reduction fraction for each unit of local government in the
2 county for the current year. The financial officer for each
3 taxing jurisdiction shall calculate the compounded millage
4 reduction fractions beginning in 1980 resulting from the
5 multiplication of successive millage reduction fractions and
6 shall recognize a local voter action to increase the compounded
7 millage reduction fraction to a maximum of 1 as a new beginning
8 fraction. Upon request of the superintendent of the intermediate
9 school district, the county equalization director shall transmit
10 the complete computations of the taxable values to the
11 superintendent of the intermediate school district within that
12 county. At the request of the presidents of community colleges,
13 the county equalization director shall transmit the complete
14 computations of the taxable values to the presidents of community
15 colleges within the county.

16 (3) On or before the first Monday in June of each year, the
17 county equalization director shall deliver the statement of the
18 computations signed by the county equalization director to the
19 county treasurer.

20 (4) On or before the second Monday in June of each year, the
21 treasurer of each county shall certify the immediately preceding
22 year's taxable values, the current year's taxable values, the
23 amount of additions and losses for the current year, and the
24 current year's millage reduction fraction for each unit of local
25 government that levies a property tax in the county.

26 (5) The financial officer of each unit of local government
27 shall make the computation of the tax rate using the data

1 certified by the county treasurer and the state tax commission.
2 At the annual session in October, the county board of
3 commissioners shall not authorize the levy of a tax unless the
4 governing body of the taxing jurisdiction has certified that the
5 requested millage has been reduced, if necessary, in compliance
6 with section 31 of article IX of the state constitution of 1963.

7 (6) The number of mills permitted to be levied in a tax year
8 is limited as provided in this section pursuant to section 31 of
9 article IX of the state constitution of 1963. A unit of local
10 government shall not levy a tax rate greater than the rate
11 determined by reducing its maximum rate or rates authorized by
12 law or charter by a millage reduction fraction as provided in
13 this section without voter approval.

14 (7) A millage reduction fraction shall be determined for each
15 year for each local unit of government. For ad valorem property
16 taxes that became a lien before January 1, 1983, the numerator of
17 the fraction shall be the total state equalized valuation for the
18 immediately preceding year multiplied by the inflation rate and
19 the denominator of the fraction shall be the total state
20 equalized valuation for the current year minus new construction
21 and improvements. For ad valorem property taxes that become a
22 lien after December 31, 1982 and through December 31, 1994, the
23 numerator of the fraction shall be the product of the difference
24 between the total state equalized valuation for the immediately
25 preceding year minus losses multiplied by the inflation rate and
26 the denominator of the fraction shall be the total state
27 equalized valuation for the current year minus additions. For ad

1 valorem property taxes that are levied after December 31, 1994,
2 the numerator of the fraction shall be the product of the
3 difference between the total taxable value for the immediately
4 preceding year minus losses multiplied by the inflation rate and
5 the denominator of the fraction shall be the total taxable value
6 for the current year minus additions. For each year after 1993,
7 a millage reduction fraction shall not exceed 1.

8 (8) The compounded millage reduction fraction for each year
9 after 1980 shall be calculated by multiplying the local unit's
10 previous year's compounded millage reduction fraction by the
11 current year's millage reduction fraction. Beginning with 1980
12 tax levies, the compounded millage reduction fraction for the
13 year shall be multiplied by the maximum millage rate authorized
14 by law or charter for the unit of local government for the year,
15 except as provided by subsection (9). A compounded millage
16 reduction fraction shall not exceed 1.

17 (9) The millage reduction shall be determined separately for
18 authorized millage approved by the voters. The limitation on
19 millage authorized by the voters on or before May 31 of a year
20 shall be calculated beginning with the millage reduction fraction
21 for that year. Millage authorized by the voters after May 31
22 shall not be subject to a millage reduction until the year
23 following the voter authorization which shall be calculated
24 beginning with the millage reduction fraction for the year
25 following the authorization. The first millage reduction
26 fraction used in calculating the limitation on millage approved
27 by the voters after January 1, 1979 shall not exceed 1.

1 (10) A millage reduction fraction shall be applied separately
2 to the aggregate maximum millage rate authorized by a charter and
3 to each maximum millage rate authorized by state law for a
4 specific purpose.

5 (11) A unit of local government may submit to the voters for
6 their approval the levy in that year of a tax rate in excess of
7 the limit set by this section. The ballot question shall ask the
8 voters to approve the levy of a specific number of mills in
9 excess of the limit. The provisions of this section do not allow
10 the levy of a millage rate in excess of the maximum rate
11 authorized by law or charter. If the authorization to levy
12 millage expires after 1993 and a local governmental unit is
13 asking voters to renew the authorization to levy the millage, the
14 ballot question shall ask for renewed authorization for the
15 number of expiring mills as reduced by the millage reduction
16 required by this section. If the election occurs before June 1
17 of a year, the millage reduction is based on the immediately
18 preceding year's millage reduction applicable to that millage.
19 If the election occurs after May 31 of a year, the millage
20 reduction shall be based on that year's millage reduction
21 applicable to that millage had it not expired.

22 (12) A reduction or limitation under this section shall not
23 be applied to taxes imposed for the payment of principal and
24 interest on bonds or other evidence of indebtedness or for the
25 payment of assessments or contract obligations in anticipation of
26 which bonds are issued that were authorized before December 23,
27 1978, as provided by former section 4 of chapter I of the **former**

1 municipal finance act, ~~Act No. 202 of the Public Acts of 1943,~~
2 or to taxes imposed for the payment of principal and interest on
3 bonds or other evidence of indebtedness or for the payment of
4 assessments or contract obligations in anticipation of which
5 bonds are issued that are approved by the voters after December
6 22, 1978.

7 (13) If it is determined subsequent to the levy of a tax that
8 an incorrect millage reduction fraction has been applied, the
9 amount of additional tax revenue or the shortage of tax revenue
10 shall be deducted from or added to the next regular tax levy for
11 that unit of local government after the determination of the
12 authorized rate pursuant to this section.

13 (14) If as a result of an appeal of county equalization or
14 state equalization the taxable value of a unit of local
15 government changes, the millage reduction fraction for the year
16 shall be recalculated. The financial officer shall effectuate an
17 addition or reduction of tax revenue in the same manner as
18 prescribed in subsection (13).

19 (15) The fractions calculated pursuant to this section shall
20 be rounded to 4 decimal places, except that the inflation rate
21 shall be computed by the state tax commission and shall be
22 rounded to 3 decimal places. The state tax commission shall
23 publish the inflation rate before March 1 of each year.

24 (16) Beginning with taxes levied in 1994, the millage
25 reduction required by section 31 of article IX of the state
26 constitution of 1963 shall permanently reduce the maximum rate or
27 rates authorized by law or charter. The reduced maximum

1 authorized rate or rates for 1994 shall equal the product of the
2 maximum rate or rates authorized by law or charter before
3 application of this section multiplied by the ~~compound~~
4 **compounded** millage reduction applicable to that millage in 1994
5 pursuant to subsections (8) to (12). The reduced maximum
6 authorized rate or rates for 1995 and each year after 1995 shall
7 equal the product of the immediately preceding year's reduced
8 maximum authorized rate or rates multiplied by the current year's
9 millage reduction fraction and shall be adjusted for millage for
10 which authorization has expired and new authorized millage
11 approved by the voters pursuant to subsections (8) to (12).