

HOUSE BILL No. 5291

October 16, 1997, Introduced by Reps. Schauer, Hale, DeHart, Schermesser and Jelinek 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 (c) For taxes levied after 1994, additions do not include
26 increased value attributable to any of the following:

- 1 (i) Platting, splits, or combinations of property.
- 2 (ii) A change in the zoning of property.
- 3 (iii) For the purposes of the calculation of the millage
4 reduction fraction under subsection (7) only, increased taxable
5 value under section 27a(3) after a transfer of ownership of
6 property.
- 7 (d) "Assessed valuation of property as finally equalized"
8 means taxable value under section 27a.
- 9 (e) "Financial officer" means the officer responsible for
10 preparing the budget of a unit of local government.
- 11 (f) "General price level" means the annual average of the 12
12 monthly values for the United States consumer price index for all
13 urban consumers as defined and officially reported by the United
14 States department of labor, bureau of labor statistics.
- 15 (g) For taxes levied before 1995, "losses" means a decrease
16 in value caused by the removal or destruction of real or personal
17 property and the value of property taxed in the immediately pre-
18 ceding year that has been exempted or removed from the assessment
19 unit's assessment roll.
- 20 (h) For taxes levied after 1994, "losses" means, except as
21 provided in subdivision (i), all of the following:
- 22 (i) Property that has been destroyed or removed. For pur-
23 poses of determining the taxable value of property under section
24 27a, the value of property destroyed or removed is the product of
25 the true cash value of that property multiplied by a fraction the
26 numerator of which is the taxable value of that property in the
27 immediately preceding year and the denominator of which is the

1 true cash value of that property in the immediately preceding
2 year.

3 (ii) Property that was subject to ad valorem taxation under
4 this act in the immediately preceding year that is now exempt
5 from ad valorem taxation under this act. For purposes of deter-
6 mining the taxable value of property under section 27a, the value
7 of property exempted from ad valorem taxation under this act is
8 the amount exempted.

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

19 (iv) A decrease in taxable value attributable to environmen-
20 tal contamination existing on the immediately preceding tax day.
21 The department of environmental quality shall determine the
22 degree to which environmental contamination limits the use of
23 property based on information available in existing department of
24 environmental quality records or information made available to
25 the department of environmental quality if the appropriate
26 assessing officer for a local tax collecting unit requests that
27 determination. The department of environmental quality's

1 determination of the degree to which environmental contamination
2 limits the use of property shall be based on the criteria estab-
3 lished for the classifications set forth in section 20120a(1) of
4 part 201 (environmental remediation) of the natural resources and
5 environmental protection act, ~~Act No. 451 of the Public Acts of~~
6 ~~1994, being section 324.20120a of the Michigan Compiled Laws~~
7 1994 PA 451, MCL 324.20120A. The decrease in taxable value
8 attributable to the contamination is the decrease in true cash
9 value attributable to the contamination multiplied by a fraction
10 the numerator of which is the taxable value of the property had
11 it not been contaminated and the denominator of which is the true
12 cash value of the property had it not been contaminated.

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

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

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

17 (j) "New construction and improvements" means additions less
18 losses.

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

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

26 (2) On or before the first Monday in May of each year, the
27 assessing officer of each township or city shall tabulate the

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

1 fraction to a maximum of 1 as a new beginning fraction. Upon
2 request of the superintendent of the intermediate school dis-
3 trict, the county equalization director shall transmit the com-
4 plete computations of the taxable values to the superintendent of
5 the intermediate school district within that county. At the
6 request of the presidents of community colleges, the county
7 equalization director shall transmit the complete computations of
8 the taxable values to the presidents of community colleges within
9 the county.

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

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

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

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

8 (7) A millage reduction fraction shall be determined for
9 each year for each local unit of government. For ad valorem
10 property taxes that became a lien before January 1, 1983, the
11 numerator of the fraction shall be the total state equalized val-
12 uation for the immediately preceding year multiplied by the
13 inflation rate and the denominator of the fraction shall be the
14 total state equalized valuation for the current year minus new
15 construction and improvements. For ad valorem property taxes
16 that become a lien after December 31, 1982 and through
17 December 31, 1994, the numerator of the fraction shall be the
18 product of the difference between the total state equalized valu-
19 ation for the immediately preceding year minus losses multiplied
20 by the inflation rate and the denominator of the fraction shall
21 be the total state equalized valuation for the current year minus
22 additions. For ALL ad valorem property taxes that are levied
23 after December 31, 1994 AND BEFORE JANUARY 1, 1998, AND FOR ALL
24 AD VALOREM PROPERTY TAXES EXCEPT TAXES LEVIED BY A LOCAL SCHOOL
25 DISTRICT FOR SCHOOL OPERATING PURPOSES THAT ARE LEVIED AFTER
26 DECEMBER 31, 1998, the numerator of the fraction shall be the
27 product of the difference between the total taxable value for the

1 immediately preceding year minus losses multiplied by the
2 inflation rate and the denominator of the fraction shall be the
3 total taxable value for the current year minus additions. FOR AD
4 VALOREM PROPERTY TAXES THAT ARE LEVIED AFTER DECEMBER 31, 1998 BY
5 A LOCAL SCHOOL DISTRICT FOR SCHOOL OPERATING PURPOSES, THE NUMER-
6 ATOR OF THE FRACTION SHALL BE THE PRODUCT OF THE DIFFERENCE
7 BETWEEN THE TOTAL NONHOMESTEAD TAXABLE VALUE FOR THE IMMEDIATELY
8 PRECEDING YEAR MINUS LOSSES MULTIPLIED BY THE INFLATION RATE AND
9 THE DENOMINATOR OF THE FRACTION SHALL BE THE TOTAL NONHOMESTEAD
10 TAXABLE VALUE FOR THE CURRENT YEAR MINUS ADDITIONS. AS USED IN
11 THIS SUBSECTION, "TOTAL NONHOMESTEAD TAXABLE VALUE" MEANS THE
12 TOTAL TAXABLE VALUE OF ALL PROPERTY IN THE UNIT OF LOCAL GOVERN-
13 MENT NOT EXEMPT UNDER SECTION 7CC FROM THE COLLECTION OF THE TAX
14 LEVIED BY A LOCAL SCHOOL DISTRICT FOR SCHOOL OPERATING PURPOSES
15 TO THE EXTENT PROVIDED UNDER SECTION 1211 OF THE REVISED SCHOOL
16 CODE, 1976 PA 451, MCL 380.1211, AND NOT OTHERWISE EXEMPT FROM
17 THE COLLECTION OF TAXES UNDER THIS ACT. For each year after 1993,
18 a millage reduction fraction shall not exceed 1.

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

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

12 (10) A millage reduction fraction shall be applied sepa-
13 rately to the aggregate maximum millage rate authorized by a
14 charter and to each maximum millage rate authorized by state law
15 for a specific purpose.

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

1 millage reduction is based on the immediately preceding year's
2 millage reduction applicable to that millage. If the election
3 occurs after May 31 of a year, the millage reduction shall be
4 based on that year's millage reduction applicable to that millage
5 had it not expired.

6 (12) A reduction or limitation under this section shall not
7 be applied to taxes imposed for the payment of principal and
8 interest on bonds or other evidence of indebtedness or for the
9 payment of assessments or contract obligations in anticipation of
10 which bonds are issued that were authorized before December 23,
11 1978, as provided by former section 4 of chapter I of the municipi-
12 pal finance act, ~~Act No. 202 of the Public Acts of 1943~~ 1943 PA
13 202, or to taxes imposed for the payment of principal and inter-
14 est on bonds or other evidence of indebtedness or for the payment
15 of assessments or contract obligations in anticipation of which
16 bonds are issued that are approved by the voters after December
17 22, 1978.

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

24 (14) If as a result of an appeal of county equalization or
25 state equalization the taxable value of a unit of local govern-
26 ment changes, the millage reduction fraction for the year shall
27 be recalculated. The financial officer shall effectuate an

1 addition or reduction of tax revenue in the same manner as
2 prescribed in subsection (13).

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

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