

SENATE BILL No. 1231

March 17, 2010, Introduced by Senator GILBERT and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending sections 8 and 34c (MCL 211.8 and 211.34c), section 8
as amended by 2006 PA 633 and section 34c as amended by 2006 PA
646.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 8. For the purposes of taxation, personal property
2 includes all of the following:

3 (a) All goods, chattels, and effects within this state.

4 (b) All goods, chattels, and effects belonging to inhabitants
5 of this state, located without this state, except that property
6 actually and permanently invested in business in another state

1 shall not be included.

2 (c) All interests owned by individuals in real property, the
3 fee title to which is in this state or the United States, except as
4 otherwise provided in this act.

5 (d) For taxes levied before January 1, 2003, buildings and
6 improvements located upon leased real property, except if the value
7 of the real property is also assessed to the lessee or owner of
8 those buildings and improvements. For taxes levied after December
9 31, 2002, buildings and improvements located upon leased real
10 property, except buildings and improvements exempt under section 9f
11 or improvements assessable under subdivision (h), shall be assessed
12 as real property under section 2 to the owner of the buildings or
13 improvements in the local tax collecting unit in which the
14 buildings or improvements are located if the value of the buildings
15 or improvements is not otherwise included in the assessment of the
16 real property. For taxes levied after December 31, 2001, buildings
17 and improvements exempt under section 9f or improvements assessable
18 under subdivision (h) and located on leased real property shall be
19 assessed as personal property.

20 (e) Tombs or vaults built within any burial grounds and kept
21 for hire or rent, in whole or in part, and the stock of a
22 corporation or association owning the tombs, vaults, or burial
23 grounds.

24 (f) All other personal property not enumerated in this section
25 and not especially exempted by law.

26 (g) The personal property of gas and coke companies, natural
27 gas companies, electric light companies, waterworks companies,

1 hydraulic companies, and pipe line companies transporting oil or
2 gas as public or common carriers, to be assessed in the local tax
3 collecting unit in which the personal property is located. The
4 mains, pipes, supports, and wires of these companies, including the
5 supports and wire or other line used for communication purposes in
6 the operation of those facilities, and the rights of way and the
7 easements or other interests in real property by virtue of which
8 the mains, pipes, supports, and wires are erected and maintained,
9 shall be assessed as personal property in the local tax collecting
10 unit where laid, placed, or located. Interests in underground rock
11 strata used for gas storage purposes, whether by lease or ownership
12 separate from the surface of real property, shall be separately
13 valued and assessed as personal property in the local tax
14 collecting unit in which it is located to the person who holds the
15 interest. Interests in underground rock strata shall be reported as
16 personal property to the appropriate assessing officer for all
17 property descriptions included in the storage field in the local
18 tax collecting unit and a separate valuation shall be assessed for
19 each school district. The personal property of street railroad,
20 plank road, cable or electric railroad or transportation companies,
21 bridge companies, and all other companies not required to pay a
22 specific tax to this state in lieu of all other taxes, shall,
23 except as otherwise provided in this section, be assessed in the
24 local tax collecting unit in which the property is located, used,
25 or laid, and the track, road, or bridge of a company is considered
26 personal property. None of the property assessable as personal
27 property under this subdivision shall be affected by any assessment

1 or tax levied on the real property through or over which the
2 personal property is laid, placed, or located, nor shall any right
3 of way, easement, or other interest in real property, assessable as
4 personal property under this subdivision, be extinguished or
5 otherwise affected in case the real property subject to assessment
6 is sold in the exercise of the taxing power.

7 (h) During the tenancy of a lessee, leasehold improvements and
8 structures installed and constructed on real property by the
9 lessee, provided and to the extent the improvements or structures
10 add to the true cash taxable value of the real property
11 notwithstanding that the real property is encumbered by a lease
12 agreement, and the value added by the improvements or structures is
13 not otherwise included in the assessment of the real property or
14 not otherwise assessable under subdivision (j). The cost of
15 leasehold improvements and structures on real property shall not be
16 the sole indicator of value. Leasehold improvements and structures
17 assessed under this subdivision shall be assessed to the lessee.

18 (i) A leasehold estate received by a sublessor from which the
19 sublessor receives net rentals in excess of net rentals required to
20 be paid by the sublessor except to the extent that the excess
21 rentals are attributable to the installation and construction of
22 improvements and structures assessed under subdivision (h) or (j)
23 or included in the assessment of the real property. For purposes of
24 this act, a leasehold estate is considered to be owned by the
25 lessee receiving additional net rentals. A lessee in possession is
26 required to provide the assessor with the name and address of its
27 lessor. Taxes collected under this act on leasehold estates shall

1 become a lien against the rentals paid by the sublessee to the
2 sublessor.

3 (j) To the extent not assessed as real property, a leasehold
4 estate of a lessee created by the difference between the income
5 that would be received by the lessor from the lessee on the basis
6 of the present economic income of the property as defined and
7 allowed by section 27(4), minus the actual value to the lessor
8 under the lease. This subdivision does not apply to property if
9 subject to a lease entered into before January 1, 1984 for which
10 the terms of the lease governing the rental rate or the tax
11 liability have not been renegotiated after December 31, 1983. This
12 subdivision does not apply to a nonprofit housing cooperative. As
13 used in this subdivision, "nonprofit cooperative housing
14 corporation" means a nonprofit cooperative housing corporation that
15 is engaged in providing housing services to its stockholders and
16 members and that does not pay dividends or interest upon stock or
17 membership investment but that does distribute all earnings to its
18 stockholders or members.

19 (k) For taxes levied after December 31, 2002, a trade fixture.

20 (l) For taxes levied after December 31, 2005, a wind energy
21 system. As used in this subdivision, "wind energy system" ~~means an~~
22 ~~integrated unit consisting of a wind turbine composed of a rotor,~~
23 ~~an electrical generator, a control system, an inverter or other~~
24 ~~power conditioning unit, and a tower, which uses moving air to~~
25 ~~produce power.~~ **INCLUDES THE FOLLOWING WHEN USED PRIMARILY IN**
26 **CONNECTION WITH COLLECTING, CONVERTING, USING, TRANSFERRING, OR**
27 **STORING FOR FUTURE USE WIND ENERGY FOR GENERATING ELECTRICITY:**

1 (i) WIND ENERGY CONVERSION DEVICES, INCLUDING, BUT NOT LIMITED
2 TO, TURBINES, ROTORS, ELECTRICAL GENERATORS, CONTROL SYSTEMS,
3 INVERTERS OR OTHER POWER CONDITIONING UNITS, BLADES, AND TOWERS.

4 (ii) RELATED IMPROVEMENTS, INCLUDING, BUT NOT LIMITED TO,
5 FOUNDATIONS, CONCRETE PADS, FOOTINGS, SUPPORT FIXTURES, ANCHORS,
6 FENCES, TEMPORARY AND PERMANENT ROADS, SIGNAGE, MONUMENTS, AND
7 MARKERS.

8 (iii) ELECTRIC STORAGE SYSTEMS AND DEVICES, TRANSFORMERS,
9 SUBSTATION EQUIPMENT, COMMUNICATION LINES AND FACILITIES,
10 INSTALLATION AND MAINTENANCE EQUIPMENT, AND SPARE PARTS.

11 (iv) WEATHER MONITORING EQUIPMENT.

12 (v) OTHER RELATED PERSONAL PROPERTY.

13 (vi) UNDERGROUND AND OVERHEAD LINES AND TOWERS UNTIL THE POINT
14 AT WHICH THEY CONNECT WITH THE ELECTRICITY GRID.

15 Sec. 34c. (1) Not later than the first Monday in March in each
16 year, the assessor shall classify every item of assessable property
17 according to the definitions contained in this section. Following
18 the March board of review, the assessor shall tabulate the total
19 number of items and the valuations as approved by the board of
20 review for each classification and for the totals of real and
21 personal property in the local tax collecting unit. The assessor
22 shall transmit to the county equalization department and to the
23 state tax commission the tabulation of assessed valuations and
24 other statistical information the state tax commission considers
25 necessary to meet the requirements of this act and 1911 PA 44, MCL
26 209.1 to 209.8.

27 (2) The classifications of assessable real property are

1 described as follows:

2 (a) Agricultural real property includes parcels used partially
3 or wholly for agricultural operations, with or without buildings.
4 For taxes levied after December 31, 2002, agricultural real
5 property includes buildings on leased land used for agricultural
6 operations. As used in this subdivision, "agricultural operations"
7 means the following:

8 (i) Farming in all its branches, including cultivating soil.

9 (ii) Growing and harvesting any agricultural, horticultural, or
10 floricultural commodity.

11 (iii) Dairying.

12 (iv) Raising livestock, bees, fish, fur-bearing animals, or
13 poultry, including operating a game bird hunting preserve licensed
14 under part 417 of the natural resources and environmental
15 protection act, 1994 PA 451, MCL 324.41701 to 324.41712, and also
16 including farming operations that harvest cervidae on site where
17 not less than 60% of the cervidae were born as part of the farming
18 operation. As used in this subparagraph, "livestock" includes, but
19 is not limited to, cattle, sheep, new world camelids, goats, bison,
20 privately owned cervids, ratites, swine, equine, poultry,
21 aquaculture, and rabbits. Livestock does not include dogs and cats.

22 (v) Raising, breeding, training, leasing, or boarding horses.

23 (vi) Turf and tree farming.

24 (vii) Performing any practices on a farm incident to, or in
25 conjunction with, farming operations. A commercial storage,
26 processing, distribution, marketing, or shipping operation is not
27 part of agricultural operations.

1 (b) Commercial real property includes the following:

2 (i) Platted or unplatted parcels used for commercial purposes,
3 whether wholesale, retail, or service, with or without buildings.

4 (ii) Parcels used by fraternal societies.

5 (iii) Parcels used as golf courses, boat clubs, ski areas, or
6 apartment buildings with more than 4 units.

7 (iv) For taxes levied after December 31, 2002, buildings on
8 leased land used for commercial purposes.

9 (c) Developmental real property includes parcels containing
10 more than 5 acres without buildings, or more than 15 acres with a
11 market value in excess of its value in use. Developmental real
12 property may include farm land or open space land adjacent to a
13 population center, or farm land subject to several competing
14 valuation influences.

15 (d) Industrial real property includes the following:

16 (i) Platted or unplatted parcels used for manufacturing and
17 processing purposes, with or without buildings.

18 (ii) Parcels used for utilities sites for generating plants,
19 pumping stations, switches, substations, compressing stations,
20 warehouses, rights-of-way, flowage land, and storage areas.

21 (iii) Parcels used for removal or processing of gravel, stone,
22 or mineral ores, whether valued by the local assessor or by the
23 state geologist.

24 (iv) For taxes levied after December 31, 2002, buildings on
25 leased land used for industrial purposes.

26 (v) For taxes levied after December 31, 2002, buildings on
27 leased land for utility purposes.

(e) Residential real property includes the following:

(i) Platted or unplatted parcels, with or without buildings, and condominium apartments located within or outside a village or city, which are used for, or probably will be used for, residential purposes.

(ii) Parcels that are used for, or probably will be used for, recreational purposes, such as lake lots and hunting lands, located in an area used predominantly for recreational purposes.

(iii) For taxes levied after December 31, 2002, a home, cottage, or cabin on leased land, and a mobile home that would be assessable as real property under section 2a except that the land on which it is located is not assessable because the land is exempt.

(f) Timber-cutover real property includes parcels that are stocked with forest products of merchantable type and size, cutover forest land with little or no merchantable products, and marsh lands or other barren land. However, when a typical purchase of this type of land is for residential or recreational uses, the classification shall be changed to residential.

(3) The classifications of assessable personal property are described as follows:

(a) Agricultural personal property includes any agricultural equipment and produce not exempt by law.

(b) Commercial personal property includes the following:

(i) All equipment, furniture, and fixtures on commercial parcels, and inventories not exempt by law.

(ii) All outdoor advertising signs and billboards.

(iii) Well drilling rigs and other equipment attached to a

1 transporting vehicle but not designed for operation while the
2 vehicle is moving on the highway.

3 (iv) Unlicensed commercial vehicles or commercial vehicles
4 licensed as special mobile equipment or by temporary permits.

5 (c) Industrial personal property includes the following:

6 (i) All machinery and equipment, furniture and fixtures, and
7 dies on industrial parcels, and inventories not exempt by law.

8 (ii) Personal property of mining companies valued by the state
9 geologist.

10 (iii) **A WIND ENERGY SYSTEM AS THAT TERM IS DEFINED IN SECTION 8,**
11 **NOTWITHSTANDING THE CLASSIFICATION OF THE REAL PROPERTY ON WHICH**
12 **THE PERSONAL PROPERTY IS LOCATED.**

13 (d) For taxes levied before January 1, 2003, residential
14 personal property includes a home, cottage, or cabin on leased
15 land, and a mobile home that would be assessable as real property
16 under section 2a except that the land on which it is located is not
17 assessable because the land is exempt.

18 (e) Utility personal property **DOES NOT INCLUDE WIND ENERGY**
19 **SYSTEMS. UTILITY PERSONAL PROPERTY** includes the following:

20 (i) Electric transmission and distribution systems, substation
21 equipment, spare parts, gas distribution systems, and water
22 transmission and distribution systems.

23 (ii) Oil wells and allied equipment such as tanks, gathering
24 lines, field pump units, and buildings.

25 (iii) Inventories not exempt by law.

26 (iv) Gas wells with allied equipment and gathering lines.

27 (v) Oil or gas field equipment stored in the open or in

1 warehouses such as drilling rigs, motors, pipes, and parts.

2 (vi) Gas storage equipment.

3 (vii) Transmission lines of gas or oil transporting companies.

4 (4) For taxes levied before January 1, 2003, buildings on
5 leased land of any classification are improvements where the owner
6 of the improvement is not the owner of the land or fee, the value
7 of the land is not assessed to the owner of the building, and the
8 improvement has been assessed as personal property pursuant to
9 section 14(6).

10 (5) If the total usage of a parcel includes more than 1
11 classification, the assessor shall determine the classification
12 that most significantly influences the total valuation of the
13 parcel.

14 (6) An owner of any assessable property who disputes the
15 classification of that parcel shall notify the assessor and may
16 protest the assigned classification to the March board of review.
17 An owner or assessor may appeal the decision of the March board of
18 review by filing a petition with the state tax commission not later
19 than June 30 in that tax year. The state tax commission shall
20 arbitrate the petition based on the written petition and the
21 written recommendations of the assessor and the state tax
22 commission staff. An appeal may not be taken from the decision of
23 the state tax commission regarding classification complaint
24 petitions and the state tax commission's determination is final and
25 binding for the year of the petition.

26 (7) The department of treasury may appeal the classification
27 of any assessable property to the residential and small claims

1 division of the Michigan tax tribunal not later than December 31 in
2 the tax year for which the classification is appealed.

3 (8) This section shall not be construed to encourage the
4 assessment of property at other than the uniform percentage of true
5 cash value prescribed by this act.

6 (9) The assessor of each city or township in which is located
7 property that is subject to payment in lieu of taxes under subpart
8 14 of part 21 of the natural resources and environmental protection
9 act, 1994 PA 451, MCL 324.2152 to 324.2154, shall place that
10 property on an assessment roll that is separate from the assessment
11 roll prepared under section 24. For purposes of calculating the
12 debt limitation imposed by section 11 of article VII of the state
13 constitution of 1963, the separate assessment roll for property
14 that is subject to payment in lieu of taxes under subpart 14 of
15 part 21 of the natural resources and environmental protection act,
16 1994 PA 451, MCL 324.2152 to 324.2154, required by this subsection
17 shall be combined with the assessment roll prepared under section
18 24.