



HOUSE BILL No. 6166

November 12, 1996, Introduced by Rep. Profit and referred to the Committee on Tax Policy.

A bill to amend sections 27a and 34d 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 sections 211.27a and 211.34d of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 27a and 34d of Act No. 206 of the
2 Public Acts of 1893, as amended by Act No. 415 of the Public Acts
3 of 1994, being sections 211.27a and 211.34d of the Michigan
4 Compiled Laws, are amended to read as follows:

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

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

4 (a) The property's taxable value in the immediately preced-
5 ing year minus any losses, multiplied by the lesser of 1.05 or
6 the inflation rate, plus all additions. However, if a fraction
7 the numerator of which is the state equalized value for the cur-
8 rent year minus additions and the denominator of which is the
9 state equalized value for the immediately preceding year minus
10 losses is less than both 1.05 and the inflation rate, for pur-
11 poses of this subdivision the taxable value is the product of the
12 property's taxable value in the immediately preceding year minus
13 losses, multiplied by that fraction, plus additions. For taxes
14 levied in 1995, the property's taxable value in the immediately
15 preceding year is the property's state equalized valuation in
16 1994.

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

18 (3) Upon a transfer of ownership of property after 1994, the
19 property's taxable value for the calendar year following the year
20 of the transfer is the property's state equalized valuation for
21 the calendar year following the transfer.

22 (4) If the taxable value of property is adjusted under sub-
23 section (3), a subsequent increase in the property's taxable
24 value is subject to the limitation set forth in subsection (2)
25 until a subsequent transfer of ownership occurs.

26 (5) Assessment of property, as required in this section and
27 section 27, is inapplicable to the assessment of property subject

1 to the levy of ad valorem taxes within voted tax limitation
2 increases to pay principal and interest on limited tax bonds
3 issued by any governmental unit, including a county, township,
4 community college district, or school district, before January 1,
5 1964, if the assessment required to be made under this act would
6 be less than the assessment as state equalized prevailing on the
7 property at the time of the issuance of the bonds. This inappli-
8 cability shall continue until levy of taxes to pay principal and
9 interest on the bonds is no longer required. The assessment of
10 property required by this act shall be applicable for all other
11 purposes.

12 (6) As used in this act, "transfer of ownership" means the
13 conveyance of title to or a present interest in property, includ-
14 ing the beneficial use of the property, the value of which is
15 substantially equal to the value of the fee interest. Transfer
16 of ownership of property includes, but is not limited to, the
17 following:

18 (a) A conveyance by deed.

19 (b) A conveyance by land contract. The taxable value of
20 property conveyed by a land contract executed after December 31,
21 1994 shall be adjusted under subsection (3) for the calendar year
22 following the year in which the contract is entered into and
23 shall not be subsequently adjusted under subsection (3) when the
24 deed conveying title to the property is recorded in the office of
25 the register of deeds in the county in which the property is
26 located.

1 (c) A conveyance to a trust after December 31, 1994, except
2 if the sole present beneficiary or beneficiaries are the settlor
3 or the settlor's spouse, or both.

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

7 (e) A change in the sole present beneficiary or beneficia-
8 ries of a trust, except a change that adds or substitutes the
9 spouse of the sole present beneficiary.

10 (f) A conveyance by distribution under a will or by intes-
11 tate succession, except if the distributee is the decedent's
12 spouse.

13 (g) A conveyance by lease if the total duration of the
14 lease, including the initial term and all options for renewal, is
15 more than 35 years or the lease grants the leasee a bargain pur-
16 chase option. As used in this subdivision, "bargain purchase
17 option" means the right to purchase the property at the termina-
18 tion of the lease for not more than 80% of the property's
19 projected true cash value at the termination of the lease. After
20 December 31, 1994, the taxable value of property conveyed by a
21 lease with a total duration of more than 35 years or with a bar-
22 gain purchase option shall be adjusted under subsection (3) for
23 the calendar year following the year in which the lease is
24 entered into. This subdivision does not apply to personal prop-
25 erty except buildings described in section 14(6) and personal
26 property described in section 8(h), (i), and (j).

1 (h) A conveyance of an ownership interest in a corporation,
2 partnership, sole proprietorship, limited liability company,
3 limited liability partnership, or other legal entity if the
4 ownership interest conveyed is more than 50% of the corporation,
5 partnership, sole proprietorship, limited liability company,
6 limited liability partnership, or other legal entity. Unless
7 notification is provided under subsection (8), the corporation,
8 partnership, sole proprietorship, limited liability company,
9 limited liability partnership, or other legal entity shall notify
10 the assessing officer on a form provided by the state tax commis-
11 sion not more than 45 days after a conveyance of an ownership
12 interest that constitutes a transfer of ownership under this
13 subdivision.

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

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

18 (a) The transfer of property from 1 spouse to the other
19 spouse or from a decedent to a surviving spouse.

20 (b) A transfer from a husband, a wife, or a husband and wife
21 creating or disjoining a tenancy by the entirety in the grant-
22 ors or the grantor and his or her spouse.

23 (c) A transfer subject to a life estate or life lease
24 retained by the transferor, until expiration or termination of
25 the life estate or life lease.

26 (d) A transfer through foreclosure or forfeiture of a
27 recorded instrument under chapter 31, 32, or 57 of the revised

1 judicature act of 1961, Act No. 236 of the Public Acts of 1961,
2 being sections 600.3101 to 600.3280 and 600.5701 to 600.5785 of
3 the Michigan Compiled Laws, or through deed or conveyance in lieu
4 of a foreclosure or forfeiture, until the mortgagee or land con-
5 tract vendor subsequently transfers the property. If a mortgagee
6 does not transfer the property within 1 year of the expiration of
7 any applicable redemption period, the property shall be adjusted
8 under subsection (3).

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

11 (f) A conveyance to a trust if the sole present beneficiary
12 of the trust is the settlor or the settlor's spouse.

13 (g) A transfer pursuant to a judgment or order of a court of
14 record making or ordering a transfer, unless a specific monetary
15 consideration is specified or ordered by the court for the
16 transfer.

17 (h) A transfer creating or terminating a joint tenancy
18 between 2 or more persons if at least 1 of the persons is an
19 original owner of the property when the joint tenancy was ini-
20 tially created and, if the property is held as a joint tenancy at
21 the time of conveyance, at least 1 of the persons was a joint
22 tenant when the joint tenancy was initially created and that
23 person has remained a joint tenant since the joint tenancy was
24 initially created. A joint owner at the time of the last trans-
25 fer of the property is an original owner of the property. For
26 purposes of this subdivision, a person is an original owner of
27 property owned by that person's spouse.

1 (i) A transfer for security or an assignment or discharge of
2 a security interest.

3 (j) A transfer of real property or other ownership interests
4 among members of an affiliated group. As used in this subsec-
5 tion, "affiliated group" means 1 or more corporations connected
6 by stock ownership to a common parent corporation. Upon request
7 by the state tax commission, a corporation shall furnish proof
8 that a transfer meets the requirements of this subdivision. A
9 corporation that fails to comply with a request by the state tax
10 commission under this subdivision is subject to the penalties set
11 forth in section 27b.

12 (k) Normal public trading of shares of stock or other owner-
13 ship interests that, over any period of time, cumulatively repre-
14 sent more than 50% of the total ownership interest in a corpora-
15 tion or other legal entity and are traded in multiple transac-
16 tions involving unrelated individuals, institutions, or other
17 legal entities.

18 (l) A transfer of real property or other ownership interests
19 among corporations, partnerships, limited liability companies,
20 limited liability partnerships, or other legal entities if the
21 entities involved are commonly controlled. Upon request by the
22 state tax commission, a corporation, partnership, limited liabil-
23 ity company, limited liability partnership, or other legal entity
24 shall furnish proof that a transfer meets the requirements of
25 this subdivision. A corporation, partnership, limited liability
26 company, limited liability partnership, or other legal entity
27 that fails to comply with a request by the state tax commission

1 under this subdivision is subject to the penalties set forth in
2 section 27b.

3 (m) A direct or indirect transfer of real property or other
4 ownership interests resulting from a transaction that qualifies
5 as a tax-free reorganization under section 368 of the internal
6 revenue code of 1986, 26 U.S.C. 368. Upon request by the state
7 tax commission, a property owner shall furnish proof that a
8 transfer meets the requirements of this subdivision. A property
9 owner who fails to comply with a request by the state tax commis-
10 sion under this subdivision is subject to the penalties set forth
11 in section 27b.

12 (N) A TRANSFER OF REAL PROPERTY UNDER ANNEXATION
13 PROCEEDINGS.

14 (8) The register of deeds of the county where deeds or other
15 title documents are recorded shall notify the assessing officer
16 of the appropriate local taxing unit not less than once each
17 month of any recorded transaction involving the ownership of
18 property. Unless notification is provided under subsection (6)
19 or (7), the buyer, grantee, or other transferee of the property
20 shall notify the appropriate assessing office in the local unit
21 of government in which the property is located of the transfer of
22 ownership of the property within 45 days of the transfer of
23 ownership, on a form prescribed by the state tax commission that
24 states the parties to the transfer, the date of the transfer, the
25 actual consideration for the transfer, and the property's parcel
26 identification number or legal description. This subsection does
27 not apply to personal property except buildings described in

1 section 14(6) and personal property described in section 8(h),
2 (i), and (j).

3 (9) As used in this section:

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

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

8 (c) "Inflation rate" means that term as defined in section
9 34d.

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

11 Sec. 34d. (1) As used in this section or section 27a, or
12 section 3 or 31 of article IX of the state constitution of 1963:

13 (a) For taxes levied before 1995, "additions" means all
14 increases in value caused by new construction or a physical addi-
15 tion of equipment or furnishings, and the value of property that
16 was exempt from taxes or not included on the assessment unit's
17 immediately preceding year's assessment roll.

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

20 (i) Omitted real property. As used in this subparagraph,
21 "omitted real property" means previously existing tangible real
22 property not included in the assessment. Omitted real property
23 shall not increase taxable value as an addition unless the
24 assessing jurisdiction has a property record card or other docu-
25 mentation showing that the omitted real property was not previ-
26 ously included in the assessment. The assessing jurisdiction has
27 the burden of proof in establishing whether the omitted real

1 property is included in the assessment. Omitted real property
2 for the current and the 2 immediately preceding years, discovered
3 after the assessment roll has been completed, shall be added to
4 the tax roll pursuant to the procedures established in section
5 154. For purposes of determining the taxable value of real prop-
6 erty under section 27a, the value of omitted real property is
7 based on the value and the ratio of taxable value to true cash
8 value the omitted real property would have had if the property
9 had not been omitted.

10 (ii) Omitted personal property. As used in this subpara-
11 graph, "omitted personal property" means previously existing tan-
12 gible personal property not included in the assessment. Omitted
13 personal property shall be added to the tax roll pursuant to sec-
14 tion 154.

15 (iii) New construction. As used in this subparagraph, "new
16 construction" means property not in existence on the immediately
17 preceding tax day and not replacement construction. New con-
18 struction includes the physical addition of equipment or furnish-
19 ings, subject to the provisions set forth in section 27(2)(a) to
20 (o). For purposes of determining the taxable value of property
21 under section 27a, the value of new construction is the true cash
22 value of the new construction multiplied by 0.50.

23 (iv) Previously exempt property. As used in this subpara-
24 graph, "previously exempt property" means property that was
25 exempt from ad valorem taxation under this act on the immediately
26 preceding tax day but is subject to ad valorem taxation on the

1 current tax day under this act. For purposes of determining the
2 taxable value of real property under section 27a:

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

8 (B) The taxable value of property that is a new facility as
9 that term is defined in section 2 of Act No. 198 of the Public
10 Acts of 1974, being section 207.552 of the Michigan Compiled
11 Laws, that was previously exempt under section 7k is the taxable
12 value that property would have had under this act if it had not
13 been exempt.

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

17 (v) Replacement construction. As used in this subparagraph,
18 "replacement construction" means construction that replaced prop-
19 erty damaged or destroyed by accident or act of God and that
20 occurred after the immediately preceding tax day to the extent
21 the construction's true cash value does not exceed the true cash
22 value of property that was damaged or destroyed by accident or
23 act of God in the immediately preceding 3 years. For purposes of
24 determining the taxable value of property under section 27a, the
25 value of the replacement construction is the true cash value of
26 the replacement construction multiplied by a fraction the
27 numerator of which is the taxable value of the property to which

1 the construction was added in the immediately preceding year and
2 the denominator of which is the true cash value of the property
3 to which the construction was added in the immediately preceding
4 year.

5 (vi) An increase in taxable value attributable to the com-
6 plete or partial remediation of environmental contamination
7 existing on the immediately preceding tax day. The degree of
8 remediation shall be determined by the department of ~~natural~~
9 ~~resources~~ ENVIRONMENTAL QUALITY. The increase in taxable value
10 attributable to the remediation is the increase in true cash
11 value attributable to the remediation multiplied by a fraction
12 the numerator of which is the taxable value of the property had
13 it not been contaminated and the denominator of which is the true
14 cash value of the property had it not been contaminated.

15 (vii) An increase in the value attributable to the
16 property's occupancy rate if either a loss, as that term is
17 defined in this section, had been previously allowed because of a
18 decrease in the property's occupancy rate or if the value of new
19 construction was reduced because of a below-market occupancy
20 rate. For purposes of determining the taxable value of property
21 under section 27a, the value of an addition for the increased
22 occupancy rate is the product of the increase in the true cash
23 value of the property attributable to the increased occupancy
24 rate multiplied by a fraction the numerator of which is the tax-
25 able value of the property in the immediately preceding year and
26 the denominator of which is the true cash value of the property
27 in the immediately preceding year.

1 (viii) Public services. As used in this subparagraph,
2 "public services" means water service, sewer service, a primary
3 access road, natural gas service, electrical service, telephone
4 service, sidewalks, or street lighting. For purposes of deter-
5 mining the taxable value of real property under section 27a, the
6 value of public services is the amount of increase in true cash
7 value of the property attributable to the available public serv-
8 ices multiplied by 0.50 and shall be added in the calendar year
9 following the calendar year when those public services are ini-
10 tially available.

11 (c) For taxes levied after 1994, additions do not include
12 increased value attributable to any of the following:

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

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

15 (iii) For the purposes of the calculation of the millage
16 reduction fraction under subsection (7) only, increased taxable
17 value under section 27a(3) after a transfer of ownership of
18 property.

19 (iv) ANNEXATION OF PROPERTY.

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

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

24 (f) "General price level" means the annual average of the 12
25 monthly values for the United States consumer price index for all
26 urban consumers as defined and officially reported by the United
27 States department of labor, bureau of labor statistics.

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

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

8 (i) Property that has been destroyed or removed. For pur-
9 poses of determining the taxable value of property under section
10 27a, the value of property destroyed or removed is the product of
11 the true cash value of that property multiplied by a fraction the
12 numerator of which is the taxable value of that property in the
13 immediately preceding year and the denominator of which is the
14 true cash value of that property in the immediately preceding
15 year.

16 (ii) Property that was subject to ad valorem taxation under
17 this act in the immediately preceding year that is now exempt
18 from ad valorem taxation under this act. For purposes of deter-
19 mining the taxable value of property under section 27a, the value
20 of property exempted from ad valorem taxation under this act is
21 the amount exempted.

22 (iii) An adjustment in value, if any, because of a decrease
23 in the property's occupancy rate, to the extent provided by law.
24 For purposes of determining the taxable value of real property
25 under section 27a, the value of a loss for a decrease in the
26 property's occupancy rate is the product of the decrease in the
27 true cash value of the property attributable to the decreased

1 occupancy rate multiplied by a fraction the numerator of which is
2 the taxable value of the property in the immediately preceding
3 year and the denominator of which is the true cash value of the
4 property in the immediately preceding year.

5 (iv) A decrease in taxable value attributable to environmen-
6 tal contamination existing on the immediately preceding tax day.
7 The degree of contamination shall be determined by the department
8 of ~~natural resources~~ ENVIRONMENTAL QUALITY. The decrease in
9 taxable value attributable to the contamination is the decrease
10 in true cash value attributable to the contamination multiplied
11 by a fraction the numerator of which is the taxable value of the
12 property had it not been contaminated and the denominator of
13 which is the true cash value of the property had it not been
14 contaminated.

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

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

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

19 (j) "New construction and improvements" means additions less
20 losses.

21 (k) "Current year" means the year for which the millage lim-
22 itation is being calculated.

23 (l) "Inflation rate" means the ratio of the general price
24 level for the state fiscal year ending in the calendar year imme-
25 diately preceding the current year divided by the general price
26 level for the state fiscal year ending in the calendar year
27 before the year immediately preceding the current year.

1 (2) On or before the first Monday in May of each year, the
2 assessing officer of each township or city shall tabulate the
3 tentative taxable value as approved by the local board of review
4 and as modified by county equalization for each classification of
5 property that is separately equalized for each unit of local gov-
6 ernment and provide the tabulated tentative taxable values to the
7 county equalization director. The tabulation by the assessing
8 officer shall contain additions and losses for each classifica-
9 tion of property that is separately equalized for each unit of
10 local government or part of a unit of local government in the
11 township or city. If as a result of state equalization the tax-
12 able value of property changes, the assessing officer of each
13 township or city shall revise the calculations required by this
14 subsection on or before the fourth Friday in May. The county
15 equalization director shall compute these amounts and the current
16 and immediately preceding year's taxable values for each classi-
17 fication of property that is separately equalized for each unit
18 of local government that levies taxes under this act within the
19 boundary of the county. The county equalization director shall
20 cooperate with equalization directors of neighboring counties, as
21 necessary, to make the computation for units of local government
22 located in more than 1 county. The county equalization director
23 shall calculate the millage reduction fraction for each unit of
24 local government in the county for the current year. The finan-
25 cial officer for each taxing jurisdiction shall calculate the
26 compounded millage reduction fractions beginning in 1980
27 resulting from the multiplication of successive millage reduction

1 fractions and shall recognize a local voter action to increase
2 the compounded millage reduction fraction to a maximum of 1 as a
3 new beginning fraction. Upon request of the superintendent of
4 the intermediate school district, the county equalization direc-
5 tor shall transmit the complete computations of the taxable
6 values to the superintendent of the intermediate school district
7 within that county. At the request of the presidents of commu-
8 nity colleges, the county equalization director shall transmit
9 the complete computations of the taxable values to the presidents
10 of community colleges within the county.

11 (3) On or before the first Monday in June of each year, the
12 county equalization director shall deliver the statement of the
13 computations signed by the county equalization director to the
14 county treasurer.

15 (4) On or before the second Monday in June of each year, the
16 treasurer of each county shall certify the immediately preceding
17 year's taxable values, the current year's taxable values, the
18 amount of additions and losses for the current year, and the cur-
19 rent year's millage reduction fraction for each unit of local
20 government that levies a property tax in the county.

21 (5) The financial officer of each unit of local government
22 shall make the computation of the tax rate using the data certi-
23 fied by the county treasurer and the state tax commission. At
24 the annual session in October, the county board of commissioners
25 shall not authorize the levy of a tax unless the governing body
26 of the taxing jurisdiction has certified that the requested

1 millage has been reduced, if necessary, in compliance with
2 section 31 of article IX of the state constitution of 1963.

3 (6) The number of mills permitted to be levied in a tax year
4 is limited as provided in this section pursuant to section 31 of
5 article IX of the state constitution of 1963. A unit of local
6 government shall not levy a tax rate greater than the rate deter-
7 mined by reducing its maximum rate or rates authorized by law or
8 charter by a millage reduction fraction as provided in this sec-
9 tion without voter approval.

10 (7) A millage reduction fraction shall be determined for
11 each year for each ~~local~~ unit of LOCAL government. For ad
12 valorem property taxes that became a lien before January 1, 1983,
13 the numerator of the fraction shall be the total state equalized
14 valuation for the immediately preceding year multiplied by the
15 inflation rate and the denominator of the fraction shall be the
16 total state equalized valuation for the current year minus new
17 construction and improvements. For ad valorem property taxes
18 that become a lien after December 31, 1982 and through
19 December 31, 1994, the numerator of the fraction shall be the
20 product of the difference between the total state equalized valu-
21 ation for the immediately preceding year minus losses multiplied
22 by the inflation rate and the denominator of the fraction shall
23 be the total state equalized valuation for the current year minus
24 additions. For ad valorem property taxes that are levied after
25 December 31, 1994, the numerator of the fraction shall be the
26 product of the difference between the total taxable value for the
27 immediately preceding year minus losses multiplied by the

1 inflation rate and the denominator of the fraction shall be the
2 total taxable value for the current year minus additions. For
3 each year after 1993, a millage reduction fraction shall not
4 exceed 1.

5 (8) The compounded millage reduction fraction for each year
6 after 1980 shall be calculated by multiplying the local unit's
7 previous year's compounded millage reduction fraction by the cur-
8 rent year's millage reduction fraction. Beginning with 1980 tax
9 levies, the compounded millage reduction fraction for the year
10 shall be multiplied by the maximum millage rate authorized by law
11 or charter for the unit of local government for the year, except
12 as provided by subsection (9). A compounded millage reduction
13 fraction shall not exceed 1.

14 (9) The millage reduction shall be determined separately for
15 authorized millage approved by the voters. The limitation on
16 millage authorized by the voters on or before May 31 of a year
17 shall be calculated beginning with the millage reduction fraction
18 for that year. Millage authorized by the voters after May 31
19 shall not be subject to a millage reduction until the year fol-
20 lowing the voter authorization which shall be calculated begin-
21 ning with the millage reduction fraction for the year following
22 the authorization. The first millage reduction fraction used in
23 calculating the limitation on millage approved by the voters
24 after January 1, 1979 shall not exceed 1.

25 (10) A millage reduction fraction shall be applied sepa-
26 rately to the aggregate maximum millage rate authorized by a

1 charter and to each maximum millage rate authorized by state law
2 for a specific purpose.

3 (11) A unit of local government may submit to the voters for
4 their approval the levy in that year of a tax rate in excess of
5 the limit set by this section. The ballot question shall ask the
6 voters to approve the levy of a specific number of mills in
7 excess of the limit. The provisions of this section do not allow
8 the levy of a millage rate in excess of the maximum rate autho-
9 rized by law or charter. If the authorization to levy millage
10 expires after 1993 and a UNIT OF local ~~governmental unit~~
11 GOVERNMENT is asking voters to renew the authorization to levy
12 the millage, the ballot question shall ask for renewed authoriza-
13 tion for the number of expiring mills as reduced by the millage
14 reduction required by this section. If the election occurs
15 before June 1 of a year, the millage reduction is based on the
16 immediately preceding year's millage reduction applicable to that
17 millage. If the election occurs after May 31 of a year, the
18 millage reduction shall be based on that year's millage reduction
19 applicable to that millage had it not expired.

20 (12) A reduction or limitation under this section shall not
21 be applied to taxes imposed for the payment of principal and
22 interest on bonds or other evidence of indebtedness or for the
23 payment of assessments or contract obligations in anticipation of
24 which bonds are issued that were authorized before December 23,
25 1978, as provided by former section 4 of chapter I of the munici-
26 pal finance act, Act No. 202 of the Public Acts of 1943, or to
27 taxes imposed for the payment of principal and interest on bonds

1 or other evidence of indebtedness or for the payment of
2 assessments or contract obligations in anticipation of which
3 bonds are issued that are approved by the voters after December
4 22, 1978.

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

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

16 (15) The fractions calculated pursuant to this section shall
17 be rounded to 4 decimal places, except that the inflation rate
18 shall be computed by the state tax commission and shall be
19 rounded to 3 decimal places. The state tax commission shall pub-
20 lish the inflation rate before March 1 of each year.

21 (16) Beginning with taxes levied in 1994, the millage reduc-
22 tion required by section 31 of article IX of the state constitu-
23 tion of 1963 shall permanently reduce the maximum rate or rates
24 authorized by law or charter. The reduced maximum authorized
25 rate or rates for 1994 shall equal the product of the maximum
26 rate or rates authorized by law or charter before application of
27 this section multiplied by the compound millage reduction

1 applicable to that millage in 1994 pursuant to subsections (8) to
2 (12). The reduced maximum authorized rate or rates for 1995 and
3 each year after 1995 shall equal the product of the immediately
4 preceding year's reduced maximum authorized rate or rates multi-
5 plied by the current year's millage reduction fraction and shall
6 be adjusted for millage for which authorization has expired and
7 new authorized millage approved by the voters pursuant to subsec-
8 tions (8) to (12).