

HOUSE BILL No. 4022

January 27, 2005, Introduced by Rep. Stewart 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 unit's
7 immediately preceding year's assessment roll.

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

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

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

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

1 27(2)(a) to (o). For purposes of determining the taxable value of
2 property under section 27a, the value of new construction is the
3 true cash value of the new construction multiplied by 0.50.

4 (iv) Previously exempt property. As used in this subparagraph,
5 "previously exempt property" means property that was exempt from ad
6 valorem taxation under this act on the immediately preceding tax
7 day but is subject to ad valorem taxation on the current tax day
8 under this act **AND INCLUDES THE DIFFERENCE BETWEEN THE TAXABLE**
9 **VALUE AND STATE EQUALIZED VALUATION OF THE PROPERTY ON THE TAX DAY**
10 **IMMEDIATELY PRECEDING THE YEAR IN WHICH THE TRANSFER OF OWNERSHIP**
11 **OCCURS.** For purposes of determining the taxable value of real
12 property under section 27a:

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

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

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

27 (v) Replacement construction. As used in this subparagraph,

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

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

1 contaminated.

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

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

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

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

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

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

21 (i) Property that has been destroyed or removed. For purposes
22 of determining the taxable value of property under section 27a, the
23 value of property destroyed or removed is the product of the true
24 cash value of that property multiplied by a fraction the numerator
25 of which is the taxable value of that property in the immediately
26 preceding year and the denominator of which is the true cash value
27 of that property in the immediately preceding year.

1 (ii) Property that was subject to ad valorem taxation under
2 this act in the immediately preceding year that is now exempt from
3 ad valorem taxation under this act. For purposes of determining the
4 taxable value of property under section 27a, the value of property
5 exempted from ad valorem taxation under this act is the amount
6 exempted.

7 (iii) An adjustment in value, if any, because of a decrease in
8 the property's occupancy rate, to the extent provided by law. For
9 purposes of determining the taxable value of real property under
10 section 27a, the value of a loss for a decrease in the property's
11 occupancy rate is the product of the decrease in the true cash
12 value of the property attributable to the decreased occupancy rate
13 multiplied by a fraction the numerator of which is the taxable
14 value of the property in the immediately preceding year and the
15 denominator of which is the true cash value of the property in the
16 immediately preceding year.

17 (iv) A decrease in taxable value attributable to environmental
18 contamination existing on the immediately preceding tax day. The
19 department of environmental quality shall determine the degree to
20 which environmental contamination limits the use of property based
21 on information available in existing department of environmental
22 quality records or information made available to the department of
23 environmental quality if the appropriate assessing officer for a
24 local tax collecting unit requests that determination. The
25 department of environmental quality's determination of the degree
26 to which environmental contamination limits the use of property
27 shall be based on the criteria established for the ~~classifications~~

1 **CATEGORIES** set forth in section 20120a(1) ~~of part 201~~
2 ~~(environmental remediation)~~ of the natural resources and
3 environmental protection act, ~~Act No. 451 of the Public Acts of~~
4 ~~1994, being section 324.20120a of the Michigan Compiled Laws 1994~~
5 **PA 451, MCL 324.20120A**. The decrease in taxable value attributable
6 to the contamination is the decrease in true cash value
7 attributable to the contamination multiplied by a fraction the
8 numerator of which is the taxable value of the property had it not
9 been contaminated and the denominator of which is the true cash
10 value of the property had it not been contaminated.

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

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

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

15 (j) "New construction and improvements" means additions less
16 losses.

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

19 (l) "Inflation rate" means the ratio of the general price level
20 for the state fiscal year ending in the calendar year immediately
21 preceding the current year divided by the general price level for
22 the state fiscal year ending in the calendar year before the year
23 immediately preceding the current year.

24 (2) On or before the first Monday in May of each year, the
25 assessing officer of each township or city shall tabulate the
26 tentative taxable value as approved by the local board of review
27 and as modified by county equalization for each classification of

1 property that is separately equalized for each unit of local
2 government and provide the tabulated tentative taxable values to
3 the county equalization director. The tabulation by the assessing
4 officer shall contain additions and losses for each classification
5 of property that is separately equalized for each unit of local
6 government or part of a unit of local government in the township or
7 city. If as a result of state equalization the taxable value of
8 property changes, the assessing officer of each township or city
9 shall revise the calculations required by this subsection on or
10 before the Friday following the fourth Monday in May. The county
11 equalization director shall compute these amounts and the current
12 and immediately preceding year's taxable values for each
13 classification of property that is separately equalized for each
14 unit of local government that levies taxes under this act within
15 the boundary of the county. The county equalization director shall
16 cooperate with equalization directors of neighboring counties, as
17 necessary, to make the computation for units of local government
18 located in more than 1 county. The county equalization director
19 shall calculate the millage reduction fraction for each unit of
20 local government in the county for the current year. The financial
21 officer for each taxing jurisdiction shall calculate the compounded
22 millage reduction fractions beginning in 1980 resulting from the
23 multiplication of successive millage reduction fractions and shall
24 recognize a local voter action to increase the compounded millage
25 reduction fraction to a maximum of 1 as a new beginning fraction.
26 Upon request of the superintendent of the intermediate school
27 district, the county equalization director shall transmit the

1 complete computations of the taxable values to the superintendent
2 of the intermediate school district within that county. At the
3 request of the presidents of community colleges, the county
4 equalization director shall transmit the complete computations of
5 the taxable values to the presidents of community colleges within
6 the county.

7 (3) On or before the first Monday in June of each year, the
8 county equalization director shall deliver the statement of the
9 computations signed by the county equalization director to the
10 county treasurer.

11 (4) On or before the second Monday in June of each year, the
12 treasurer of each county shall certify the immediately preceding
13 year's taxable values, the current year's taxable values, the
14 amount of additions and losses for the current year, and the
15 current year's millage reduction fraction for each unit of local
16 government that levies a property tax in the county.

17 (5) The financial officer of each unit of local government
18 shall make the computation of the tax rate using the data certified
19 by the county treasurer and the state tax commission. At the annual
20 session in October, the county board of commissioners shall not
21 authorize the levy of a tax unless the governing body of the taxing
22 jurisdiction has certified that the requested millage has been
23 reduced, if necessary, in compliance with section 31 of article IX
24 of the state constitution of 1963.

25 (6) The number of mills permitted to be levied in a tax year
26 is limited as provided in this section pursuant to section 31 of
27 article IX of the state constitution of 1963. A unit of local

1 government shall not levy a tax rate greater than the rate
2 determined by reducing its maximum rate or rates authorized by law
3 or charter by a millage reduction fraction as provided in this
4 section without voter approval.

5 (7) A millage reduction fraction shall be determined for each
6 year for each local unit of government. For ad valorem property
7 taxes that became a lien before January 1, 1983, the numerator of
8 the fraction shall be the total state equalized valuation for the
9 immediately preceding year multiplied by the inflation rate and the
10 denominator of the fraction shall be the total state equalized
11 valuation for the current year minus new construction and
12 improvements. For ad valorem property taxes that become a lien
13 after December 31, 1982 and through December 31, 1994, the
14 numerator of the fraction shall be the product of the difference
15 between the total state equalized valuation for the immediately
16 preceding year minus losses multiplied by the inflation rate and
17 the denominator of the fraction shall be the total state equalized
18 valuation for the current year minus additions. For ad valorem
19 property taxes that are levied after December 31, 1994, the
20 numerator of the fraction shall be the product of the difference
21 between the total taxable value for the immediately preceding year
22 minus losses multiplied by the inflation rate and the denominator
23 of the fraction shall be the total taxable value for the current
24 year minus additions. For each year after 1993 **AND BEFORE 2003**, a
25 millage reduction fraction shall not exceed 1.

26 (8) The compounded millage reduction fraction for each year
27 after 1980 shall be calculated by multiplying the local unit's

1 previous year's compounded millage reduction fraction by the
2 current year's millage reduction fraction. Beginning with 1980 tax
3 levies, the compounded millage reduction fraction for the year
4 shall be multiplied by the maximum millage rate authorized by law
5 or charter for the unit of local government for the year, except as
6 provided by subsection (9). ~~A~~ **FOR EACH YEAR AFTER 1993 AND BEFORE**
7 **2003, A** compounded millage reduction fraction shall not exceed 1.

8 (9) The millage reduction shall be determined separately for
9 authorized millage approved by the voters. The limitation on
10 millage authorized by the voters on or before May 31 of a year
11 shall be calculated beginning with the millage reduction fraction
12 for that year. Millage authorized by the voters after May 31 shall
13 not be subject to a millage reduction until the year following the
14 voter authorization which shall be calculated beginning with the
15 millage reduction fraction for the year following the
16 authorization. The first millage reduction fraction used in
17 calculating the limitation on millage approved by the voters after
18 January 1, 1979 shall not exceed 1.

19 (10) A millage reduction fraction shall be applied separately
20 to the aggregate maximum millage rate authorized by a charter and
21 to each maximum millage rate authorized by state law for a specific
22 purpose.

23 (11) A unit of local government may submit to the voters for
24 their approval the levy in that year of a tax rate in excess of the
25 limit set by this section. The ballot question shall ask the voters
26 to approve the levy of a specific number of mills in excess of the
27 limit. The provisions of this section do not allow the levy of a

1 millage rate in excess of the maximum rate authorized by law or
2 charter. If the authorization to levy millage expires after 1993
3 and a local governmental unit is asking voters to renew the
4 authorization to levy the millage, the ballot question shall ask
5 for renewed authorization for the number of expiring mills as
6 reduced by the millage reduction required by this section. If the
7 election occurs before June 1 of a year, the millage reduction is
8 based on the immediately preceding year's millage reduction
9 applicable to that millage. If the election occurs after May 31 of
10 a year, the millage reduction shall be based on that year's millage
11 reduction applicable to that millage had it not expired.

12 (12) A reduction or limitation under this section shall not be
13 applied to taxes imposed for the payment of principal and interest
14 on bonds or other evidence of indebtedness or for the payment of
15 assessments or contract obligations in anticipation of which bonds
16 are issued that were authorized before December 23, 1978, as
17 provided by former section 4 of chapter I of ~~the municipal finance~~
18 ~~act, Act No. 202 of the Public Acts of 1943~~ **FORMER 1943 PA 202**, or
19 to taxes imposed for the payment of principal and interest on bonds
20 or other evidence of indebtedness or for the payment of assessments
21 or contract obligations in anticipation of which bonds are issued
22 that are approved by the voters after December 22, 1978.

23 (13) If it is determined subsequent to the levy of a tax that
24 an incorrect millage reduction fraction has been applied, the
25 amount of additional tax revenue or the shortage of tax revenue
26 shall be deducted from or added to the next regular tax levy for
27 that unit of local government after the determination of the

1 authorized rate pursuant to this section.

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

8 (15) The fractions calculated pursuant to this section shall
9 be rounded to 4 decimal places, except that the inflation rate
10 shall be computed by the state tax commission and shall be rounded
11 to 3 decimal places. The state tax commission shall publish the
12 inflation rate before March 1 of each year.

13 (16) Beginning with taxes levied in 1994 **AND BEFORE 2003**, the
14 millage reduction required by section 31 of article IX of the state
15 constitution of 1963 shall permanently reduce the maximum rate or
16 rates authorized by law or charter. The reduced maximum authorized
17 rate or rates for 1994 **AND THE REDUCED MAXIMUM AUTHORIZED RATE OR**
18 **RATES FOR 2003 AND EACH YEAR AFTER 2003** shall equal the product of
19 the maximum rate or rates authorized by law or charter before
20 application of this section multiplied by the ~~compound~~ **COMPOUNDED**
21 millage reduction applicable to that millage in 1994 **OR IN 2003 AND**
22 **EACH YEAR AFTER 2003** pursuant to subsections (8) to (12). The
23 reduced maximum authorized rate or rates for 1995 and ~~each year~~
24 ~~after 1995~~ **PRIOR TO 2003** shall equal the product of the
25 immediately preceding year's reduced maximum authorized rate or
26 rates multiplied by the current year's millage reduction fraction
27 and shall be adjusted for millage for which authorization has

1 expired and new authorized millage approved by the voters pursuant
2 to subsections (8) to (12).