

SENATE BILL No. 303

March 19, 2003, Introduced by Senators BIRKHOLZ, SIKKEMA, HAMMERSTROM, BISHOP, GARCIA, VAN WOERKOM, GEORGE, GILBERT, JELINEK, CASSIS and ALLEN and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27 (MCL 211.27), as amended by 2002 PA 744.

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 if
8 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 if the
11 sale is part of a liquidation of the seller's assets in a

1 bankruptcy proceeding or if the seller is unable to use common
2 marketing techniques to obtain the usual selling price for the
3 property. A sale or other disposition by this state or an agency
4 or political subdivision of this 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 is not controlling evidence of true cash
9 value for assessment purposes. In determining the true cash
10 value, the assessor shall also consider the advantages and
11 disadvantages of location; quality of soil; zoning; existing use;
12 present economic income of structures, including farm structures;
13 present economic income of land if the land is being farmed or
14 otherwise put to income producing use; quantity and value of
15 standing timber; water power and privileges; **whether or not any**
16 **rights in or to the land have been limited or donated;** and mines,
17 minerals, quarries, or other valuable deposits known to be
18 available in the land and their value. In determining the true
19 cash value of personal property owned by an electric utility
20 cooperative, the assessor shall consider the number of kilowatt
21 hours of electricity sold per mile of distribution line compared
22 to the average number of kilowatt hours of electricity sold per
23 mile of distribution line for all electric utilities.

24 (2) The assessor shall not consider the increase in true cash
25 value that is a result of expenditures for normal repairs,
26 replacement, and maintenance in determining the true cash value
27 of property for assessment purposes until the property is sold.

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

- 16 (a) Outside painting.
- 17 (b) Repairing or replacing siding, roof, porches, steps,
18 sidewalks, or drives.
- 19 (c) Repainting, repairing, or replacing existing masonry.
- 20 (d) Replacing awnings.
- 21 (e) Adding or replacing gutters and downspouts.
- 22 (f) Replacing storm windows or doors.
- 23 (g) Insulating or weatherstripping.
- 24 (h) Complete rewiring.
- 25 (i) Replacing plumbing and light fixtures.
- 26 (j) Replacing a furnace with a new furnace of the same type
27 or replacing an oil or gas burner.

1 (k) Repairing plaster, inside painting, or other
2 redecorating.

3 (l) New ceiling, wall, or floor surfacing.

4 (m) Removing partitions to enlarge rooms.

5 (n) Replacing an automatic hot water heater.

6 (o) Replacing dated interior woodwork.

7 (3) A city or township assessor, a county equalization
8 department, or the state tax commission before utilizing real
9 estate sales data on real property purchases, including purchases
10 by land contract, to determine assessments or in making sales
11 ratio studies to assess property or equalize assessments shall
12 exclude from the sales data the following amounts allowed by
13 subdivisions (a), (b), and (c) to the extent that the amounts are
14 included in the real property purchase price and are so
15 identified in the real estate sales data or certified to the
16 assessor as provided in subdivision (d):

17 (a) Amounts paid for obtaining financing of the purchase
18 price of the property or the last conveyance of the property.

19 (b) Amounts attributable to personal property that were
20 included in the purchase price of the property in the last
21 conveyance of the property.

22 (c) Amounts paid for surveying the property pursuant to the
23 last conveyance of the property. The legislature may require
24 local units of government, including school districts, to submit
25 reports of revenue lost under subdivisions (a) and (b) and this
26 subdivision so that the state may reimburse those units for that
27 lost revenue.

1 (d) The purchaser of real property, including a purchaser by
2 land contract, may file with the assessor of the city or township
3 in which the property is located 2 copies of the purchase
4 agreement or of an affidavit that identifies the amount, if any,
5 for each item listed in subdivisions (a) to (c). One copy shall
6 be forwarded by the assessor to the county equalization
7 department. The affidavit shall be prescribed by the state tax
8 commission.

9 (4) As used in subsection (1), "present economic income"
10 means for leased or rented property the ordinary, general, and
11 usual economic return realized from the lease or rental of
12 property negotiated under current, contemporary conditions
13 between parties equally knowledgeable and familiar with real
14 estate values. The actual income generated by the lease or
15 rental of property is not the controlling indicator of its true
16 cash value in all cases. This subsection does not apply to
17 property subject to a lease entered into before January 1, 1984
18 for which the terms of the lease governing the rental rate or tax
19 liability have not been renegotiated after December 31, 1983.
20 This subsection does not apply to a nonprofit housing cooperative
21 subject to regulatory agreements between the state or federal
22 government entered into before January 1, 1984. As used in this
23 subsection, "nonprofit cooperative housing corporation" means a
24 nonprofit cooperative housing corporation that is engaged in
25 providing housing services to its stockholders and members and
26 that does not pay dividends or interest upon stock or membership
27 investment but that does distribute all earnings to its

1 stockholders or members.

2 (5) Beginning December 31, 1994, the purchase price paid in a
3 transfer of property is not the presumptive true cash value of
4 the property transferred. In determining the true cash value of
5 transferred property, an assessing officer shall assess that
6 property using the same valuation method used to value all other
7 property of that same classification in the assessing
8 jurisdiction. As used in this subsection, "purchase price" means
9 the total consideration agreed to in an arms-length transaction
10 and not at a forced sale paid by the purchaser of the property,
11 stated in dollars, whether or not paid in dollars.