

SENATE BILL No. 363

March 21, 2007, Introduced by Senator JACOBS and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 34d (MCL 211.34d), as amended by 2005 PA 12.

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.

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

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

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

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

1 true cash value of the new construction multiplied by 0.50.

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

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

13 (B) The taxable value of property that is a facility as that
14 term is defined in section 2 of 1974 PA 198, MCL 207.552, that was
15 previously exempt under section 7k is the taxable value that
16 property would have had under this act if it had not been exempt.

17 (C) The value of property previously exempt under any other
18 section of law is the true cash value of the previously exempt
19 property multiplied by 0.50.

20 (v) Replacement construction. As used in this subparagraph,
21 "replacement construction" means construction that replaced
22 property damaged or destroyed by accident or act of God and that
23 occurred after the immediately preceding tax day to the extent the
24 construction's true cash value does not exceed the true cash value
25 of property that was damaged or destroyed by accident or act of God
26 in the immediately preceding 3 years. For purposes of determining
27 the taxable value of property under section 27a, the value of the

1 replacement construction is the true cash value of the replacement
2 construction multiplied by a fraction the numerator of which is the
3 taxable value of the property to which the construction was added
4 in the immediately preceding year and the denominator of which is
5 the true cash value of the property to which the construction was
6 added in the immediately preceding year, and then multiplied by the
7 lesser of 1.05 or the inflation rate.

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

22 (vii) An increase in the value attributable to the property's
23 occupancy rate if either a loss, as that term is defined in this
24 section, had been previously allowed because of a decrease in the
25 property's occupancy rate or if the value of new construction was
26 reduced because of a below-market occupancy rate. For purposes of
27 determining the taxable value of property under section 27a, the

value of an addition for the increased occupancy rate is the product of the increase in the true cash value of the property attributable to the increased occupancy rate multiplied by a fraction the numerator of which is the taxable value of the property in the immediately preceding year and the denominator of which is the true cash value of the property in the immediately preceding year, and then multiplied by the lesser of 1.05 or the inflation rate.

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

(ix) FOR THE PURPOSES OF THE CALCULATION OF THE MILLAGE REDUCTION FRACTION UNDER SUBSECTION (7) ONLY, INCREASED TAXABLE VALUE UNDER SECTION 27A(3) AFTER A TRANSFER OF OWNERSHIP OF PROPERTY.

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

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

(ii) A change in the zoning of property.

~~—— (iii) For the purposes of the calculation of the millage reduction fraction under subsection (7) only, increased taxable~~

1 ~~value under section 27a(3) after a transfer of ownership of~~
2 ~~property.~~

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

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

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

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

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

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

25 (ii) Property that was subject to ad valorem taxation under
26 this act in the immediately preceding year that is now exempt from
27 ad valorem taxation under this act. For purposes of determining the

1 taxable value of property under section 27a, the value of property
2 exempted from ad valorem taxation under this act is the amount
3 exempted.

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

14 (iv) A decrease in taxable value attributable to environmental
15 contamination existing on the immediately preceding tax day. The
16 department of environmental quality shall determine the degree to
17 which environmental contamination limits the use of property based
18 on information available in existing department of environmental
19 quality records or information made available to the department of
20 environmental quality if the appropriate assessing officer for a
21 local tax collecting unit requests that determination. The
22 department of environmental quality's determination of the degree
23 to which environmental contamination limits the use of property
24 shall be based on the criteria established for the categories set
25 forth in section 20120a(1) of the natural resources and
26 environmental protection act, 1994 PA 451, MCL 324.20120a. The
27 decrease in taxable value attributable to the contamination is the

1 decrease in true cash value attributable to the contamination
2 multiplied by a fraction the numerator of which is the taxable
3 value of the property had it not been contaminated and the
4 denominator of which is the true cash value of the property had it
5 not been contaminated.

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

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

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

10 (j) "New construction and improvements" means additions less
11 losses.

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

14 (l) "Inflation rate" means the ratio of the general price level
15 for the state fiscal year ending in the calendar year immediately
16 preceding the current year divided by the general price level for
17 the state fiscal year ending in the calendar year before the year
18 immediately preceding the current year.

19 (2) On or before the first Monday in May of each year, the
20 assessing officer of each township or city shall tabulate the
21 tentative taxable value as approved by the local board of review
22 and as modified by county equalization for each classification of
23 property that is separately equalized for each unit of local
24 government and provide the tabulated tentative taxable values to
25 the county equalization director. The tabulation by the assessing
26 officer shall contain additions and losses for each classification
27 of property that is separately equalized for each unit of local

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

1 the county.

2 (3) On or before the first Monday in June of each year, the
3 county equalization director shall deliver the statement of the
4 computations signed by the county equalization director to the
5 county treasurer.

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

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

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

27 (7) A millage reduction fraction shall be determined for each

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

21 (8) The compounded millage reduction fraction for each year
22 after 1980 shall be calculated by multiplying the local unit's
23 previous year's compounded millage reduction fraction by the
24 current year's millage reduction fraction. Beginning with 1980 tax
25 levies, the compounded millage reduction fraction for the year
26 shall be multiplied by the maximum millage rate authorized by law
27 or charter for the unit of local government for the year, except as

1 provided by subsection (9). A compounded millage reduction fraction
2 shall not exceed 1.

3 (9) The millage reduction shall be determined separately for
4 authorized millage approved by the voters. The limitation on
5 millage authorized by the voters on or before April 30 of a year
6 shall be calculated beginning with the millage reduction fraction
7 for that year. Millage authorized by the voters after April 30
8 shall not be subject to a millage reduction until the year
9 following the voter authorization which shall be calculated
10 beginning with the millage reduction fraction for the year
11 following the authorization. The first millage reduction fraction
12 used in calculating the limitation on millage approved by the
13 voters after January 1, 1979 shall not exceed 1.

14 (10) A millage reduction fraction shall be applied separately
15 to the aggregate maximum millage rate authorized by a charter and
16 to each maximum millage rate authorized by state law for a specific
17 purpose.

18 (11) A unit of local government may submit to the voters for
19 their approval the levy in that year of a tax rate in excess of the
20 limit set by this section. The ballot question shall ask the voters
21 to approve the levy of a specific number of mills in excess of the
22 limit. The provisions of this section do not allow the levy of a
23 millage rate in excess of the maximum rate authorized by law or
24 charter. If the authorization to levy millage expires after 1993
25 and a local governmental unit is asking voters to renew the
26 authorization to levy the millage, the ballot question shall ask
27 for renewed authorization for the number of expiring mills as

1 reduced by the millage reduction required by this section. If the
2 election occurs before June 1 of a year, the millage reduction is
3 based on the immediately preceding year's millage reduction
4 applicable to that millage. If the election occurs after May 31 of
5 a year, the millage reduction shall be based on that year's millage
6 reduction applicable to that millage had it not expired.

7 (12) A reduction or limitation under this section shall not be
8 applied to taxes imposed for the payment of principal and interest
9 on bonds or other evidence of indebtedness or for the payment of
10 assessments or contract obligations in anticipation of which bonds
11 are issued that were authorized before December 23, 1978, as
12 provided by section 4 of chapter I of former 1943 PA 202, or to
13 taxes imposed for the payment of principal and interest on bonds or
14 other evidence of indebtedness or for the payment of assessments or
15 contract obligations in anticipation of which bonds are issued that
16 are approved by the voters after December 22, 1978.

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

23 (14) If as a result of an appeal of county equalization or
24 state equalization the taxable value of a unit of local government
25 changes, the millage reduction fraction for the year shall be
26 recalculated. The financial officer shall effectuate an addition or
27 reduction of tax revenue in the same manner as prescribed in

1 subsection (13).

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

7 (16) Beginning with taxes levied in 1994, the millage
8 reduction required by section 31 of article IX of the state
9 constitution of 1963 shall permanently reduce the maximum rate or
10 rates authorized by law or charter. The reduced maximum authorized
11 rate or rates for 1994 shall equal the product of the maximum rate
12 or rates authorized by law or charter before application of this
13 section multiplied by the compounded millage reduction applicable
14 to that millage in 1994 pursuant to subsections (8) to (12). The
15 reduced maximum authorized rate or rates for 1995 and each year
16 after 1995 shall equal the product of the immediately preceding
17 year's reduced maximum authorized rate or rates multiplied by the
18 current year's millage reduction fraction and shall be adjusted for
19 millage for which authorization has expired and new authorized
20 millage approved by the voters pursuant to subsections (8) to (12).