



HOUSE BILL No. 4632

March 21, 1995, Introduced by Rep. Gustafson and referred to the Committee on Tax Policy.

A bill to amend section 27 of Act No. 206 of the Public Acts of 1893, entitled as amended
"The general property tax act,"
as amended by Act No. 415 of the Public Acts of 1994, being section 211.27 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 27 of Act No. 206 of the Public Acts of
2 1893, as amended by Act No. 415 of the Public Acts of 1994, being
3 section 211.27 of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 27. (1) As used in this act, "cash value" means the
6 usual selling price at the place where the property to which the
7 term is applied is at the time of assessment, being the price
8 that could be obtained for the property at private sale, and not
9 at auction sale except as otherwise provided in this section, or

1 at forced sale. The usual selling price may include sales at
2 public auction held by a nongovernmental agency or person when
3 those sales have become a common method of acquisition in the
4 jurisdiction for the class of property being valued. The usual
5 selling price does not include sales at public auction ~~where~~ IF
6 the sale is part of a liquidation of the seller's assets in a
7 bankruptcy proceeding or ~~where~~ IF the seller is unable to use
8 common marketing techniques to obtain the usual selling price for
9 the property. A sale or other disposition by the state or an
10 agency or political subdivision of the state of land acquired for
11 delinquent taxes or an appraisal made in connection with the sale
12 or other disposition or the value attributed to the property of
13 regulated public utilities by a governmental regulatory agency
14 for rate-making purposes shall not be considered controlling evi-
15 dence of true cash value for assessment purposes. In determining
16 the value, the assessor shall also consider the advantages and
17 disadvantages of location; quality of soil; zoning; existing use;
18 present economic income of structures, including farm structures;
19 present economic income of land if the land is being farmed or
20 otherwise put to income producing use; quantity and value of
21 standing timber; water power and privileges; and mines, minerals,
22 quarries, or other valuable deposits known to be available in the
23 land and their value.

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

1 For the purpose of implementing this subsection, the assessor
2 shall not increase the construction quality classification or
3 reduce the effective age for depreciation purposes, except if the
4 appraisal of the property was erroneous before nonconsideration
5 of the normal repair, replacement, or maintenance, and shall not
6 assign an economic condition factor to the property that differs
7 from the economic condition factor assigned to similar properties
8 as defined by appraisal procedures applied in the jurisdiction.
9 The increase in value attributable to the items included in sub-
10 divisions (a) to (o) that is known to the assessor and excluded
11 from true cash value shall be indicated on the assessment roll.
12 This subsection applies only to residential property. The fol-
13 lowing repairs ~~shall be~~ ARE considered normal maintenance if
14 they are not part of a structural addition or completion:

- 15 (a) Outside painting.
- 16 (b) Repairing or replacing siding, roof, porches, steps,
17 sidewalks, and drives.
- 18 (c) Repainting, repairing, or replacing existing masonry.
- 19 (d) Replacement of awnings.
- 20 (e) Adding or replacing gutters and downspouts.
- 21 (f) Replacing storm windows or doors.
- 22 (g) Insulation or weatherstripping.
- 23 (h) Complete rewiring.
- 24 (i) Replacing plumbing and light fixtures.
- 25 (j) New furnace replacing a furnace of the same type or
26 replacing oil or gas burner.

1 (k) Plaster repairs, inside painting, or other
2 redecorating.

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

4 (m) Removing partitions to enlarge rooms.

5 (n) Replacing automatic hot water heater.

6 (o) Replacing dated interior woodwork.

7 (3) A city or township assessor, a county equalization
8 department, or the state tax commission before utilizing real
9 estate sales data on real property purchases, including purchases
10 by land contract, for the purpose of determining assessments or
11 in making sales ratio studies for the purpose of assessing or
12 equalizing assessments shall exclude from the sales data the fol-
13 lowing amounts allowed by subdivisions (a), (b), and (c) to the
14 extent that the amounts are included in the real property pur-
15 chase price and are so identified in the real estate sales data
16 or certified to the assessor as provided in subdivision (d):

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

19 (b) Amounts attributable to personal property that were
20 included in the purchase price of the property in the last con-
21 veyance of the property.

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

1 (d) The purchaser of real property, including a purchaser by
2 land contract, may file with the assessor of the city or township
3 in which the property is located 2 copies of the purchase agree-
4 ment or of an affidavit that ~~shall identify~~ IDENTIFIES the
5 amount, if any, for each item listed in subdivisions (a) to (c).
6 One copy shall be forwarded by the assessor to the county equali-
7 zation department. The affidavit shall be prescribed by the
8 state tax commission.

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

1 but that does distribute all earnings to its stockholders or
2 members.

3 (5) Beginning December 31, 1994, the purchase price paid in
4 a transfer of property is not the presumptive true cash value of
5 the property transferred. In determining the true cash value of
6 transferred property, an assessing officer shall assess that
7 property using the same valuation method used to value all other
8 property of that same classification in the assessing
9 jurisdiction. As used in this subsection, "purchase price" means
10 the total consideration agreed to in an arms-length transaction
11 and not at a forced sale paid by the purchaser of the property,
12 stated in dollars, whether or not paid in dollars.

13 (6) THE ASSESSOR SHALL DETERMINE THE TRUE CASH VALUE OF
14 PROPERTY SUBJECT TO A FARMLAND DEVELOPMENT RIGHTS AGREEMENT UNDER
15 THE FARMLAND AND OPEN SPACE PRESERVATION ACT, ACT NO. 116 OF THE
16 PUBLIC ACTS OF 1974, BEING SECTIONS 554.701 TO 554.719 OF THE
17 MICHIGAN COMPILED LAWS, IN THE SAME MANNER AND USING THE SAME
18 FACTORS AS FOR PROPERTY CLASSIFIED AS AGRICULTURAL UNDER
19 SECTION 34C REGARDLESS OF WHETHER THE SUBJECT PROPERTY IS CLASSI-
20 FIED AS AGRICULTURAL OR DEVELOPMENTAL UNDER SECTION 34C.