

HOUSE BILL No. 4882

May 5, 2009, Introduced by Reps. Calley, Young, McMillin and Horn and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 2008 PA 506.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

7 (a) The property's taxable value in the immediately preceding
8 year minus any losses, multiplied by the lesser of 1.05 or the
9 inflation rate, plus all additions. For taxes levied in 1995, the
10 property's taxable value in the immediately preceding year is the

1 property's state equalized valuation in 1994.

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

3 (3) Upon a transfer of ownership of property after 1994
4 **THROUGH 2009**, the property's taxable value for the calendar year
5 following the year of the transfer is the property's state
6 equalized valuation for the calendar year following the transfer.
7 **UPON A TRANSFER OF OWNERSHIP OF PROPERTY AFTER 2009, THE PROPERTY'S**
8 **TAXABLE VALUE FOR THE CALENDAR YEAR FOLLOWING THE YEAR OF THE**
9 **TRANSFER IS THE PROPERTY'S STATE EQUALIZED VALUATION FOR THE**
10 **CALENDAR YEAR FOLLOWING THE TRANSFER MULTIPLIED BY A FRACTION THE**
11 **NUMERATOR OF WHICH IS THE TOTAL TAXABLE VALUE OF ALL REAL PROPERTY**
12 **SOLD IN THE LOCAL TAX COLLECTING UNIT FOR THE CALENDAR YEAR IN**
13 **WHICH THE TRANSFER OCCURRED AND THE DENOMINATOR OF WHICH IS THE**
14 **TOTAL STATE EQUALIZED VALUATION OF ALL REAL PROPERTY SOLD IN THE**
15 **LOCAL TAX COLLECTING UNIT FOR THE CALENDAR YEAR IN WHICH THE**
16 **TRANSFER OCCURRED.**

17 (4) If the taxable value of property is adjusted under
18 subsection (3), a subsequent increase in the property's taxable
19 value is subject to the limitation set forth in subsection (2)
20 until a subsequent transfer of ownership occurs. If the taxable
21 value of property is adjusted under subsection (3) and the assessor
22 determines that there had not been a transfer of ownership, the
23 taxable value of the property shall be adjusted at the July or
24 December board of review. Notwithstanding the limitation provided
25 in section 53b(1) on the number of years for which a correction may
26 be made, the July or December board of review may adjust the
27 taxable value of property under this subsection for the current

1 year and for the 3 immediately preceding calendar years. A
2 corrected tax bill shall be issued for each tax year for which the
3 taxable value is adjusted by the local tax collecting unit if the
4 local tax collecting unit has possession of the tax roll or by the
5 county treasurer if the county has possession of the tax roll. For
6 purposes of section 53b, an adjustment under this subsection shall
7 be considered the correction of a clerical error.

8 (5) Assessment of property, as required in this section and
9 section 27, is inapplicable to the assessment of property subject
10 to the levy of ad valorem taxes within voted tax limitation
11 increases to pay principal and interest on limited tax bonds issued
12 by any governmental unit, including a county, township, community
13 college district, or school district, before January 1, 1964, if
14 the assessment required to be made under this act would be less
15 than the assessment as state equalized prevailing on the property
16 at the time of the issuance of the bonds. This inapplicability
17 shall continue until levy of taxes to pay principal and interest on
18 the bonds is no longer required. The assessment of property
19 required by this act shall be applicable for all other purposes.

20 (6) As used in this act, "transfer of ownership" means the
21 conveyance of title to or a present interest in property, including
22 the beneficial use of the property, the value of which is
23 substantially equal to the value of the fee interest. Transfer of
24 ownership of property includes, but is not limited to, the
25 following:

26 (a) A conveyance by deed.

27 (b) A conveyance by land contract. The taxable value of

1 property conveyed by a land contract executed after December 31,
2 1994 shall be adjusted under subsection (3) for the calendar year
3 following the year in which the contract is entered into and shall
4 not be subsequently adjusted under subsection (3) when the deed
5 conveying title to the property is recorded in the office of the
6 register of deeds in the county in which the property is located.

7 (c) A conveyance to a trust after December 31, 1994, except if
8 the settlor or the settlor's spouse, or both, conveys the property
9 to the trust and the sole present beneficiary or beneficiaries are
10 the settlor or the settlor's spouse, or both.

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

14 (e) A change in the sole present beneficiary or beneficiaries
15 of a trust, except a change that adds or substitutes the spouse of
16 the sole present beneficiary.

17 (f) A conveyance by distribution under a will or by intestate
18 succession, except if the distributee is the decedent's spouse.

19 (g) A conveyance by lease if the total duration of the lease,
20 including the initial term and all options for renewal, is more
21 than 35 years or the lease grants the lessee a bargain purchase
22 option. As used in this subdivision, "bargain purchase option"
23 means the right to purchase the property at the termination of the
24 lease for not more than 80% of the property's projected true cash
25 value at the termination of the lease. After December 31, 1994, the
26 taxable value of property conveyed by a lease with a total duration
27 of more than 35 years or with a bargain purchase option shall be

1 adjusted under subsection (3) for the calendar year following the
2 year in which the lease is entered into. This subdivision does not
3 apply to personal property except buildings described in section
4 14(6) and personal property described in section 8(h), (i), and
5 (j). This subdivision does not apply to that portion of the
6 property not subject to the leasehold interest conveyed.

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

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

23 (j) A conveyance of an ownership interest in a cooperative
24 housing corporation, except that portion of the property not
25 subject to the ownership interest conveyed.

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

27 (a) The transfer of property from 1 spouse to the other spouse

1 or from a decedent to a surviving spouse.

2 (b) A transfer from a husband, a wife, or a husband and wife
3 creating or disjoining a tenancy by the entirety in the grantors
4 or the grantor and his or her spouse.

5 (c) A transfer of that portion of property subject to a life
6 estate or life lease retained by the transferor, until expiration
7 or termination of the life estate or life lease. That portion of
8 property transferred that is not subject to a life lease shall be
9 adjusted under subsection (3).

10 (d) A transfer through foreclosure or forfeiture of a recorded
11 instrument under chapter 31, 32, or 57 of the revised judicature
12 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
13 to 600.5759, or through deed or conveyance in lieu of a foreclosure
14 or forfeiture, until the mortgagee or land contract vendor
15 subsequently transfers the property. If a mortgagee does not
16 transfer the property within 1 year of the expiration of any
17 applicable redemption period, the property shall be adjusted under
18 subsection (3).

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

21 (f) A conveyance to a trust if the settlor or the settlor's
22 spouse, or both, conveys the property to the trust and the sole
23 present beneficiary of the trust is the settlor or the settlor's
24 spouse, or both.

25 (g) A transfer pursuant to a judgment or order of a court of
26 record making or ordering a transfer, unless a specific monetary
27 consideration is specified or ordered by the court for the

1 transfer.

2 (h) A transfer creating or terminating a joint tenancy between
3 2 or more persons if at least 1 of the persons was an original
4 owner of the property before the joint tenancy was initially
5 created and, if the property is held as a joint tenancy at the time
6 of conveyance, at least 1 of the persons was a joint tenant when
7 the joint tenancy was initially created and that person has
8 remained a joint tenant since the joint tenancy was initially
9 created. A joint owner at the time of the last transfer of
10 ownership of the property is an original owner of the property. For
11 purposes of this subdivision, a person is an original owner of
12 property owned by that person's spouse.

13 (i) A transfer for security or an assignment or discharge of a
14 security interest.

15 (j) A transfer of real property or other ownership interests
16 among members of an affiliated group. As used in this subsection,
17 "affiliated group" means 1 or more corporations connected by stock
18 ownership to a common parent corporation. Upon request by the state
19 tax commission, a corporation shall furnish proof within 45 days
20 that a transfer meets the requirements of this subdivision. A
21 corporation that fails to comply with a request by the state tax
22 commission under this subdivision is subject to a fine of \$200.00.

23 (k) Normal public trading of shares of stock or other
24 ownership interests that, over any period of time, cumulatively
25 represent more than 50% of the total ownership interest in a
26 corporation or other legal entity and are traded in multiple
27 transactions involving unrelated individuals, institutions, or

1 other legal entities.

2 (l) A transfer of real property or other ownership interests
3 among corporations, partnerships, limited liability companies,
4 limited liability partnerships, or other legal entities if the
5 entities involved are commonly controlled. Upon request by the
6 state tax commission, a corporation, partnership, limited liability
7 company, limited liability partnership, or other legal entity shall
8 furnish proof within 45 days that a transfer meets the requirements
9 of this subdivision. A corporation, partnership, limited liability
10 company, limited liability partnership, or other legal entity that
11 fails to comply with a request by the state tax commission under
12 this subdivision is subject to a fine of \$200.00.

13 (m) A direct or indirect transfer of real property or other
14 ownership interests resulting from a transaction that qualifies as
15 a tax-free reorganization under section 368 of the internal revenue
16 code, 26 USC 368. Upon request by the state tax commission, a
17 property owner shall furnish proof within 45 days that a transfer
18 meets the requirements of this subdivision. A property owner who
19 fails to comply with a request by the state tax commission under
20 this subdivision is subject to a fine of \$200.00.

21 (n) A transfer of qualified agricultural property, if the
22 person to whom the qualified agricultural property is transferred
23 files an affidavit with the assessor of the local tax collecting
24 unit in which the qualified agricultural property is located and
25 with the register of deeds for the county in which the qualified
26 agricultural property is located attesting that the qualified
27 agricultural property shall remain qualified agricultural property.

1 The affidavit under this subdivision shall be in a form prescribed
2 by the department of treasury. An owner of qualified agricultural
3 property shall inform a prospective buyer of that qualified
4 agricultural property that the qualified agricultural property is
5 subject to the recapture tax provided in the agricultural property
6 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
7 qualified agricultural property is converted by a change in use. If
8 property ceases to be qualified agricultural property at any time
9 after being transferred, all of the following shall occur:

10 (i) The taxable value of that property shall be adjusted under
11 subsection (3) as of the December 31 in the year that the property
12 ceases to be qualified agricultural property.

13 (ii) The property is subject to the recapture tax provided for
14 under the agricultural property recapture act, 2000 PA 261, MCL
15 211.1001 to 211.1007.

16 (o) A transfer of qualified forest property, if the person to
17 whom the qualified forest property is transferred files an
18 affidavit with the assessor of the local tax collecting unit in
19 which the qualified forest property is located and with the
20 register of deeds for the county in which the qualified forest
21 property is located attesting that the qualified forest property
22 shall remain qualified forest property. The affidavit under this
23 subdivision shall be in a form prescribed by the department of
24 treasury. An owner of qualified forest property shall inform a
25 prospective buyer of that qualified forest property that the
26 qualified forest property is subject to the recapture tax provided
27 in the qualified forest property recapture tax act, 2006 PA 379,

1 MCL 211.1031 to 211.1036, if the qualified forest property is
2 converted by a change in use. If property ceases to be qualified
3 forest property at any time after being transferred, all of the
4 following shall occur:

5 (i) The taxable value of that property shall be adjusted under
6 subsection (3) as of the December 31 in the year that the property
7 ceases to be qualified forest property.

8 (ii) The property is subject to the recapture tax provided for
9 under the qualified forest property recapture tax act, 2006 PA 379,
10 MCL 211.1031 to 211.1036.

11 (p) Beginning on the effective date of the amendatory act that
12 added this subdivision, a transfer of land, but not buildings or
13 structures located on the land, which meets 1 or more of the
14 following requirements:

15 (i) The land is subject to a conservation easement under
16 subpart 11 of part 21 of the natural resources and environmental
17 protection act, 1994 PA 451, MCL 324.2140 to 324.2144. As used in
18 this subparagraph, "conservation easement" means that term as
19 defined in section 2140 of the natural resources and environmental
20 protection act, 1994 PA 451, MCL 324.2140.

21 (ii) A transfer of ownership of the land or a transfer of an
22 interest in the land is eligible for a deduction as a qualified
23 conservation contribution under section 170(h) of the internal
24 revenue code, 26 USC 170.

25 (q) A transfer of real property or other ownership interests
26 resulting from a consolidation or merger of a domestic nonprofit
27 corporation that is a boy or girl scout or camp fire girls

1 organization, a 4-H club or foundation, a young men's Christian
2 association, or a young women's Christian association and at least
3 50% of the members of that organization or association are
4 residents of this state.

5 (8) If all of the following conditions are satisfied, the
6 local tax collecting unit shall revise the taxable value of
7 qualified agricultural property taxable on the tax roll in the
8 possession of that local tax collecting unit to the taxable value
9 that qualified agricultural property would have had if there had
10 been no transfer of ownership of that qualified agricultural
11 property since December 31, 1999 and there had been no adjustment
12 of that qualified agricultural property's taxable value under
13 subsection (3) since December 31, 1999:

14 (a) The qualified agricultural property was qualified
15 agricultural property for taxes levied in 1999 and each year after
16 1999.

17 (b) The owner of the qualified agricultural property files an
18 affidavit with the assessor of the local tax collecting unit under
19 subsection (7)(n).

20 (9) If the taxable value of qualified agricultural property is
21 adjusted under subsection (8), the owner of that qualified
22 agricultural property shall not be entitled to a refund for any
23 property taxes collected under this act on that qualified
24 agricultural property before the adjustment under subsection (8).

25 (10) The register of deeds of the county where deeds or other
26 title documents are recorded shall notify the assessing officer of
27 the appropriate local taxing unit not less than once each month of

1 any recorded transaction involving the ownership of property and
2 shall make any recorded deeds or other title documents available to
3 that county's tax or equalization department. Unless notification
4 is provided under subsection (6), the buyer, grantee, or other
5 transferee of the property shall notify the appropriate assessing
6 office in the local unit of government in which the property is
7 located of the transfer of ownership of the property within 45 days
8 of the transfer of ownership, on a form prescribed by the state tax
9 commission that states the parties to the transfer, the date of the
10 transfer, the actual consideration for the transfer, and the
11 property's parcel identification number or legal description. Forms
12 filed in the assessing office of a local unit of government under
13 this subsection shall be made available to the county tax or
14 equalization department for the county in which that local unit of
15 government is located. This subsection does not apply to personal
16 property except buildings described in section 14(6) and personal
17 property described in section 8(h), (i), and (j).

18 (11) As used in this section:

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

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

23 (c) "Converted by a change in use" means that term as defined
24 in the agricultural property recapture act, 2000 PA 261, MCL
25 211.1001 to 211.1007.

26 (d) "Inflation rate" means that term as defined in section
27 34d.

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

2 (f) "Qualified agricultural property" means that term as
3 defined in section 7dd.

4 (g) "Qualified forest property" means that term as defined in
5 section 7jj[1].