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Senate Bill 914 (as enrolled)  
Sponsor: Senator Thaddeus G. McCotter  
Senate Committee: Government Operations  
House Committee: House Oversight and Operations

**PUBLIC ACT 620 of 2002**

Date Completed: 4-9-03

**CONTENT**

**The bill amended the General Property Tax Act to do the following:**

- **Require certain leasehold improvements and structures to be assessed as personal property, instead of real property.**
- **For taxes levied after December 31, 2003, require assessors to state separately, on the assessment roll and on notices to taxpayers, the assessed value and tentative taxable value of any leasehold improvements.**
- **Include buildings on leased land in classifications of assessable real property, instead of assessable personal property.**
- **Include trade fixtures as personal property for taxes levied after December 31, 2002.**
- **Replace references to the auditor general with references to the State Treasurer, in provisions pertaining to administration of the property tax.**

Section 8(h) of the Act provided, in part, that for taxes levied after December 31, 2002, leasehold improvements and structures installed and constructed on leased real property, except leasehold improvements and structures exempt under Section 9f, were to be assessed as real property to the owner, in the local tax collecting unit in which the leasehold improvements or structures were located, if their value was not otherwise included in the assessment of the real property or otherwise assessable under the Act. The bill deleted this provision. (Section 9f allows a city, village, or township that contains an eligible distressed area to exempt

from property taxes all new personal property owned or leased by an eligible business.)

The bill retains language in Section 8(h) that includes in personal property, during the tenancy of a lessee, leasehold improvements and structures installed and constructed on real property by the lessee, provided and to the extent they add to the taxable value of the real property notwithstanding that it is encumbered by a lease agreement, and the value added by the improvements or structures is not otherwise included in the assessment of the real property or otherwise assessable under the Act. (The bill refers to "true cash" taxable value.) These leasehold improvements and structures must be assessed to the lessee. Previously, these provisions applied for taxes levied before January 1, 2003; the bill deleted that date.

Under the Act, for taxes levied after December 31, 2001, buildings and improvements exempt under Section 9f and located on leased real property must be assessed as personal property. Under the bill, this provision also applies to improvements assessable under Section 8(h).

Under the Act, for taxes levied after December 31, 2002, buildings and improvements located upon leased real property, except buildings and improvements exempt under Section 9f, must be assessed as real property to the owner if the value of the buildings or improvements is not otherwise included in the assessment of the real property. The bill also makes an exception for improvements assessable under Section 8(h).

The Act provides that, for taxes levied after December 31, 2002, buildings and improvements, except those exempt under Section 9f, located upon real property of the United States or of the State, or upon the real property of any person, firm, association, or corporation if the owner of the building is not the owner of the fee title to the real property, are considered real property for the purposes of taxation and assessment, and must be assessed as real property to the owner or occupant of the building if its value is not otherwise included in the assessment of the real property. The bill excludes from this provision improvements assessable under Section 8(h).

The Act contains classifications of assessable real property and personal property, and describes the classifications (agricultural, commercial, industrial, residential, and others). The bill includes in certain classifications of assessable real property, for taxes levied after December 31, 2002, buildings on leased land, which previously were included in the classifications of assessable personal property. That is, agricultural real property includes buildings on leased land used for agricultural operations; commercial real property includes buildings on leased land used for commercial purposes; industrial real property includes buildings on leased land used for industrial purposes or for utility purposes; and residential real property includes a home, cottage, or cabin on leased land. Residential real property also includes a mobile home that would be assessable as real property under Section 2a except that the land on which it is located is exempt. (Section 2a provides for the assessment of mobile homes.)

MCL 211.2 et al.

Legislative Analyst: George Towne

### **FISCAL IMPACT**

The bill will prevent an increase, of an unknown amount, in State and local property tax revenues and prevent a decrease, of an unknown amount, in expenditures from the State School Aid Fund. The total taxable value of trade fixtures affected by the bill is unknown, but valuing such property as real property rather than personal property may have resulted in an increase in property taxes.

If taxables values had risen, the State would have received more revenue under the State education property tax and local units would have received more money under local property taxes. If local school districts were to receive more money from local property taxes, it would reduce expenditures from the State School Aid Fund. Because the bill prevents trade fixtures from being valued as real property, no such increases will occur.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.