



**House
Legislative
Analysis
Section**

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ASSESSMENT FREEZE CHANGES

**Senate Bill 42 with House committee
amendments
First Analysis (8-1-91)**

**Sponsor: Sen. Dave Honigman
Senate Committee: Finance
House Committee: Taxation**

THE APPARENT PROBLEM:

Public Act 15 of 1991, enacted this spring, provides for 1992 property tax assessments to be frozen at 1991 levels. The act allows taxpayers to appeal their 1992 assessments if they did not appeal in 1991. Tax experts have pointed out that any reductions granted on appeals would result in an equalization factor applied to all property, which would result in a small increase in assessments despite the freeze. Further, P.A. 15 specifies that the freeze applies only to real property (land and buildings) and not to personal property (certain machinery, equipment and fixtures taxable under the General Property Tax Act). However, under the act, a building that is owned by a person who does not own the land upon which the building sits is considered personal property, and thus is not subject to the assessment freeze. To implement the assessment freeze as the legislature intended, amendments are needed.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to delete language that allows a property owner to appeal a 1992 assessment if an appeal was not made in 1991. However, the bill would allow appeals of 1992 assessments of property purchased after January 1, 1991. The equalized value of the property of a city, township or county would be reduced by the total amount of valuations lowered by the board of review on appeals regarding newly purchased property.

Further, the bill would specify that the notification of the assessment freeze (required under P.A. 15 to be sent to all property owners) include a statement that since there was no assessment increase in 1992, the board of review would only consider appeals concerning the valuation of property where additions, losses, splits and combinations had occurred or where property had been purchased after January 1, 1991, or appeals regarding

exemptions. The notice would further state that taxpayers could appeal 1993 assessments in 1993.

Finally, the bill would specify that, for purposes of the assessment freeze, a building owned by a person who does not own the land upon which the building sits would not be considered personal property (and thus would be subject to the assessment freeze). Likewise, the bill would specify that, for purposes of the assessment freeze, leasehold improvements (improvements made to a property by a lessee) would not be considered personal property and thus would be subject to the freeze.

MCL 211.10

HOUSE COMMITTEE ACTION:

The House Taxation Committee amended the bill to allow for appeals on 1992 assessments of property purchased after January 1, 1991, and to specify that any lowered valuations resulting from such appeals would reduce the equalized value of property of the local unit.

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

The bill would make several adjustments in the property tax freeze legislation enacted this spring. It would make certain buildings and improvements on buildings subject to the freeze even though they are defined as personal property under the property tax act; this is in keeping with the intent to freeze assessments on real estate, and would treat owners of such property equally with other property owners. Further, the bill would limit more strictly 1992

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assessment appeals so as to prevent a subsequent equalization factor from increasing the "frozen" assessments. The only exception would be for newly purchased property, which may have been purchased during the freeze period for an amount that was less than its assessed value, and should rightfully be subject to appeal. Any reductions granted from these appeals would reduce the equalized value of the property of the local unit, so that there would be no effect on the valuation of other property in the community.

Against:

Allowing even a limited right to appeal 1992 assessments is problematic. As amended by the House Taxation Committee, the bill would essentially eliminate the normal equalization of assessments that is needed to assure uniformity of the tax base across jurisdictions, as required by the Article IX, Section 3 of the state constitution. Further, this provision would exacerbate the fiscal impact of the freeze on local governments, estimated at \$388 million for 1992. The Senate-passed version of the bill would simply eliminate the right to appeal 1992 assessments, which some argue would be a simpler way of dealing with the problem.

Against:

An acknowledged problem with the original tax freeze policy is that it locks in any existing inequalities in assessments. By limiting citizens' rights to appeal assessments, Senate Bill 42 would compound that problem.

POSITIONS:

A representative of the Department of Treasury testified before the House Taxation Committee in support of the bill. (7-25-91)

The Michigan Townships Association has no position on the bill, but has reservations about the assessment freeze. (7-26-91)