

HOUSE BILL No. 4102

January 22, 2009, Introduced by Rep. Calley and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27 (MCL 211.27), as amended by 2003 PA 274.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27. (1) As used in this act, "true cash value" means the
2 usual selling price at the place where the property to which the
3 term is applied is at the time of assessment, being the price that
4 could be obtained for the property at private sale, and not at
5 auction sale ~~except as otherwise provided in this section,~~ or at
6 forced sale, **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION.** The
7 usual selling price may include sales at public auction, **INCLUDING**
8 **SALES OF PROPERTY IN FORECLOSURE,** held by a nongovernmental agency
9 or person if those sales have become a common method of acquisition
10 in the jurisdiction for the class of property being valued. The

1 usual selling price does not include sales at public auction if the
2 sale is part of a liquidation of the seller's assets in a
3 bankruptcy proceeding or if the seller is unable to use common
4 marketing techniques to obtain the usual selling price for the
5 property. A sale or other disposition by this state or an agency or
6 political subdivision of this state of land acquired for delinquent
7 taxes or an appraisal made in connection with the sale or other
8 disposition or the value attributed to the property of regulated
9 public utilities by a governmental regulatory agency for rate-
10 making purposes is not controlling evidence of true cash value for
11 assessment purposes. In determining the true cash value, the
12 assessor shall also consider the advantages and disadvantages of
13 location; quality of soil; zoning; existing use; present economic
14 income of structures, including farm structures; present economic
15 income of land if the land is being farmed or otherwise put to
16 income producing use; quantity and value of standing timber; water
17 power and privileges; and mines, minerals, quarries, or other
18 valuable deposits known to be available in the land and their
19 value. In determining the true cash value of personal property
20 owned by an electric utility cooperative, the assessor shall
21 consider the number of kilowatt hours of electricity sold per mile
22 of distribution line compared to the average number of kilowatt
23 hours of electricity sold per mile of distribution line for all
24 electric utilities.

25 (2) The assessor shall not consider the increase in true cash
26 value that is a result of expenditures for normal repairs,
27 replacement, and maintenance in determining the true cash value of

property for assessment purposes until the property is sold. For the purpose of implementing this subsection, the assessor shall not increase the construction quality classification or reduce the effective age for depreciation purposes, except if the appraisal of the property was erroneous before nonconsideration of the normal repair, replacement, or maintenance, and shall not assign an economic condition factor to the property that differs from the economic condition factor assigned to similar properties as defined by appraisal procedures applied in the jurisdiction. The increase in value attributable to the items included in subdivisions (a) to (o) that is known to the assessor and excluded from true cash value shall be indicated on the assessment roll. This subsection applies only to residential property. The following repairs are considered normal maintenance if they are not part of a structural addition or completion:

- (a) Outside painting.
- (b) Repairing or replacing siding, roof, porches, steps, sidewalks, or drives.
- (c) Repainting, repairing, or replacing existing masonry.
- (d) Replacing awnings.
- (e) Adding or replacing gutters and downspouts.
- (f) Replacing storm windows or doors.
- (g) Insulating or weatherstripping.
- (h) Complete rewiring.
- (i) Replacing plumbing and light fixtures.
- (j) Replacing a furnace with a new furnace of the same type or replacing an oil or gas burner.

1 (k) Repairing plaster, inside painting, or other redecorating.

2 (l) New ceiling, wall, or floor surfacing.

3 (m) Removing partitions to enlarge rooms.

4 (n) Replacing an automatic hot water heater.

5 (o) Replacing dated interior woodwork.

6 (3) A city or township assessor, a county equalization
7 department, or the state tax commission before utilizing real
8 estate sales data on real property purchases, including purchases
9 by land contract **AND PURCHASES OF PROPERTY IN FORECLOSURE**, to
10 determine assessments or in making sales ratio studies to assess
11 property or equalize assessments shall exclude from the sales data
12 the following amounts allowed by subdivisions (a), (b), and (c) to
13 the extent that the amounts are included in the real property
14 purchase price and are so identified in the real estate sales data
15 or certified to the assessor as provided in subdivision (d):

16 (a) Amounts paid for obtaining financing of the purchase price
17 of the property or the last conveyance of the property.

18 (b) Amounts attributable to personal property that were
19 included in the purchase price of the property in the last
20 conveyance of the property.

21 (c) Amounts paid for surveying the property pursuant to the
22 last conveyance of the property. The legislature may require local
23 units of government, including school districts, to submit reports
24 of revenue lost under subdivisions (a) and (b) and this subdivision
25 so that the state may reimburse those units for that lost revenue.

26 (d) The purchaser of real property, including a purchaser by
27 land contract, may file with the assessor of the city or township

1 in which the property is located 2 copies of the purchase agreement
2 or of an affidavit that identifies the amount, if any, for each
3 item listed in subdivisions (a) to (c). One copy shall be forwarded
4 by the assessor to the county equalization department. The
5 affidavit shall be prescribed by the state tax commission.

6 (4) As used in subsection (1), "present economic income" means
7 for leased or rented property the ordinary, general, and usual
8 economic return realized from the lease or rental of property
9 negotiated under current, contemporary conditions between parties
10 equally knowledgeable and familiar with real estate values. The
11 actual income generated by the lease or rental of property is not
12 the controlling indicator of its true cash value in all cases. This
13 subsection does not apply to property subject to a lease entered
14 into before January 1, 1984 for which the terms of the lease
15 governing the rental rate or tax liability have not been
16 renegotiated after December 31, 1983. This subsection does not
17 apply to a nonprofit housing cooperative subject to regulatory
18 agreements between the state or federal government entered into
19 before January 1, 1984. As used in this subsection, "nonprofit
20 cooperative housing corporation" means a nonprofit cooperative
21 housing corporation that is engaged in providing housing services
22 to its stockholders and members and that does not pay dividends or
23 interest upon stock or membership investment but that does
24 distribute all earnings to its stockholders or members.

25 (5) Beginning December 31, 1994, the purchase price paid in a
26 transfer of property is not the presumptive true cash value of the
27 property transferred. In determining the true cash value of

1 transferred property, an assessing officer shall assess that
2 property using the same valuation method used to value all other
3 property of that same classification in the assessing jurisdiction.
4 As used in this subsection, "purchase price" means the total
5 consideration agreed to in an arms-length transaction, ~~and not at a~~
6 ~~forced sale~~ **INCLUDING THE SALE OF PROPERTY IN FORECLOSURE**, paid by
7 the purchaser of the property, stated in dollars, whether or not
8 paid in dollars.

9 (6) For purposes of a statement submitted under section 19,
10 the true cash value of a standard tool is the net book value of
11 that standard tool as of December 31 in each tax year as determined
12 using generally accepted accounting principles in a manner
13 consistent with the established depreciation method used by the
14 person submitting that statement. The net book value of a standard
15 tool for federal income tax purposes is not the presumptive true
16 cash value of that standard tool. As used in this subsection,
17 "standard tool" means that term as defined in section 9b.