

HOUSE BILL No. 4833

June 12, 2003, Introduced by Reps. Sheltroun, Law, O'Neil, Elkins, Lipsey, Gillard, McConico, Drolet, Murphy, Dennis, Palmer and Brown and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 2000 PA
260.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27a. (1) Except as otherwise provided in this section,
2 property shall be assessed at 50% of its true cash value under
3 section 3 of article IX of the state constitution of 1963.

4 (2) Except as otherwise provided in subsection (3), for taxes
5 levied in 1995 and for each year after 1995, the taxable value of
6 each parcel of property is the lesser of the following:

7 (a) The property's taxable value in the immediately preceding
8 year minus any losses, multiplied by the lesser of 1.05 or the
9 inflation rate, plus all additions. For taxes levied in 1995,
10 the property's taxable value in the immediately preceding year is

1 the property's state equalized valuation in 1994.

2 (b) The property's current state equalized valuation.

3 (3) Upon a transfer of ownership of property after 1994, the
4 property's taxable value for the calendar year following the year
5 of the transfer is the property's state equalized valuation for
6 the calendar year following the transfer.

7 (4) If the taxable value of property is adjusted under
8 subsection (3), a subsequent increase in the property's taxable
9 value is subject to the limitation set forth in subsection (2)
10 until a subsequent transfer of ownership occurs.

11 (5) Assessment of property, as required in this section and
12 section 27, is inapplicable to the assessment of property subject
13 to the levy of ad valorem taxes within voted tax limitation
14 increases to pay principal and interest on limited tax bonds
15 issued by any governmental unit, including a county, township,
16 community college district, or school district, before January 1,
17 1964, if the assessment required to be made under this act would
18 be less than the assessment as state equalized prevailing on the
19 property at the time of the issuance of the bonds. This
20 inapplicability shall continue until levy of taxes to pay
21 principal and interest on the bonds is no longer required. The
22 assessment of property required by this act shall be applicable
23 for all other purposes.

24 (6) As used in this act, "transfer of ownership" means the
25 conveyance of title to or a present interest in property,
26 including the beneficial use of the property, the value of which
27 is substantially equal to the value of the fee interest.

1 Transfer of ownership of property includes, but is not limited
2 to, the following:

3 (a) A conveyance by deed.

4 (b) A conveyance by land contract. The taxable value of
5 property conveyed by a land contract executed after December 31,
6 1994 shall be adjusted under subsection (3) for the calendar year
7 following the year in which the contract is entered into and
8 shall not be subsequently adjusted under subsection (3) when the
9 deed conveying title to the property is recorded in the office of
10 the register of deeds in the county in which the property is
11 located.

12 (c) A conveyance to a trust after December 31, 1994, except
13 if the settlor or the settlor's spouse, or both, conveys the
14 property to the trust and the sole present beneficiary or
15 beneficiaries are the settlor or the settlor's spouse, or both.

16 (d) A conveyance by distribution from a trust, except if the
17 distributee is the sole present beneficiary or the spouse of the
18 sole present beneficiary, or both.

19 (e) A change in the sole present beneficiary or beneficiaries
20 of a trust, except a change that adds or substitutes the spouse
21 of the sole present beneficiary.

22 (f) A conveyance by distribution under a will or by intestate
23 succession, except if the distributee is the decedent's spouse.

24 (g) A conveyance by lease if the total duration of the lease,
25 including the initial term and all options for renewal, is more
26 than 35 years or the lease grants the lessee a bargain purchase
27 option. As used in this subdivision, "bargain purchase option"

1 means the right to purchase the property at the termination of
2 the lease for not more than 80% of the property's projected true
3 cash value at the termination of the lease. After December 31,
4 1994, the taxable value of property conveyed by a lease with a
5 total duration of more than 35 years or with a bargain purchase
6 option shall be adjusted under subsection (3) for the calendar
7 year following the year in which the lease is entered into. This
8 subdivision does not apply to personal property except buildings
9 described in section 14(6) and personal property described in
10 section 8(h), (i), and (j). This subdivision does not apply to
11 that portion of the property not subject to the leasehold
12 interest conveyed.

13 (h) A conveyance of an ownership interest in a corporation,
14 partnership, sole proprietorship, limited liability company,
15 limited liability partnership, or other legal entity if the
16 ownership interest conveyed is more than 50% of the corporation,
17 partnership, sole proprietorship, limited liability company,
18 limited liability partnership, or other legal entity. Unless
19 notification is provided under subsection (10), the corporation,
20 partnership, sole proprietorship, limited liability company,
21 limited liability partnership, or other legal entity shall notify
22 the assessing officer on a form provided by the state tax
23 commission not more than 45 days after a conveyance of an
24 ownership interest that constitutes a transfer of ownership under
25 this subdivision.

26 (i) A transfer of property held as a tenancy in common,
27 except that portion of the property not subject to the ownership

1 interest conveyed.

2 (j) A conveyance of an ownership interest in a cooperative
3 housing corporation, except that portion of the property not
4 subject to the ownership interest conveyed.

5 (7) Transfer of ownership does not include the following:

6 (a) The transfer of property from 1 spouse to the other
7 spouse or from a decedent to a surviving spouse.

8 (b) A transfer from a husband, a wife, or a husband and wife
9 creating or disjoining a tenancy by the entirety in the
10 grantors or the grantor and his or her spouse.

11 (c) A transfer of that portion of property subject to a life
12 estate or life lease retained by the transferor, until expiration
13 or termination of the life estate or life lease. That portion of
14 property transferred that is not subject to a life lease shall be
15 adjusted under subsection (3).

16 (d) A transfer through foreclosure or forfeiture of a
17 recorded instrument under chapter 31, 32, or 57 of the revised
18 judicature act of 1961, 1961 PA 236, MCL 600.3101 to 600.3280 and
19 MCL 600.5701 to 600.5785, or through deed or conveyance in lieu
20 of a foreclosure or forfeiture, until the mortgagee or land
21 contract vendor subsequently transfers the property. If a
22 mortgagee does not transfer the property within 1 year of the
23 expiration of any applicable redemption period, the property
24 shall be adjusted under subsection (3).

25 (e) A transfer by redemption by the person to whom taxes are
26 assessed of property previously sold for delinquent taxes.

27 (f) A conveyance to a trust if the settlor or the settlor's

1 spouse, or both, conveys the property to the trust and the sole
2 present beneficiary of the trust is the settlor or the settlor's
3 spouse, or both.

4 (g) A transfer pursuant to a judgment or order of a court of
5 record making or ordering a transfer, unless a specific monetary
6 consideration is specified or ordered by the court for the
7 transfer.

8 (h) A transfer creating or terminating a joint tenancy
9 between 2 or more persons if at least 1 of the persons was an
10 original owner of the property before the joint tenancy was
11 initially created and, if the property is held as a joint tenancy
12 at the time of conveyance, at least 1 of the persons was a joint
13 tenant when the joint tenancy was initially created and that
14 person has remained a joint tenant since the joint tenancy was
15 initially created. A joint owner at the time of the last
16 transfer of ownership of the property is an original owner of the
17 property. For purposes of this subdivision, a person is an
18 original owner of property owned by that person's spouse.

19 (i) A transfer for security or an assignment or discharge of
20 a security interest.

21 (j) A transfer of real property or other ownership interests
22 among members of an affiliated group. As used in this
23 subsection, "affiliated group" means 1 or more corporations
24 connected by stock ownership to a common parent corporation.
25 Upon request by the state tax commission, a corporation shall
26 furnish proof within 45 days that a transfer meets the
27 requirements of this subdivision. A corporation that fails to

1 comply with a request by the state tax commission under this
2 subdivision is subject to a fine of \$200.00.

3 (k) Normal public trading of shares of stock or other
4 ownership interests that, over any period of time, cumulatively
5 represent more than 50% of the total ownership interest in a
6 corporation or other legal entity and are traded in multiple
7 transactions involving unrelated individuals, institutions, or
8 other legal entities.

9 (l) A transfer of real property or other ownership interests
10 among corporations, partnerships, limited liability companies,
11 limited liability partnerships, or other legal entities if the
12 entities involved are commonly controlled. Upon request by the
13 state tax commission, a corporation, partnership, limited
14 liability company, limited liability partnership, or other legal
15 entity shall furnish proof within 45 days that a transfer meets
16 the requirements of this subdivision. A corporation,
17 partnership, limited liability company, limited liability
18 partnership, or other legal entity that fails to comply with a
19 request by the state tax commission under this subdivision is
20 subject to a fine of \$200.00.

21 (m) A direct or indirect transfer of real property or other
22 ownership interests resulting from a transaction that qualifies
23 as a tax-free reorganization under section 368 of the internal
24 revenue code of 1986. Upon request by the state tax commission,
25 a property owner shall furnish proof within 45 days that a
26 transfer meets the requirements of this subdivision. A property
27 owner who fails to comply with a request by the state tax

1 commission under this subdivision is subject to a fine of
2 \$200.00.

3 (n) A transfer of qualified agricultural property, if the
4 person to whom the qualified agricultural property is transferred
5 files an affidavit with the assessor of the local tax collecting
6 unit in which the qualified agricultural property is located and
7 with the register of deeds for the county in which the qualified
8 agricultural property is located attesting that the qualified
9 agricultural property shall remain qualified agricultural
10 property. The affidavit under this subdivision shall be in a
11 form prescribed by the department of treasury. An owner of
12 qualified agricultural property shall inform a prospective buyer
13 of that qualified agricultural property that the qualified
14 agricultural property is subject to the recapture tax provided in
15 the agricultural property recapture act, **2000 PA 261, MCL**
16 **211.1001 to 211.1007**, if the qualified agricultural property is
17 converted by a change in use. If property ceases to be qualified
18 agricultural property at any time after being transferred, all of
19 the following shall occur:

20 (i) The taxable value of that property shall be adjusted
21 under subsection (3) as of the December 31 in the year that the
22 property ceases to be qualified agricultural property.

23 (ii) The property is subject to the recapture tax provided
24 for under the agricultural property recapture act, **2000 PA 261,**
25 **MCL 211.1001 to 211.1007.**

26 (o) The transfer of business property with a taxable value of
27 not more than \$2,500,000.00 from a person to a family member of

1 that person. As used in this subdivision:

2 (i) "Business property" means property classified as
3 commercial real property or industrial real property under
4 section 34c.

5 (ii) "Family member" means all of the following:

6 (A) Spouse.

7 (B) Child, stepchild, or adopted child.

8 (C) Grandchild, step-grandchild, or adopted grandchild.

9 (D) Parent, stepparent, or adoptive parent.

10 (E) Grandparent, step-grandparent, or adoptive grandparent.

11 (F) Brother, stepbrother, or adoptive brother.

12 (G) Sister, stepsister, or adoptive sister.

13 (p) A transfer of residential property with a taxable value
14 of not more than \$2,500,000.00 from a person to a family member
15 of that person. As used in this subdivision:

16 (i) "Family member" means all of the following:

17 (A) Spouse.

18 (B) Child, stepchild, or adopted child.

19 (C) Grandchild, step-grandchild, or adopted grandchild.

20 (D) Parent, stepparent, or adoptive parent.

21 (E) Grandparent, step-grandparent, or adoptive grandparent.

22 (F) Brother, stepbrother, or adoptive brother.

23 (G) Sister, stepsister, or adoptive sister.

24 (ii) "Residential property" means property classified as
25 residential real property under section 34c.

26 (8) If all of the following conditions are satisfied, the
27 local tax collecting unit shall revise the taxable value of

1 qualified agricultural property taxable on the tax roll in the
2 possession of that local tax collecting unit to the taxable value
3 that qualified agricultural property would have had if there had
4 been no transfer of ownership of that qualified agricultural
5 property since December 31, 1999 and there had been no adjustment
6 of that qualified agricultural property's taxable value under
7 subsection (3) since December 31, 1999:

8 (a) The qualified agricultural property was qualified
9 agricultural property for taxes levied in 1999 and each year
10 after 1999.

11 (b) The owner of the qualified agricultural property files an
12 affidavit with the assessor of the local tax collecting unit
13 under subsection (7)(n).

14 (9) If the taxable value of qualified agricultural property
15 is adjusted under subsection (8), the owner of that qualified
16 agricultural property shall not be entitled to a refund for any
17 property taxes collected under this act on that qualified
18 agricultural property before the adjustment under subsection
19 (8).

20 (10) The register of deeds of the county where deeds or other
21 title documents are recorded shall notify the assessing officer
22 of the appropriate local taxing unit not less than once each
23 month of any recorded transaction involving the ownership of
24 property and shall make any recorded deeds or other title
25 documents available to that county's tax or equalization
26 department. Unless notification is provided under subsection
27 (6), the buyer, grantee, or other transferee of the property

1 shall notify the appropriate assessing office in the local unit
2 of government in which the property is located of the transfer of
3 ownership of the property within 45 days of the transfer of
4 ownership, on a form prescribed by the state tax commission that
5 states the parties to the transfer, the date of the transfer, the
6 actual consideration for the transfer, and the property's parcel
7 identification number or legal description. Forms filed in the
8 assessing office of a local unit of government under this
9 subsection shall be made available to the county tax or
10 equalization department for the county in which that local unit
11 of government is located. This subsection does not apply to
12 personal property except buildings described in section 14(6) and
13 personal property described in section 8(h), (i), and (j).

14 (11) As used in this section:

15 (a) "Additions" means that term as defined in section 34d.

16 (b) "Beneficial use" means the right to possession, use, and
17 enjoyment of property, limited only by encumbrances, easements,
18 and restrictions of record.

19 (c) "Converted by a change in use" means that term as defined
20 in the agricultural property recapture act, **2000 PA 261, MCL**
21 **211.1001 to 211.1007.**

22 (d) "Inflation rate" means that term as defined in section
23 34d.

24 (e) "Losses" means that term as defined in section 34d.

25 (f) "Qualified agricultural property" means that term as
26 defined in section 7dd.