



HOUSE BILL No. 6168

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

A bill to amend section 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 section 211.34d of the Michigan Compiled Laws; and to add section 7ff.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 34d 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 211.34d of the Michigan Compiled Laws, is amended and
4 section 7ff is added to read as follows:

5 SEC. 7FF. PROPERTY SUBJECT TO TAXATION UNDER THE DEVELOP-
6 MENT ZONE ACT IS EXEMPT FROM THE COLLECTION OF TAXES UNDER THIS
7 ACT.

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 addi-
5 tion of equipment or furnishings, and the value of property that
6 was exempt from taxes or not included on the assessment unit's
7 immediately preceding year's assessment roll.

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

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

1 (ii) Omitted personal property. As used in this
2 subparagraph, "omitted personal property" means previously
3 existing tangible personal property not included in the
4 assessment. Omitted personal property shall be added to the tax
5 roll pursuant to section 154.

6 (iii) New construction. As used in this subparagraph, "new
7 construction" means property not in existence on the immediately
8 preceding tax day and not replacement construction. New con-
9 struction includes the physical addition of equipment or furnish-
10 ings, subject to the provisions set forth in section 27(2)(a) to
11 (o). For purposes of determining the taxable value of property
12 under section 27a, the value of new construction is the true cash
13 value of the new construction multiplied by 0.50.

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

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

25 (B) The taxable value of property that is a new facility as
26 that term is defined in section 2 of Act No. 198 of the Public
27 Acts of 1974, being section 207.552 of the Michigan Compiled

1 Laws, that was previously exempt under section 7k is the taxable
2 value that property would have had under this act if it had not
3 been exempt.

4 (C) THE TAXABLE VALUE OF PROPERTY PREVIOUSLY EXEMPT UNDER
5 THE DEVELOPMENT ZONE ACT IS THE TAXABLE VALUE THAT PROPERTY WOULD
6 HAVE HAD UNDER THIS ACT IF IT HAD NOT BEEN EXEMPT.

7 (D) ~~(E)~~ The value of property previously exempt under any
8 other section of law is the true cash value of the previously
9 exempt property multiplied by 0.50.

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

25 (vi) An increase in taxable value attributable to the com-
26 plete or partial remediation of environmental contamination
27 existing on the immediately preceding tax day. The degree of

1 remediation shall be determined by the department of ~~natural~~
2 ~~resources~~ ENVIRONMENTAL QUALITY. The increase in taxable value
3 attributable to the remediation is the increase in true cash
4 value attributable to the remediation multiplied by a fraction
5 the numerator of which is the taxable value of the property had
6 it not been contaminated and the denominator of which is the true
7 cash value of the property had it not been contaminated.

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

21 (viii) Public services. As used in this subparagraph,
22 "public services" means water service, sewer service, a primary
23 access road, natural gas service, electrical service, telephone
24 service, sidewalks, or street lighting. For purposes of deter-
25 mining the taxable value of real property under section 27a, the
26 value of public services is the amount of increase in true cash
27 value of the property attributable to the available public

1 services multiplied by 0.50 and shall be added in the calendar
2 year following the calendar year when those public services are
3 initially available.

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

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

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

8 (iii) For the purposes of the calculation of the millage
9 reduction fraction under subsection (7) only, increased taxable
10 value under section 27a(3) after a transfer of ownership of
11 property.

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

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

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

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

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

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

9 (ii) Property that was subject to ad valorem taxation under
10 this act in the immediately preceding year that is now exempt
11 from ad valorem taxation under this act. For purposes of deter-
12 mining the taxable value of property under section 27a, the value
13 of property exempted from ad valorem taxation under this act is
14 the amount exempted.

15 (iii) An adjustment in value, if any, because of a decrease
16 in the property's occupancy rate, to the extent provided by law.
17 For purposes of determining the taxable value of real property
18 under section 27a, the value of a loss for a decrease in the
19 property's occupancy rate is the product of the decrease in the
20 true cash value of the property attributable to the decreased
21 occupancy rate multiplied by a fraction the numerator of which is
22 the taxable value of the property in the immediately preceding
23 year and the denominator of which is the true cash value of the
24 property in the immediately preceding year.

25 (iv) A decrease in taxable value attributable to environmen-
26 tal contamination existing on the immediately preceding tax day.
27 The degree of contamination shall be determined by the department

1 of ~~natural resources~~ ENVIRONMENTAL QUALITY. The decrease in
2 taxable value attributable to the contamination is the decrease
3 in true cash value attributable to the contamination multiplied
4 by a fraction the numerator of which is the taxable value of the
5 property had it not been contaminated and the denominator of
6 which is the true cash value of the property had it not been
7 contaminated.

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

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

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

12 (j) "New construction and improvements" means additions less
13 losses.

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

16 (l) "Inflation rate" means the ratio of the general price
17 level for the state fiscal year ending in the calendar year imme-
18 diately preceding the current year divided by the general price
19 level for the state fiscal year ending in the calendar year
20 before the year immediately preceding the current year.

21 (2) On or before the first Monday in May of each year, the
22 assessing officer of each township or city shall tabulate the
23 tentative taxable value as approved by the local board of review
24 and as modified by county equalization for each classification of
25 property that is separately equalized for each unit of local gov-
26 ernment and provide the tabulated tentative taxable values to the
27 county equalization director. The tabulation by the assessing

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

1 colleges, the county equalization director shall transmit the
2 complete computations of the taxable values to the presidents of
3 community colleges within the county.

4 (3) On or before the first Monday in June of each year, the
5 county equalization director shall deliver the statement of the
6 computations signed by the county equalization director to the
7 county treasurer.

8 (4) On or before the second Monday in June of each year, the
9 treasurer of each county shall certify the immediately preceding
10 year's taxable values, the current year's taxable values, the
11 amount of additions and losses for the current year, and the cur-
12 rent year's millage reduction fraction for each unit of local
13 government that levies a property tax in the county.

14 (5) The financial officer of each unit of local government
15 shall make the computation of the tax rate using the data certi-
16 fied by the county treasurer and the state tax commission. At
17 the annual session in October, the county board of commissioners
18 shall not authorize the levy of a tax unless the governing body
19 of the taxing jurisdiction has certified that the requested mill-
20 age has been reduced, if necessary, in compliance with section 31
21 of article IX of the state constitution of 1963.

22 (6) The number of mills permitted to be levied in a tax year
23 is limited as provided in this section pursuant to section 31 of
24 article IX of the state constitution of 1963. A unit of local
25 government shall not levy a tax rate greater than the rate deter-
26 mined by reducing its maximum rate or rates authorized by law or

1 charter by a millage reduction fraction as provided in this
2 section without voter approval.

3 (7) A millage reduction fraction shall be determined for
4 each year for each ~~local~~ unit of LOCAL government. For ad
5 valorem property taxes that became a lien before January 1, 1983,
6 the numerator of the fraction shall be the total state equalized
7 valuation for the immediately preceding year multiplied by the
8 inflation rate and the denominator of the fraction shall be the
9 total state equalized valuation for the current year minus new
10 construction and improvements. For ad valorem property taxes
11 that become a lien after December 31, 1982 and through
12 December 31, 1994, the numerator of the fraction shall be the
13 product of the difference between the total state equalized valu-
14 ation for the immediately preceding year minus losses multiplied
15 by the inflation rate and the denominator of the fraction shall
16 be the total state equalized valuation for the current year minus
17 additions. For ad valorem property taxes that are levied after
18 December 31, 1994, the numerator of the fraction shall be the
19 product of the difference between the total taxable value for the
20 immediately preceding year minus losses multiplied by the infla-
21 tion rate and the denominator of the fraction shall be the total
22 taxable value for the current year minus additions. For each
23 year after 1993, a millage reduction fraction shall not exceed
24 1.

25 (8) The compounded millage reduction fraction for each year
26 after 1980 shall be calculated by multiplying the local unit's
27 previous year's compounded millage reduction fraction by the

1 current year's millage reduction fraction. Beginning with 1980
2 tax levies, the compounded millage reduction fraction for the
3 year shall be multiplied by the maximum millage rate authorized
4 by law or charter for the unit of local government for the year,
5 except as provided by subsection (9). A compounded millage
6 reduction fraction shall not exceed 1.

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

18 (10) A millage reduction fraction shall be applied sepa-
19 rately to the aggregate maximum millage rate authorized by a
20 charter and to each maximum millage rate authorized by state law
21 for a specific purpose.

22 (11) A unit of local government may submit to the voters for
23 their approval the levy in that year of a tax rate in excess of
24 the limit set by this section. The ballot question shall ask the
25 voters to approve the levy of a specific number of mills in
26 excess of the limit. The provisions of this section do not allow
27 the levy of a millage rate in excess of the maximum rate

1 authorized by law or charter. If the authorization to levy
2 millage expires after 1993 and a local governmental unit is
3 asking voters to renew the authorization to levy the millage, the
4 ballot question shall ask for renewed authorization for the
5 number of expiring mills as reduced by the millage reduction
6 required by this section. If the election occurs before June 1
7 of a year, the millage reduction is based on the immediately pre-
8 ceding year's millage reduction applicable to that millage. If
9 the election occurs after May 31 of a year, the millage reduction
10 shall be based on that year's millage reduction applicable to
11 that millage had it not expired.

12 (12) A reduction or limitation under this section shall not
13 be applied to taxes imposed for the payment of principal and
14 interest on bonds or other evidence of indebtedness or for the
15 payment of assessments or contract obligations in anticipation of
16 which bonds are issued that were authorized before December 23,
17 1978, as provided by former section 4 of chapter I of the munici-
18 pal finance act, Act No. 202 of the Public Acts of 1943, or to
19 taxes imposed for the payment of principal and interest on bonds
20 or other evidence of indebtedness or for the payment of assess-
21 ments or contract obligations in anticipation of which bonds are
22 issued that are approved by the voters after December 22, 1978.

23 (13) If it is determined subsequent to the levy of a tax
24 that an incorrect millage reduction fraction has been applied,
25 the amount of additional tax revenue or the shortage of tax reve-
26 nue shall be deducted from or added to the next regular tax levy

1 for that unit of local government after the determination of the
2 authorized rate pursuant to this section.

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

8 (15) The fractions calculated pursuant to this section shall
9 be rounded to 4 decimal places, except that the inflation rate
10 shall be computed by the state tax commission and shall be
11 rounded to 3 decimal places. The state tax commission shall pub-
12 lish the inflation rate before March 1 of each year.

13 (16) Beginning with taxes levied in 1994, the millage reduc-
14 tion required by section 31 of article IX of the state constitu-
15 tion of 1963 shall permanently reduce the maximum rate or rates
16 authorized by law or charter. The reduced maximum authorized
17 rate or rates for 1994 shall equal the product of the maximum
18 rate or rates authorized by law or charter before application of
19 this section multiplied by the compound millage reduction appli-
20 cable to that millage in 1994 pursuant to subsections (8) to
21 (12). The reduced maximum authorized rate or rates for 1995 and
22 each year after 1995 shall equal the product of the immediately
23 preceding year's reduced maximum authorized rate or rates multi-
24 plied by the current year's millage reduction fraction and shall
25 be adjusted for millage for which authorization has expired and
26 new authorized millage approved by the voters pursuant to
27 subsections (8) to (12).