

HOUSE BILL No. 4331

February 13, 1997, Introduced by Reps. Bodem, Horton, Lowe, McBryde, Goschka, Gernaat and Prusi and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 34d (MCL 211.34d), as amended by 1996
PA 476.

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 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:

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

18 (ii) Omitted personal property. As used in this subpara-
19 graph, "omitted personal property" means previously existing tan-
20 gible personal property not included in the assessment. Omitted
21 personal property shall be added to the tax roll pursuant to sec-
22 tion 154.

23 (iii) New construction. As used in this subparagraph, "new
24 construction" means property not in existence on the immediately
25 preceding tax day and not replacement construction. New con-
26 struction includes the physical addition of equipment or
27 furnishings, subject to the provisions set forth in section

1 27(2)(a) to (o). For purposes of determining the taxable value
2 of property under section 27a, the value of new construction is
3 the true cash value of the new construction multiplied by 0.50.

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

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

15 (B) The taxable value of property that is a facility as that
16 term is defined in section 2 of ~~Act No. 198 of the Public Acts~~
17 ~~of 1974, being section 207.552 of the Michigan Compiled Laws~~
18 1974 PA 198, MCL 207.552, that was previously exempt under
19 section 7k is the taxable value that property would have had
20 under this act if it had not been exempt.

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

24 (v) Replacement construction. As used in this subparagraph,
25 "replacement construction" means construction that replaced prop-
26 erty damaged or destroyed by accident or act of God and that
27 occurred after the immediately preceding tax day to the extent

1 the construction's true cash value does not exceed the true cash
2 value of property that was damaged or destroyed by accident or
3 act of God in the immediately preceding 3 years. For purposes of
4 determining the taxable value of property under section 27a, the
5 value of the replacement construction is the true cash value of
6 the replacement construction multiplied by a fraction the numera-
7 tor of which is the taxable value of the property to which the
8 construction was added in the immediately preceding year and the
9 denominator of which is the true cash value of the property to
10 which the construction was added in the immediately preceding
11 year, and then multiplied by the lesser of 1.05 or the inflation
12 rate.

13 (vi) An increase in taxable value attributable to the com-
14 plete or partial remediation of environmental contamination
15 existing on the immediately preceding tax day. The department of
16 environmental quality shall determine the degree of remediation
17 based on information available in existing department of environ-
18 mental quality records or information made available to the
19 department of environmental quality if the appropriate assessing
20 officer for a local tax collecting unit requests that
21 determination. The increase in taxable value attributable to the
22 remediation is the increase in true cash value attributable to
23 the remediation multiplied by a fraction the numerator of which
24 is the taxable value of the property had it not been contaminated
25 and the denominator of which is the true cash value of the prop-
26 erty had it not been contaminated.

1 (vii) An increase in the value attributable to the
2 property's occupancy rate if either a loss, as that term is
3 defined in this section, had been previously allowed because of a
4 decrease in the property's occupancy rate or if the value of new
5 construction was reduced because of a below-market occupancy
6 rate. For purposes of determining the taxable value of property
7 under section 27a, the value of an addition for the increased
8 occupancy rate is the product of the increase in the true cash
9 value of the property attributable to the increased occupancy
10 rate multiplied by a fraction the numerator of which is the tax-
11 able value of the property in the immediately preceding year and
12 the denominator of which is the true cash value of the property
13 in the immediately preceding year, and then multiplied by the
14 lesser of 1.05 or the inflation rate.

15 (viii) Public services. As used in this subparagraph,
16 "public services" means water service, sewer service, a primary
17 access road, natural gas service, electrical service, telephone
18 service, sidewalks, or street lighting. For purposes of deter-
19 mining the taxable value of real property under section 27a, the
20 value of public services is the amount of increase in true cash
21 value of the property attributable to the available public serv-
22 ices multiplied by 0.50 and shall be added in the calendar year
23 following the calendar year when those public services are ini-
24 tially available.

25 (ix) AN INCREASE IN VALUE ATTRIBUTABLE TO THE REVERSION OF
26 PREVIOUSLY SEVERED SUBSURFACE MINERAL RIGHTS, THE CESSATION OF
27 MINERAL EXTRACTION FROM PROPERTY FROM WHICH THE MINERAL RIGHTS

1 HAD BEEN PREVIOUSLY SEVERED AND THE REMOVAL OF ALL EXTRACTION
2 EQUIPMENT LOCATED ON THE SURFACE PROPERTY, OR THE REMOVAL OF ALL
3 MINERAL EXTRACTION EQUIPMENT LOCATED ON THE SURFACE PROPERTY FROM
4 WHICH THE MINERAL RIGHTS HAD BEEN PREVIOUSLY SEVERED WHETHER OR
5 NOT EXTRACTION OF MINERALS EVER OCCURRED. FOR PURPOSES OF DETER-
6 MINING THE TAXABLE VALUE OF PROPERTY UNDER SECTION 27A, THE VALUE
7 OF AN ADDITION FOR THE REVERSION OF PREVIOUSLY SEVERED SUBSURFACE
8 MINERAL RIGHTS, THE CESSATION OF MINERAL EXTRACTION FROM PROPERTY
9 FROM WHICH THE MINERAL RIGHTS HAD BEEN PREVIOUSLY SEVERED AND THE
10 REMOVAL OF ALL EXTRACTION EQUIPMENT LOCATED ON THE SURFACE PROP-
11 ERTY, OR THE REMOVAL OF ALL MINERAL EXTRACTION EQUIPMENT LOCATED
12 ON THE SURFACE PROPERTY FROM WHICH THE MINERAL RIGHTS HAD BEEN
13 PREVIOUSLY SEVERED WHETHER OR NOT EXTRACTION OF MINERALS EVER
14 OCCURRED IS THE PRODUCT OF THE INCREASE IN THE TRUE CASH VALUE OF
15 THE PROPERTY IN THE IMMEDIATELY PRECEDING YEAR MULTIPLIED BY A
16 FRACTION THE NUMERATOR OF WHICH IS THE TAXABLE VALUE OF THE PROP-
17 ERTY IN THE IMMEDIATELY PRECEDING YEAR AND THE DENOMINATOR OF
18 WHICH IS THE TRUE CASH VALUE OF THE PROPERTY IN THE IMMEDIATELY
19 PRECEDING YEAR, AND THEN MULTIPLIED BY THE LESSER OF 1.05 OR THE
20 INFLATION RATE.

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

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

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

25 (iii) For the purposes of the calculation of the millage
26 reduction fraction under subsection (7) only, increased taxable

1 value under section 27a(3) after a transfer of ownership of
2 property.

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

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

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

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

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

18 (i) Property that has been destroyed or removed. For pur-
19 poses of determining the taxable value of property under section
20 27a, the value of property destroyed or removed is the product of
21 the true cash value of that property multiplied by a fraction the
22 numerator of which is the taxable value of that property in the
23 immediately preceding year and the denominator of which is the
24 true cash value of that property in the immediately preceding
25 year.

26 (ii) Property that was subject to ad valorem taxation under
27 this act in the immediately preceding year that is now exempt

1 from ad valorem taxation under this act. For purposes of
2 determining the taxable value of property under section 27a, the
3 value of property exempted from ad valorem taxation under this
4 act is the amount exempted.

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

15 (iv) A decrease in taxable value attributable to environmen-
16 tal contamination existing on the immediately preceding tax day.
17 The department of environmental quality shall determine the
18 degree to which environmental contamination limits the use of
19 property based on information available in existing department of
20 environmental quality records or information made available to
21 the department of environmental quality if the appropriate
22 assessing officer for a local tax collecting unit requests that
23 determination. The department of environmental quality's deter-
24 mination of the degree to which environmental contamination
25 limits the use of property shall be based on the criteria estab-
26 lished for the classifications set forth in section 20120a(1) of
27 part 201 (environmental remediation) of the natural resources and

1 environmental protection act, ~~Act No. 451 of the Public Acts of~~
2 ~~1994, being section 324.20120a of the Michigan Compiled Laws~~
3 1994 PA 451, MCL 324.20120A. The decrease in taxable value
4 attributable to the contamination is the decrease in true cash
5 value attributable to the contamination multiplied by a fraction
6 the numerator of which is the taxable value of the property had
7 it not been contaminated and the denominator of which is the true
8 cash value of the property had it not been contaminated.

9 (v) A DECREASE IN TAXABLE VALUE ATTRIBUTABLE TO THE SEVER-
10 ANCE OF SUBSURFACE MINERAL RIGHTS IF MINERALS ARE BEING EXTRACTED
11 FROM THE GROUND OR MINERAL EXTRACTION EQUIPMENT IS LOCATED ON THE
12 SURFACE PROPERTY WHETHER OR NOT EXTRACTION OF MINERALS IS
13 OCCURRING. FOR PURPOSES OF DETERMINING THE TAXABLE VALUE OF
14 PROPERTY UNDER SECTION 27A, THE TAXABLE VALUE OF PROPERTY FROM
15 WHICH SUBSURFACE MINERAL RIGHTS ARE SEVERED IS THE PRODUCT OF THE
16 TRUE CASH VALUE OF THAT PROPERTY MULTIPLIED BY A FRACTION THE
17 NUMERATOR OF WHICH IS THE TAXABLE VALUE OF THAT PROPERTY IN THE
18 IMMEDIATELY PRECEDING YEAR AND THE DENOMINATOR OF WHICH IS THE
19 TRUE CASH VALUE OF THAT PROPERTY IN THE IMMEDIATELY PRECEDING
20 YEAR.

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

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

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

25 (j) "New construction and improvements" means additions less
26 losses.

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

3 (l) "Inflation rate" means the ratio of the general price
4 level for the state fiscal year ending in the calendar year imme-
5 diately preceding the current year divided by the general price
6 level for the state fiscal year ending in the calendar year
7 before the year immediately preceding the current year.

8 (2) On or before the first Monday in May of each year, the
9 assessing officer of each township or city shall tabulate the
10 tentative taxable value as approved by the local board of review
11 and as modified by county equalization for each classification of
12 property that is separately equalized for each unit of local gov-
13 ernment and provide the tabulated tentative taxable values to the
14 county equalization director. The tabulation by the assessing
15 officer shall contain additions and losses for each classifica-
16 tion of property that is separately equalized for each unit of
17 local government or part of a unit of local government in the
18 township or city. If as a result of state equalization the tax-
19 able value of property changes, the assessing officer of each
20 township or city shall revise the calculations required by this
21 subsection on or before the Friday following the fourth Monday in
22 May. The county equalization director shall compute these
23 amounts and the current and immediately preceding year's taxable
24 values for each classification of property that is separately
25 equalized for each unit of local government that levies taxes
26 under this act within the boundary of the county. The county
27 equalization director shall cooperate with equalization directors

1 of neighboring counties, as necessary, to make the computation
2 for units of local government located in more than 1 county. The
3 county equalization director shall calculate the millage reduc-
4 tion fraction for each unit of local government in the county for
5 the current year. The financial officer for each taxing juris-
6 diction shall calculate the compounded millage reduction frac-
7 tions beginning in 1980 resulting from the multiplication of suc-
8 cessive millage reduction fractions and shall recognize a local
9 voter action to increase the compounded millage reduction frac-
10 tion to a maximum of 1 as a new beginning fraction. Upon request
11 of the superintendent of the intermediate school district, the
12 county equalization director shall transmit the complete computa-
13 tions of the taxable values to the superintendent of the interme-
14 diate school district within that county. At the request of the
15 presidents of community colleges, the county equalization direc-
16 tor shall transmit the complete computations of the taxable
17 values to the presidents of community colleges within the
18 county.

19 (3) On or before the first Monday in June of each year, the
20 county equalization director shall deliver the statement of the
21 computations signed by the county equalization director to the
22 county treasurer.

23 (4) On or before the second Monday in June of each year, the
24 treasurer of each county shall certify the immediately preceding
25 year's taxable values, the current year's taxable values, the
26 amount of additions and losses for the current year, and the

1 current year's millage reduction fraction for each unit of local
2 government that levies a property tax in the county.

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

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

18 (7) A millage reduction fraction shall be determined for
19 each year for each local unit of government. For ad valorem
20 property taxes that became a lien before January 1, 1983, the
21 numerator of the fraction shall be the total state equalized val-
22 uation for the immediately preceding year multiplied by the
23 inflation rate and the denominator of the fraction shall be the
24 total state equalized valuation for the current year minus new
25 construction and improvements. For ad valorem property taxes
26 that become a lien after December 31, 1982 and through
27 December 31, 1994, the numerator of the fraction shall be the

1 product of the difference between the total state equalized
2 valuation for the immediately preceding year minus losses multi-
3 plied by the inflation rate and the denominator of the fraction
4 shall be the total state equalized valuation for the current year
5 minus additions. For ad valorem property taxes that are levied
6 after December 31, 1994, the numerator of the fraction shall be
7 the product of the difference between the total taxable value for
8 the immediately preceding year minus losses multiplied by the
9 inflation rate and the denominator of the fraction shall be the
10 total taxable value for the current year minus additions. For
11 each year after 1993, a millage reduction fraction shall not
12 exceed 1.

13 (8) The compounded millage reduction fraction for each year
14 after 1980 shall be calculated by multiplying the local unit's
15 previous year's compounded millage reduction fraction by the cur-
16 rent year's millage reduction fraction. Beginning with 1980 tax
17 levies, the compounded millage reduction fraction for the year
18 shall be multiplied by the maximum millage rate authorized by law
19 or charter for the unit of local government for the year, except
20 as provided by subsection (9). A compounded millage reduction
21 fraction shall not exceed 1.

22 (9) The millage reduction shall be determined separately for
23 authorized millage approved by the voters. The limitation on
24 millage authorized by the voters on or before May 31 of a year
25 shall be calculated beginning with the millage reduction fraction
26 for that year. Millage authorized by the voters after May 31
27 shall not be subject to a millage reduction until the year

1 following the voter authorization which shall be calculated
2 beginning with the millage reduction fraction for the year fol-
3 lowing the authorization. The first millage reduction fraction
4 used in calculating the limitation on millage approved by the
5 voters after January 1, 1979 shall not exceed 1.

6 (10) A millage reduction fraction shall be applied sepa-
7 rately to the aggregate maximum millage rate authorized by a
8 charter and to each maximum millage rate authorized by state law
9 for a specific purpose.

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

1 (12) A reduction or limitation under this section shall not
2 be applied to taxes imposed for the payment of principal and
3 interest on bonds or other evidence of indebtedness or for the
4 payment of assessments or contract obligations in anticipation of
5 which bonds are issued that were authorized before December 23,
6 1978, as provided by former section 4 of chapter I of the munici-
7 pal finance act, ~~Act No. 202 of the Public Acts of 1943~~ 1943
8 PA 202, or to taxes imposed for the payment of principal and
9 interest on bonds or other evidence of indebtedness or for the
10 payment of assessments or contract obligations in anticipation of
11 which bonds are issued that are approved by the voters after
12 December 22, 1978.

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

19 (14) If as a result of an appeal of county equalization or
20 state equalization the taxable value of a unit of local govern-
21 ment changes, the millage reduction fraction for the year shall
22 be recalculated. The financial officer shall effectuate an addi-
23 tion or reduction of tax revenue in the same manner as prescribed
24 in subsection (13).

25 (15) The fractions calculated pursuant to this section shall
26 be rounded to 4 decimal places, except that the inflation rate
27 shall be computed by the state tax commission and shall be

1 rounded to 3 decimal places. The state tax commission shall
2 publish the inflation rate before March 1 of each year.

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