



HOUSE BILL No. 5883

June 8, 2000, Introduced by Reps. Shulman, Kowall, Bishop, Pappageorge, Hart, Voorhees and Vander Roest and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27 (MCL 211.27), as amended by 1994 PA 415.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27. (1) As used in this act, "TRUE cash value" means
2 the usual selling price at the place where the property to which
3 the term is applied is at the time of assessment, being the price
4 that could be obtained for the property at private sale, and not
5 at auction sale except as otherwise provided in this section, or
6 at forced sale. The usual selling price may include sales at
7 public auction held by a nongovernmental agency or person ~~when~~
8 IF those sales have become a common method of acquisition in the
9 jurisdiction for the class of property being valued. The usual
10 selling price does not include sales at public auction ~~where~~ IF
11 the sale is part of a liquidation of the seller's assets in a

1 bankruptcy proceeding or ~~where~~ IF the seller is unable to use
2 common marketing techniques to obtain the usual selling price for
3 the property. A sale or other disposition by the state or an
4 agency or political subdivision of the state of land acquired for
5 delinquent taxes or an appraisal made in connection with the sale
6 or other disposition or the value attributed to the property of
7 regulated public utilities by a governmental regulatory agency
8 for rate-making purposes ~~shall~~ IS not ~~be considered~~ control-
9 ling evidence of true cash value for assessment purposes. In
10 determining the TRUE CASH value, the assessor shall also consider
11 the advantages and disadvantages of location; quality of soil;
12 zoning; existing use; present economic income of structures,
13 including farm structures; present economic income of land if the
14 land is being farmed or otherwise put to income producing use;
15 quantity and value of standing timber; water power and privi-
16 leges; and mines, minerals, quarries, or other valuable deposits
17 known to be available in the land and their value. THE TRUE CASH
18 VALUE OF THE MAINS, PIPES, SUPPORTS, AND WIRES OF GAS AND COKE
19 COMPANIES, NATURAL GAS COMPANIES, ELECTRIC LIGHT COMPANIES,
20 WATERWORKS COMPANIES, HYDRAULIC COMPANIES, AND PIPELINE COMPANIES
21 TRANSPORTING OIL OR GAS AS PUBLIC OR COMMON CARRIERS, INCLUDING
22 THE SUPPORTS AND WIRE OR OTHER LINE USED FOR COMMUNICATION PUR-
23 POSES IN THE OPERATION OF THOSE FACILITIES, AND THE RIGHTS-OF-WAY
24 AND THE EASEMENTS OR OTHER INTERESTS IN LAND BY VIRTUE OF WHICH
25 THE MAINS, PIPES, SUPPORTS, AND WIRES ARE ERECTED AND MAINTAINED,
26 AS THAT PERSONAL PROPERTY IS DESCRIBED IN SECTION 8(G), SHALL BE
27 DETERMINED IN THE SAME MANNER AS BUILDINGS AND IMPROVEMENTS

1 LOCATED UPON LEASED LANDS, AS THAT PERSONAL PROPERTY IS DESCRIBED
2 IN SECTION 8(D).

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

21 (a) Outside painting.

22 (b) Repairing or replacing siding, roof, porches, steps,
23 sidewalks, ~~and~~ OR drives.

24 (c) Repainting, repairing, or replacing existing masonry.

25 (d) ~~Replacement of~~ REPLACING awnings.

26 (e) Adding or replacing gutters and downspouts.

- 1 (f) Replacing storm windows or doors.
- 2 (g) ~~Insulation~~ INSULATING or weatherstripping.
- 3 (h) Complete rewiring.
- 4 (i) Replacing plumbing and light fixtures.
- 5 (j) ~~New furnace replacing~~ REPLACING a furnace WITH A NEW
- 6 FURNACE of the same type or replacing AN oil or gas burner.
- 7 (k) ~~Plaster repairs~~ REPAIRING PLASTER, inside painting, or
- 8 other redecorating.
- 9 (l) New ceiling, wall, or floor surfacing.
- 10 (m) Removing partitions to enlarge rooms.
- 11 (n) Replacing AN automatic hot water heater.
- 12 (o) Replacing dated interior woodwork.
- 13 (3) A city or township assessor, a county equalization
- 14 department, or the state tax commission before utilizing real
- 15 estate sales data on real property purchases, including purchases
- 16 by land contract, ~~for the purpose of determining~~ TO DETERMINE
- 17 assessments or in making sales ratio studies ~~for the purpose of~~
- 18 ~~assessing or equalizing~~ TO ASSESS PROPERTY OR EQUALIZE assess-
- 19 ments shall exclude from the sales data the following amounts
- 20 allowed by subdivisions (a), (b), and (c) to the extent that the
- 21 amounts are included in the real property purchase price and are
- 22 so identified in the real estate sales data or certified to the
- 23 assessor as provided in subdivision (d):
- 24 (a) Amounts paid for obtaining financing of the purchase
- 25 price of the property or the last conveyance of the property.

1 (b) Amounts attributable to personal property that were
2 included in the purchase price of the property in the last
3 conveyance of the property.

4 (c) Amounts paid for surveying the property pursuant to the
5 last conveyance of the property. The legislature may require
6 local units of government, including school districts, to submit
7 reports of revenue lost under subdivisions (a) and (b) and this
8 subdivision so that the state may reimburse those units for that
9 lost revenue.

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

18 (4) As used in subsection (1), "present economic income"
19 means for leased or rented property the ordinary, general, and
20 usual economic return realized from the lease or rental of prop-
21 erty negotiated under current, contemporary conditions between
22 parties equally knowledgeable and familiar with real estate
23 values. The actual income generated by the lease or rental of
24 property is not the controlling indicator of its TRUE cash value
25 in all cases. This subsection does not apply to property subject
26 to a lease entered into before January 1, 1984 for which the
27 terms of the lease governing the rental rate or tax liability

1 have not been renegotiated after December 31, 1983. This
2 subsection does not apply to a nonprofit housing cooperative
3 subject to regulatory agreements between the state or federal
4 government entered into before January 1, 1984. As used in this
5 subsection, "nonprofit cooperative housing corporation" means a
6 nonprofit cooperative housing corporation that is engaged in pro-
7 viding housing services to its stockholders and members and that
8 does not pay dividends or interest upon stock or membership
9 investment but that does distribute all earnings to its stock-
10 holders or members.

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