

# SENATE BILL No. 13

January 8, 2003, Introduced by Senator JELINEK and referred to the Committee on Finance.

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  
5 addition of equipment or furnishings, and the value of property  
6 that was exempt from taxes or not included on the assessment  
7 unit's immediately preceding year's assessment roll.

8       (b) ~~For~~ **Except as otherwise provided in this subdivision or**  
9 **subdivision (c), for** taxes levied after 1994, "additions" means  
10 ~~, except 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  
6 documentation showing that the omitted real property was not  
7 previously included in the assessment. The assessing  
8 jurisdiction has the burden of proof in establishing whether the  
9 omitted real property is included in the assessment. Omitted  
10 real property for the current and the 2 immediately preceding  
11 years, discovered after the assessment roll has been completed,  
12 shall be added to the tax roll pursuant to the procedures  
13 established in section 154. For purposes of determining the  
14 taxable value of real property under section 27a, the value of  
15 omitted real property is based on the value and the ratio of  
16 taxable value to true cash value the omitted real property would  
17 have had if the property had not been omitted.

18       (ii) Omitted personal property. As used in this  
19 subparagraph, "omitted personal property" means previously  
20 existing tangible personal property not included in the  
21 assessment. Omitted personal property shall be added to the tax  
22 roll pursuant to section 154.

23       (iii) New construction. As used in this subparagraph,  
24 **subparagraph (ix), and subdivision (c)(iv)**, "new construction"  
25 means property not in existence on the immediately preceding tax  
26 day and not replacement construction. New construction includes  
27 the physical addition of equipment or furnishings, subject to the

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

5 (iv) Previously exempt property. As used in this  
6 subparagraph, "previously exempt property" means property that  
7 was exempt from ad valorem taxation under this act on the  
8 immediately preceding tax day but is subject to ad valorem  
9 taxation on the current tax day under this act. For purposes of  
10 determining the taxable value of real property under section  
11 27a:

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

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

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

26 (v) Replacement construction. As used in this subparagraph,  
27 "replacement construction" means construction that replaced

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

15 (vi) An increase in taxable value attributable to the  
16 complete or partial remediation of environmental contamination  
17 existing on the immediately preceding tax day. The department of  
18 environmental quality shall determine the degree of remediation  
19 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 increase in taxable value attributable to the  
24 remediation is the increase in true cash value attributable to  
25 the remediation multiplied by a fraction the numerator of which  
26 is the taxable value of the property had it not been contaminated  
27 and the denominator of which is the true cash value of the

1 property had it not been contaminated.

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

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

26 (ix) **For taxes levied after December 31, 2003, new**  
27 **construction, a mobile home assessable as real property under**

1 section 2a, or a similar structure, not previously considered an  
2 addition pursuant to subdivision (c)(iv), if the family member  
3 who occupied the new construction, mobile home, or similar  
4 structure has not occupied the new construction, mobile home, or  
5 similar structure for 6 months or more.

6 (c) ~~For~~ Except as otherwise provided in this subdivision,  
7 for taxes levied after 1994, additions do not include increased  
8 value attributable to any of the following:

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

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

11 (iii) For the purposes of the calculation of the millage  
12 reduction fraction under subsection (7) only, increased taxable  
13 value under section 27a(3) after a transfer of ownership of  
14 property.

15 (iv) For taxes levied after December 31, 2003, new  
16 construction, a mobile home assessable as real property under  
17 section 2a, or a similar structure, if it is occupied or will be  
18 occupied by a family member who is 62 years of age or older.

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

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

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

27 (g) For taxes levied before 1995, "losses" means a decrease

1 in value caused by the removal or destruction of real or personal  
2 property and the value of property taxed in the immediately  
3 preceding year that has been exempted or removed from the  
4 assessment unit's assessment roll.

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

7 (i) Property that has been destroyed or removed. For  
8 purposes of determining the taxable value of property under  
9 section 27a, the value of property destroyed or removed is the  
10 product of the true cash value of that property multiplied by a  
11 fraction the numerator of which is the taxable value of that  
12 property in the immediately preceding year and the denominator of  
13 which is the true cash value of that property in the immediately  
14 preceding year.

15 (ii) Property that was subject to ad valorem taxation under  
16 this act in the immediately preceding year that is now exempt  
17 from ad valorem taxation under this act. For purposes of  
18 determining the taxable value of property under section 27a, the  
19 value of property exempted from ad valorem taxation under this  
20 act is the amount exempted.

21 (iii) An adjustment in value, if any, because of a decrease  
22 in the property's occupancy rate, to the extent provided by law.  
23 For purposes of determining the taxable value of real property  
24 under section 27a, the value of a loss for a decrease in the  
25 property's occupancy rate is the product of the decrease in the  
26 true cash value of the property attributable to the decreased  
27 occupancy rate multiplied by a fraction the numerator of which is

1 the taxable value of the property in the immediately preceding  
2 year and the denominator of which is the true cash value of the  
3 property in the immediately preceding year.

4 (iv) A decrease in taxable value attributable to  
5 environmental contamination existing on the immediately preceding  
6 tax day. The department of environmental quality shall determine  
7 the degree to which environmental contamination limits the use of  
8 property based on information available in existing department of  
9 environmental quality records or information made available to  
10 the department of environmental quality if the appropriate  
11 assessing officer for a local tax collecting unit requests that  
12 determination. The department of environmental quality's  
13 determination of the degree to which environmental contamination  
14 limits the use of property shall be based on the criteria  
15 established for the ~~classifications~~ **categories** set forth in  
16 section 20120a(1) ~~of part 201 (environmental remediation)~~ of  
17 the natural resources and environmental protection act, ~~Act~~  
18 ~~No. 451 of the Public Acts of 1994, being section 324.20120a of~~  
19 ~~the Michigan Compiled Laws~~ **1994 PA 451, MCL 324.20120a**. The  
20 decrease in taxable value attributable to the contamination is  
21 the decrease in true cash value attributable to the contamination  
22 multiplied by a fraction the numerator of which is the taxable  
23 value of the property had it not been contaminated and the  
24 denominator of which is the true cash value of the property had  
25 it not been contaminated.

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



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

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

3 (j) "New construction and improvements" means additions less  
4 losses.

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

7 (l) "Inflation rate" means the ratio of the general price  
8 level for the state fiscal year ending in the calendar year  
9 immediately preceding the current year divided by the general  
10 price level for the state fiscal year ending in the calendar year  
11 before the year immediately preceding the current year.

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

1 values for each classification of property that is separately  
2 equalized for each unit of local government that levies taxes  
3 under this act within the boundary of the county. The county  
4 equalization director shall cooperate with equalization directors  
5 of neighboring counties, as necessary, to make the computation  
6 for units of local government located in more than 1 county. The  
7 county equalization director shall calculate the millage  
8 reduction fraction for each unit of local government in the  
9 county for the current year. The financial officer for each  
10 taxing jurisdiction shall calculate the compounded millage  
11 reduction fractions beginning in 1980 resulting from the  
12 multiplication of successive millage reduction fractions and  
13 shall recognize a local voter action to increase the compounded  
14 millage reduction fraction to a maximum of 1 as a new beginning  
15 fraction. Upon request of the superintendent of the intermediate  
16 school district, the county equalization director shall transmit  
17 the complete computations of the taxable values to the  
18 superintendent of the intermediate school district within that  
19 county. At the request of the presidents of community colleges,  
20 the county equalization director shall transmit the complete  
21 computations of the taxable values to the presidents of community  
22 colleges within the county.

23 (3) On or before the first Monday in June of each year, the  
24 county equalization director shall deliver the statement of the  
25 computations signed by the county equalization director to the  
26 county treasurer.

27 (4) On or before the second Monday in June of each year, the

1 treasurer of each county shall certify the immediately preceding  
2 year's taxable values, the current year's taxable values, the  
3 amount of additions and losses for the current year, and the  
4 current year's millage reduction fraction for each unit of local  
5 government that levies a property tax in the county.

6 (5) The financial officer of each unit of local government  
7 shall make the computation of the tax rate using the data  
8 certified by the county treasurer and the state tax commission.

9 At the annual session in October, the county board of  
10 commissioners shall not authorize the levy of a tax unless the  
11 governing body of the taxing jurisdiction has certified that the  
12 requested millage has been reduced, if necessary, in compliance  
13 with section 31 of article IX of the state constitution of 1963.

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

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

1 and improvements. For ad valorem property taxes that become a  
2 lien after December 31, 1982 and through December 31, 1994, the  
3 numerator of the fraction shall be the product of the difference  
4 between the total state equalized valuation for the immediately  
5 preceding year minus losses multiplied by the inflation rate and  
6 the denominator of the fraction shall be the total state  
7 equalized valuation for the current year minus additions. For ad  
8 valorem property taxes that are levied after December 31, 1994,  
9 the numerator of the fraction shall be the product of the  
10 difference between the total taxable value for the immediately  
11 preceding year minus losses multiplied by the inflation rate and  
12 the denominator of the fraction shall be the total taxable value  
13 for the current year minus additions. For each year after 1993,  
14 a millage reduction fraction shall not exceed 1.

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

24 (9) The millage reduction shall be determined separately for  
25 authorized millage approved by the voters. The limitation on  
26 millage authorized by the voters on or before May 31 of a year  
27 shall be calculated beginning with the millage reduction fraction

1 for that year. Millage authorized by the voters after May 31  
2 shall not be subject to a millage reduction until the year  
3 following the voter authorization which shall be calculated  
4 beginning with the millage reduction fraction for the year  
5 following the authorization. The first millage reduction  
6 fraction used in calculating the limitation on millage approved  
7 by the voters after January 1, 1979 shall not exceed 1.

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

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

1 applicable to that millage had it not expired.

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

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

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

26 (15) The fractions calculated pursuant to this section shall  
27 be rounded to 4 decimal places, except that the inflation rate

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

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