

# HOUSE BILL NO. 5337

September 23, 2021, Introduced by Reps. Ellison and Tisdell and referred to the Committee on Local Government and Municipal Finance.

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 34d (MCL 211.34d), as amended by 2019 PA 117.

## **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

1 that was exempt from taxes or not included on the assessment unit's  
2 immediately preceding year's assessment roll.

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

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

21 (ii) Omitted personal property. As used in this subparagraph,  
22 "omitted personal property" means previously existing tangible  
23 personal property not included in the assessment. Omitted personal  
24 property ~~shall~~**must** be added to the tax roll pursuant to section  
25 154.

26 (iii) New construction. As used in this subparagraph, "new  
27 construction" means property not in existence on the immediately  
28 preceding tax day and not replacement construction. New  
29 construction includes the physical addition of equipment or

furnishings, subject to the provisions set forth in section 27(2) (a) to (p). For purposes of determining the taxable value of property under section 27a, the value of new construction is the true cash value of the new construction multiplied by 0.50.

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

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

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

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

(v) Replacement construction. As used in this subparagraph, "replacement construction" means construction that replaced property damaged or destroyed by accident or act of God and that occurred after the immediately preceding tax day to the extent the construction's true cash value does not exceed the true cash value of property that was damaged or destroyed by accident or act of God in the immediately preceding 3 years. Except as otherwise provided

in this subparagraph, for purposes of determining the taxable value of property under section 27a, the value of the replacement construction is the true cash value of the replacement construction multiplied by a fraction, the numerator of which is the taxable value of the property to which the construction was added in the immediately preceding year and the denominator of which is the true cash value of the property to which the construction was added in the immediately preceding year, and then multiplied by the lesser of 1.05 or the inflation rate. However, after December 31, 2011, for purposes of determining the taxable value of property under section 27a, if the property's replacement construction is of substantially the same materials as determined by the state tax commission, if the square footage is not more than 5% greater than the property that was damaged or destroyed, and if the replacement construction is completed not later than December 31 in the year 3 years after the accident or act of God occurred, the replacement construction's taxable value ~~shall be~~ **is** equal to the taxable value of the property in the year immediately preceding the year in which the property was damaged or destroyed, adjusted annually as provided in section 27a(2). Any construction materials required to bring the property into compliance with any applicable health, sanitary, zoning, safety, fire, or construction codes or ordinances ~~shall~~ **must** be considered to be substantially the same materials by the state tax commission for the sake of replacement construction under this section.

(vi) An increase in taxable value attributable to the complete or partial remediation of environmental contamination existing on the immediately preceding tax day. The department of ~~environmental quality~~ **environment, Great Lakes, and energy** shall determine the

degree of remediation based on information available in existing department of ~~environmental quality~~ **environment, Great Lakes, and energy** records or information made available to the department of ~~environmental quality~~ **environment, Great Lakes, and energy** if the appropriate assessing officer for a local tax collecting unit requests that determination. The increase in taxable value attributable to the remediation is the increase in true cash value attributable to the remediation multiplied by a fraction, the numerator of which is the taxable value of the property had it not been contaminated and the denominator of which is the true cash value of the property had it not been contaminated.

(vii) 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~~ **must** be added in the calendar year following the calendar year when those public services are initially available.

**(viii) For the purpose 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 value under section 27a(3) after a transfer of ownership of property.~~

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

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

(f) "General price level" means the annual average of the 12 monthly values for the United States Consumer Price Index for all urban consumers as defined and officially reported by the United States Department of Labor, Bureau of Labor Statistics.

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

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

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

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

1 exempted from ad valorem taxation under this act is the amount  
2 exempted.

3 (iii) ~~Prior to~~ **Before** December 31, 2013, an adjustment in value,  
4 if any, because of a decrease in the property's occupancy rate, to  
5 the extent provided by law. For purposes of determining the taxable  
6 value of real property under section 27a, the value of a loss for a  
7 decrease in the property's occupancy rate is the product of the  
8 decrease in the true cash value of the property attributable to the  
9 decreased occupancy rate multiplied by a fraction, the numerator of  
10 which is the taxable value of the property in the immediately  
11 preceding year and the denominator of which is the true cash value  
12 of the property in the immediately preceding year.

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

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

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

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

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

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

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

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

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

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

26 (3) On or before the first Monday in June of each year, the  
27 county equalization director shall deliver the statement of the  
28 computations signed by the county equalization director to the  
29 county treasurer.

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

7 (5) The financial officer of each unit of local government  
8 shall make the computation of the tax rate using the data certified  
9 by the county treasurer and the state tax commission. At the annual  
10 session in October, or, for a county or local tax collecting unit  
11 that approves under section 44a(2) the accelerated collection in a  
12 summer property tax levy of a millage that had been previously  
13 billed and collected as in a preceding tax year as part of the  
14 winter property tax levy, before a special meeting held before the  
15 annual levy on July 1, 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~~**must** be determined for  
28 each year for each local unit of government. For ad valorem  
29 property taxes that became a lien before January 1, 1983, the

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

19 (8) The compounded millage reduction fraction ~~shall~~ **must** be  
 20 calculated by multiplying the local unit's previous year's  
 21 compounded millage reduction fraction by the current year's millage  
 22 reduction fraction. The compounded millage reduction fraction for  
 23 the year ~~shall~~ **must** be multiplied by the maximum millage rate  
 24 authorized by law or charter for the unit of local government for  
 25 the year, except as provided by subsection (9). A compounded  
 26 millage reduction fraction ~~shall~~ **must** not exceed 1.

27 (9) The millage reduction ~~shall~~ **must** be determined separately  
 28 for authorized millage approved by the voters. The limitation on  
 29 millage authorized by the voters on or before April 30 of a year

1 ~~shall-must~~ be calculated beginning with the millage reduction  
2 fraction for that year. Millage authorized by the voters after  
3 April 30 ~~shall-is~~ not be subject to a millage reduction until the  
4 year following the voter authorization which ~~shall-must~~ be  
5 calculated beginning with the millage reduction fraction for the  
6 year following the authorization. The first millage reduction  
7 fraction used in calculating the limitation on millage approved by  
8 the voters after January 1, 1979 ~~shall-must~~ not exceed 1.

9 (10) A millage reduction fraction ~~shall-must~~ be applied  
10 separately to the aggregate maximum millage rate authorized by a  
11 charter and to each maximum millage rate authorized by state law  
12 for a specific purpose.

13 (11) A unit of local government may submit to the voters for  
14 their approval the levy ~~in that year~~ of a tax rate in excess of the  
15 limit set by this section. The ballot question ~~shall-must~~ ask the  
16 voters to approve the levy of a specific number of mills in excess  
17 of the limit. The provisions of this section do not allow the levy  
18 of a millage rate in excess of the maximum rate authorized by law  
19 or charter. If the authorization to levy millage expires after 1993  
20 and a local governmental unit is asking voters to renew the  
21 authorization to levy the millage, the ballot question ~~shall-must~~  
22 ask for renewed authorization for the number of expiring mills as  
23 reduced by the millage reduction required by this section. If the  
24 election occurs before June 1 of a year, the millage reduction is  
25 based on the immediately preceding year's millage reduction  
26 applicable to that millage. If the election occurs after May 31 of  
27 a year, the millage reduction ~~shall-must~~ be based on that year's  
28 millage reduction applicable to that millage had it not expired.

29 (12) A reduction or limitation under this section ~~shall-must~~

not be applied to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments or contract obligations in anticipation of which bonds are issued that were authorized before December 23, 1978, as provided by section 4 of chapter I of former 1943 PA 202, or to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments or contract obligations in anticipation of which bonds are issued that are approved by the voters after December 22, 1978.

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

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

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

~~(16) Beginning with taxes levied in 1994, the millage reduction required by section 31 of article IX of the state constitution of 1963 shall permanently reduce the maximum rate or~~

~~1 rates authorized by law or charter. The reduced maximum authorized  
2 rate or rates for 1994 shall equal the product of the maximum rate  
3 or rates authorized by law or charter before application of this  
4 section multiplied by the compounded millage reduction applicable  
5 to that millage in 1994 pursuant to subsections (8) to (12). The  
6 reduced maximum authorized rate or rates for 1995 and each year  
7 after 1995 shall equal the product of the immediately preceding  
8 year's reduced maximum authorized rate or rates multiplied by the  
9 current year's millage reduction fraction and shall be adjusted for  
10 millage for which authorization has expired and new authorized  
11 millage approved by the voters pursuant to subsections (8) to  
12 (12).w.Enacting section 1. This amendatory act does not take effect  
13 unless Senate Bill No. \_\_\_\_\_ or House Bill No. \_\_\_\_\_ (request no.  
14 07404'20 a) of the 100th Legislature is enacted into la~~