

HOUSE SUBSTITUTE FOR SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5097

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 34d (MCL 211.34d), as amended by 2005 PA 12,
and by adding section 7jj.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 7JJ. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (10),
2 BEGINNING DECEMBER 31, 2005, COMMERCIAL RENTAL PROPERTY IS EXEMPT
3 FROM THE COLLECTION OF TAXES UNDER THIS ACT IF EITHER OF THE
4 FOLLOWING CONDITIONS OCCURS:

5 (A) AN OWNER OF THAT COMMERCIAL RENTAL PROPERTY HAD CLAIMED
6 AND WAS GRANTED A LOSS ATTRIBUTABLE TO THAT COMMERCIAL RENTAL
7 PROPERTY PURSUANT TO SECTION 34D(1) (H) (iii) .

8 (B) AN OWNER OF THAT COMMERCIAL RENTAL PROPERTY CLAIMS AN

1 EXEMPTION AS PROVIDED IN THIS SECTION.

2 (2) COMMERCIAL RENTAL PROPERTY EXEMPT UNDER THIS SECTION IS
3 SUBJECT TO THE SPECIFIC TAX LEVIED UNDER THE COMMERCIAL RENTAL
4 PROPERTY SPECIFIC TAX ACT.

5 (3) AN OWNER OF COMMERCIAL RENTAL PROPERTY MAY CLAIM AN
6 EXEMPTION UNDER THIS SECTION BY FILING AN AFFIDAVIT WITH THE LOCAL
7 TAX COLLECTING UNIT IN WHICH THE COMMERCIAL RENTAL PROPERTY IS
8 LOCATED. THE AFFIDAVIT SHALL STATE THAT THE PROPERTY IS OWNED AND
9 OCCUPIED AS COMMERCIAL RENTAL PROPERTY ON THE DATE THAT THE
10 AFFIDAVIT IS SIGNED. THE AFFIDAVIT SHALL BE ON A FORM PRESCRIBED BY
11 THE DEPARTMENT OF TREASURY. ONE COPY OF THE AFFIDAVIT SHALL BE
12 RETAINED BY THE OWNER, 1 COPY SHALL BE RETAINED BY THE LOCAL TAX
13 COLLECTING UNIT, AND 1 COPY SHALL BE FORWARDED TO THE DEPARTMENT OF
14 TREASURY. THE AFFIDAVIT SHALL BE FILED NOT LATER THAN THE
15 FOLLOWING:

16 (A) FOR COMMERCIAL RENTAL PROPERTY IN EXISTENCE ON THE
17 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION, THE
18 DECEMBER 31 IN THE YEAR IMMEDIATELY SUCCEEDING THE YEAR IN WHICH
19 THE AMENDATORY ACT THAT ADDED THIS SECTION BECOMES EFFECTIVE.

20 (B) FOR COMMERCIAL RENTAL PROPERTY CONSTRUCTED AFTER THE
21 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION, THE
22 DECEMBER 31 IN THE YEAR IMMEDIATELY SUCCEEDING THE YEAR IN WHICH A
23 CERTIFICATE OF OCCUPANCY FOR THE COMMERCIAL RENTAL PROPERTY IS
24 ISSUED.

25 (C) FOR COMMERCIAL RENTAL PROPERTY FOR WHICH A TRANSFER OF
26 OWNERSHIP OCCURS AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT
27 THAT ADDED THIS SECTION, THE DECEMBER 31 IN THE YEAR IMMEDIATELY

1 SUCCEEDING THE YEAR IN WHICH THE TRANSFER OF OWNERSHIP OCCURRED.
2 AS USED IN THIS SUBDIVISION, "TRANSFER OF OWNERSHIP" MEANS THAT
3 TERM AS DEFINED IN SECTION 27A.

4 (4) UPON RECEIPT OF AN AFFIDAVIT FILED UNDER SUBSECTION (3)
5 AND UNLESS THE CLAIM IS DENIED UNDER THIS SECTION, THE ASSESSOR
6 SHALL EXEMPT THE PROPERTY FROM THE COLLECTION OF TAXES UNDER THIS
7 ACT EFFECTIVE FOR THE YEAR IMMEDIATELY SUCCEEDING THE YEAR IN WHICH
8 THE AFFIDAVIT IS FILED UNTIL DECEMBER 31 OF THE YEAR IN WHICH THE
9 PROPERTY IS NO LONGER COMMERCIAL RENTAL PROPERTY.

10 (5) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A
11 TRANSFER OF OWNERSHIP OF COMMERCIAL RENTAL PROPERTY RESCINDS AN
12 EXEMPTION PREVIOUSLY CLAIMED UNDER THIS SECTION. A TRANSFER OF
13 OWNERSHIP OF COMMERCIAL RENTAL PROPERTY DOES NOT RESCIND AN
14 EXEMPTION PREVIOUSLY CLAIMED UNDER THIS SECTION IF THE TRANSFEREE
15 AND THE TRANSFEROR ARE UNDER COMMON CONTROL OR ARE MEMBERS OF AN
16 AFFILIATED GROUP, AS THOSE TERMS ARE USED IN SECTION 36(7) OF THE
17 SINGLE BUSINESS TAX ACT, 1975 PA 228, MCL 208.36. IF AN EXEMPTION
18 UNDER THIS SECTION IS RESCINDED FOLLOWING A TRANSFER OF OWNERSHIP,
19 THE TRANSFEREE MAY CLAIM AN EXEMPTION UNDER THIS SECTION AS
20 PROVIDED IN SUBSECTION (3).

21 (6) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5), AN OWNER
22 MAY RESCIND AN EXEMPTION GRANTED UNDER THIS SECTION ONLY IF THE
23 EXEMPTED PROPERTY IS NO LONGER COMMERCIAL RENTAL PROPERTY. NOT MORE
24 THAN 90 DAYS AFTER EXEMPTED PROPERTY IS NO LONGER COMMERCIAL RENTAL
25 PROPERTY, AN OWNER SHALL RESCIND THE CLAIM OF EXEMPTION BY FILING
26 WITH THE LOCAL TAX COLLECTING UNIT A RESCISSION FORM PRESCRIBED BY
27 THE DEPARTMENT OF TREASURY. AN OWNER WHO FAILS TO FILE A RESCISSION

1 AS REQUIRED BY THIS SUBSECTION IS SUBJECT TO A PENALTY OF \$5.00 PER
2 DAY FOR EACH SEPARATE FAILURE BEGINNING AFTER THE 90 DAYS HAVE
3 ELAPSED, UP TO A MAXIMUM OF \$200.00. THIS PENALTY SHALL BE
4 COLLECTED UNDER 1941 PA 122, MCL 205.1 TO 205.31, AND SHALL BE
5 DEPOSITED IN THE STATE SCHOOL AID FUND ESTABLISHED IN SECTION 11 OF
6 ARTICLE IX OF THE STATE CONSTITUTION OF 1963. THIS PENALTY MAY BE
7 WAIVED BY THE DEPARTMENT OF TREASURY.

8 (7) IF THE ASSESSOR OF THE LOCAL TAX COLLECTING UNIT BELIEVES
9 THAT THE PROPERTY FOR WHICH AN EXEMPTION IS CLAIMED IS NOT
10 COMMERCIAL RENTAL PROPERTY, THE ASSESSOR MAY DENY A NEW OR EXISTING
11 CLAIM BY NOTIFYING THE OWNER AND THE DEPARTMENT OF TREASURY IN
12 WRITING OF THE REASON FOR THE DENIAL AND ADVISING THE OWNER THAT
13 THE DENIAL MAY BE APPEALED TO THE STATE TAX COMMISSION WITHIN 35
14 DAYS AFTER THE DATE OF THE NOTICE. THE ASSESSOR MAY DENY A CLAIM
15 FOR EXEMPTION FOR THE CURRENT YEAR AND FOR THE 3 IMMEDIATELY
16 PRECEDING CALENDAR YEARS. IF THE ASSESSOR DENIES AN EXISTING CLAIM
17 FOR EXEMPTION, THE ASSESSOR SHALL REMOVE THE EXEMPTION OF THE
18 PROPERTY, CALCULATE THE TAXABLE VALUE OF THE PROPERTY, WHICH SHALL
19 BE THE TAXABLE VALUE THE PROPERTY WOULD HAVE HAD IF THE PROPERTY
20 HAD NOT BEEN EXEMPT UNDER THIS SECTION, CALCULATED FROM THE DATE
21 THE PROPERTY WAS NO LONGER COMMERCIAL RENTAL PROPERTY, AND, IF THE
22 TAX ROLL IS IN THE LOCAL TAX COLLECTING UNIT'S POSSESSION, AMEND
23 THE TAX ROLL TO REFLECT THE DENIAL AND THE LOCAL TREASURER SHALL
24 WITHIN 30 DAYS OF THE DATE OF THE DENIAL ISSUE A CORRECTED TAX BILL
25 FOR ANY ADDITIONAL TAXES WITH INTEREST AND PENALTIES COMPUTED FROM
26 THE DATE THE TAXES WERE LAST PAYABLE WITHOUT INTEREST OR PENALTY.
27 IF THE TAX ROLL IS IN THE COUNTY TREASURER'S POSSESSION, THE TAX

1 ROLL SHALL BE AMENDED TO REFLECT THE DENIAL AND THE COUNTY
2 TREASURER SHALL WITHIN 30 DAYS OF THE DATE OF THE DENIAL PREPARE
3 AND SUBMIT A SUPPLEMENTAL TAX BILL FOR ANY ADDITIONAL TAXES,
4 TOGETHER WITH INTEREST AND PENALTIES COMPUTED FROM THE DATE THE
5 TAXES WERE LAST PAYABLE WITHOUT INTEREST OR PENALTY. TAXES LEVIED
6 IN A CORRECTED OR SUPPLEMENTAL TAX BILL SHALL BE RETURNED AS
7 DELINQUENT ON THE MARCH 1 IN THE YEAR IMMEDIATELY SUCCEEDING THE
8 YEAR IN WHICH THE CORRECTED OR SUPPLEMENTAL TAX BILL IS ISSUED.
9 HOWEVER, IF THE PROPERTY HAS BEEN TRANSFERRED TO A BONA FIDE
10 PURCHASER BEFORE ADDITIONAL TAXES WERE BILLED TO THE SELLER AS A
11 RESULT OF THE DENIAL OF A CLAIM FOR EXEMPTION, THE TAXES, INTEREST,
12 AND PENALTIES SHALL NOT BE A LIEN ON THE PROPERTY AND SHALL NOT BE
13 BILLED TO THE BONA FIDE PURCHASER, AND THE LOCAL TAX COLLECTING
14 UNIT IF THE LOCAL TAX COLLECTING UNIT HAS POSSESSION OF THE TAX
15 ROLL OR THE COUNTY TREASURER IF THE COUNTY HAS POSSESSION OF THE
16 TAX ROLL SHALL NOTIFY THE DEPARTMENT OF TREASURY OF THE AMOUNT OF
17 TAX DUE, INTEREST, AND PENALTIES THROUGH THE DATE OF THAT
18 NOTIFICATION. THE DEPARTMENT OF TREASURY SHALL THEN ASSESS THE
19 OWNER WHO CLAIMED THE EXEMPTION UNDER THIS SECTION FOR THE TAX,
20 INTEREST, AND PENALTIES ACCRUING AS A RESULT OF THE DENIAL OF THE
21 CLAIM FOR EXEMPTION, IF ANY, AS FOR UNPAID TAXES PROVIDED UNDER
22 1941 PA 122, MCL 205.1 TO 205.31, AND SHALL DEPOSIT ANY TAX,
23 PENALTY, AND INTEREST COLLECTED INTO THE STATE SCHOOL AID FUND. THE
24 DENIAL SHALL BE MADE ON A FORM PRESCRIBED BY THE DEPARTMENT OF
25 TREASURY.

26 (8) AN OWNER OF COMMERCIAL RENTAL PROPERTY EXEMPT UNDER THIS
27 SECTION SHALL INFORM A PROSPECTIVE BUYER OF THAT COMMERCIAL RENTAL

1 PROPERTY THAT THE COMMERCIAL RENTAL PROPERTY IS SUBJECT TO THE
2 SPECIFIC TAX LEVIED UNDER THE COMMERCIAL RENTAL PROPERTY SPECIFIC
3 TAX ACT.

4 (9) THE DEPARTMENT OF TREASURY SHALL MAKE AVAILABLE THE
5 AFFIDAVIT FORMS AND THE FORMS TO RESCIND AN EXEMPTION, WHICH MAY BE
6 ON THE SAME FORM, TO ALL CITY AND TOWNSHIP ASSESSORS, COUNTY
7 EQUALIZATION OFFICERS, COUNTY REGISTERS OF DEEDS, AND CLOSING
8 AGENTS.

9 (10) THIS SECTION IS NOT EFFECTIVE IF THE COMMERCIAL RENTAL
10 PROPERTY SPECIFIC TAX LEVIED UNDER THE COMMERCIAL RENTAL PROPERTY
11 SPECIFIC TAX ACT IS REPEALED AS PROVIDED IN SECTION 7 OF THE
12 COMMERCIAL RENTAL PROPERTY SPECIFIC TAX ACT.

13 (11) AS USED IN THIS SECTION, "COMMERCIAL RENTAL PROPERTY"
14 MEANS REAL PROPERTY THAT MEETS ALL OF THE FOLLOWING CONDITIONS:

15 (A) IS CLASSIFIED AS COMMERCIAL REAL PROPERTY OR INDUSTRIAL
16 REAL PROPERTY UNDER SECTION 34C.

17 (B) ALL OR A PORTION IS SUBJECT TO A LEASE OR IS OFFERED FOR
18 LEASE.

19 Sec. 34d. (1) As used in this section or section 27a, or
20 section 3 or 31 of article IX of the state constitution of 1963:

21 (a) For taxes levied before 1995, "additions" means all
22 increases in value caused by new construction or a physical
23 addition of equipment or furnishings, and the value of property
24 that was exempt from taxes or not included on the assessment unit's
25 immediately preceding year's assessment roll.

26 (b) For taxes levied after 1994, "additions" means, except as
27 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 jurisdiction
8 has the burden of proof in establishing whether the omitted real
9 property is included in the assessment. Omitted real property for
10 the current and the 2 immediately preceding years, discovered after
11 the assessment roll has been completed, shall be added to the tax
12 roll pursuant to the procedures established in section 154. For
13 purposes of determining the taxable value of real property under
14 section 27a, the value of omitted real property is based on the
15 value and the ratio of taxable value to true cash value the omitted
16 real property would have had if the property had not been omitted.

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

21 (iii) New construction. As used in this subparagraph, "new
22 construction" means property not in existence on the immediately
23 preceding tax day and not replacement construction. New
24 construction includes the physical addition of equipment or
25 furnishings, subject to the provisions set forth in section
26 27(2)(a) to (o). For purposes of determining the taxable value of
27 property under section 27a, the value of new construction is the

1 true cash value of the new construction multiplied by 0.50.

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

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

13 (B) The taxable value of property that is a facility as that
14 term is defined in section 2 of 1974 PA 198, MCL 207.552, that was
15 previously exempt under section 7k is the taxable value that
16 property would have had under this act if it had not been exempt.

17 **(C) THE TAXABLE VALUE OF PROPERTY THAT WAS COMMERCIAL RENTAL**
18 **PROPERTY THAT WAS PREVIOUSLY EXEMPT UNDER SECTION 7JJ IS THAT**
19 **PROPERTY'S ADJUSTED TAXABLE VALUE UNDER THE COMMERCIAL RENTAL**
20 **PROPERTY SPECIFIC TAX ACT IN THE IMMEDIATELY PRECEDING YEAR.**

21 **(D) —(C)—** The value of property previously exempt under any
22 other section of law is the true cash value of the previously
23 exempt property multiplied by 0.50.

24 (v) Replacement construction. As used in this subparagraph,
25 "replacement construction" means construction that replaced
26 property damaged or destroyed by accident or act of God and that
27 occurred after the immediately preceding tax day to the extent the

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

12 (vi) An increase in taxable value attributable to the complete
13 or partial remediation of environmental contamination existing on
14 the immediately preceding tax day. The department of environmental
15 quality shall determine the degree of remediation based on
16 information available in existing department of environmental
17 quality records or information made available to the department of
18 environmental quality if the appropriate assessing officer for a
19 local tax collecting unit requests that determination. The increase
20 in taxable value attributable to the remediation is the increase in
21 true cash value attributable to the remediation multiplied by a
22 fraction the numerator of which is the taxable value of the
23 property had it not been contaminated and the denominator of which
24 is the true cash value of the property had it not been
25 contaminated.

26 (vii) ~~An~~ **PRIOR TO MAY 14, 2002, AN** increase in the value
27 attributable to the property's occupancy rate if either a loss, as

that term is defined in this section, had been previously allowed because of a decrease in the property's occupancy rate or if the value of new construction was reduced because of a below-market occupancy rate. For purposes of determining the taxable value of property under section 27a, the value of an addition for the increased occupancy rate is the product of the increase in the true cash value of the property attributable to the increased occupancy rate multiplied by a fraction the numerator of which is the taxable value of the property in the immediately preceding year and the denominator of which is the true cash value of the property in the immediately preceding year, and then multiplied by the lesser of 1.05 or the inflation rate.

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

(c) For taxes levied after 1994, additions do not include increased value attributable to any of the following:

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

(ii) A change in the zoning of property.

(iii) For the purposes of the calculation of the millage reduction fraction under subsection (7) only, ~~increased~~ **BOTH OF**

1 THE FOLLOWING:

2 (A) INCREASED taxable value under section 27a(3) after a
3 transfer of ownership of property.

4 (B) INCREASED ADJUSTABLE TAXABLE VALUE UNDER THE COMMERCIAL
5 RENTAL PROPERTY SPECIFIC TAX ACT AFTER A TRANSFER OF OWNERSHIP OF
6 COMMERCIAL RENTAL PROPERTY.

7 (d) "Assessed valuation of property as finally equalized"
8 means ~~taxable value under section 27a.~~ THE FOLLOWING:

9 (i) BEFORE JANUARY 1, 2006, TAXABLE VALUE UNDER SECTION 27A.

10 (ii) AFTER DECEMBER 31, 2005, BOTH OF THE FOLLOWING:

11 (A) TAXABLE VALUE UNDER SECTION 27A.

12 (B) ADJUSTED TAXABLE VALUE UNDER THE COMMERCIAL RENTAL
13 PROPERTY SPECIFIC TAX ACT.

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

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

20 (g) For taxes levied before 1995, "losses" means a decrease in
21 value caused by the removal or destruction of real or personal
22 property and the value of property taxed in the immediately
23 preceding year that has been exempted or removed from the
24 assessment unit's assessment roll.

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

27 (i) Property that has been destroyed or removed. For purposes

1 of determining the taxable value of property under section 27a, the
2 value of property destroyed or removed is the product of the true
3 cash value of that property multiplied by a fraction the numerator
4 of which is the taxable value of that property in the immediately
5 preceding year and the denominator of which is the true cash value
6 of that property in the immediately preceding year.

7 (ii) Property that was subject to ad valorem taxation under
8 this act in the immediately preceding year that is now exempt from
9 ad valorem taxation under this act. For purposes of determining the
10 taxable value of property under section 27a, the value of property
11 exempted from ad valorem taxation under this act is the amount
12 exempted.

13 (iii) ~~An~~ **PRIOR TO DECEMBER 31, 2005, AND AFTER DECEMBER 30,**
14 **2005 IF THE COMMERCIAL RENTAL PROPERTY SPECIFIC TAX LEVIED UNDER**
15 **THE COMMERCIAL RENTAL PROPERTY SPECIFIC TAX ACT IS REPEALED AS**
16 **PROVIDED IN SECTION 7 OF THE COMMERCIAL RENTAL PROPERTY SPECIFIC**
17 **TAX ACT, AN** adjustment in value, if any, because of a decrease in
18 the property's occupancy rate, to the extent provided by law. For
19 purposes of determining the taxable value of real property under
20 section 27a, the value of a loss for a decrease in the property's
21 occupancy rate is the product of the decrease in the true cash
22 value of the property attributable to the decreased occupancy rate
23 multiplied by a fraction the numerator of which is the taxable
24 value of the property in the immediately preceding year and the
25 denominator of which is the true cash value of the property in the
26 immediately preceding year.

27 (iv) A decrease in taxable value attributable to environmental

1 contamination existing on the immediately preceding tax day. The
2 department of environmental quality shall determine the degree to
3 which environmental contamination limits the use of property based
4 on information available in existing department of environmental
5 quality records or information made available to the department of
6 environmental quality if the appropriate assessing officer for a
7 local tax collecting unit requests that determination. The
8 department of environmental quality's determination of the degree
9 to which environmental contamination limits the use of property
10 shall be based on the criteria established for the categories set
11 forth in section 20120a(1) of the natural resources and
12 environmental protection act, 1994 PA 451, MCL 324.20120a. The
13 decrease in taxable value attributable to the contamination is the
14 decrease in true cash value attributable to the contamination
15 multiplied by a fraction the numerator of which is the taxable
16 value of the property had it not been contaminated and the
17 denominator of which is the true cash value of the property had it
18 not been contaminated.

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

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

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

23 **(iii) FOR THE PURPOSES OF CALCULATING THE MILLAGE REDUCTION**
24 **FRACTION UNDER SUBSECTION (7) ONLY, DECREASED TAXABLE VALUE AS A**
25 **RESULT OF THE EXEMPTION OF COMMERCIAL RENTAL PROPERTY UNDER SECTION**
26 **7JJ.**

27 (j) "New construction and improvements" means additions less

1 losses.

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

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

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

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

19 (3) On or before the first Monday in June of each year, the
20 county equalization director shall deliver the statement of the
21 computations signed by the county equalization director to the
22 county treasurer.

23 (4) On or before the second Monday in June of each year, the
24 treasurer of each county shall certify the immediately preceding
25 year's taxable values, the current year's taxable values, the
26 amount of additions and losses for the current year, and the
27 current year's millage reduction fraction for each unit of local

1 government that levies a property tax in the county.

2 (5) The financial officer of each unit of local government
3 shall make the computation of the tax rate using the data certified
4 by the county treasurer and the state tax commission. At the annual
5 session in October, the county board of commissioners shall not
6 authorize the levy of a tax unless the governing body of the taxing
7 jurisdiction has certified that the requested millage has been
8 reduced, if necessary, in compliance with section 31 of article IX
9 of the state constitution of 1963.

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

17 (7) A millage reduction fraction shall be determined for each
18 year for each local unit of government. For ad valorem property
19 taxes that became a lien before January 1, 1983, the numerator of
20 the fraction shall be the total state equalized valuation for the
21 immediately preceding year multiplied by the inflation rate and the
22 denominator of the fraction shall be the total state equalized
23 valuation for the current year minus new construction and
24 improvements. For ad valorem property taxes that become a lien
25 after December 31, 1982 and through December 31, 1994, the
26 numerator of the fraction shall be the product of the difference
27 between the total state equalized valuation for the immediately

1 preceding year minus losses multiplied by the inflation rate and
2 the denominator of the fraction shall be the total state equalized
3 valuation for the current year minus additions. For ad valorem
4 property taxes that are levied after December 31, 1994 **AND THROUGH**
5 **DECEMBER 31, 2005**, the numerator of the fraction shall be the
6 product of the difference between the total taxable value for the
7 immediately preceding year minus losses multiplied by the inflation
8 rate and the denominator of the fraction shall be the total taxable
9 value for the current year minus additions. **FOR AD VALOREM PROPERTY**
10 **TAXES, INCLUDING THE SPECIFIC TAX LEVIED UNDER THE COMMERCIAL**
11 **RENTAL PROPERTY SPECIFIC TAX ACT, THAT ARE LEVIED AFTER DECEMBER**
12 **31, 2005, THE NUMERATOR OF THE FRACTION SHALL BE THE PRODUCT OF THE**
13 **DIFFERENCE BETWEEN THE TOTAL ASSESSED VALUATION OF PROPERTY AS**
14 **FINALLY EQUALIZED FOR THE IMMEDIATELY PRECEDING YEAR MINUS LOSSES**
15 **MULTIPLIED BY THE INFLATION RATE AND THE DENOMINATOR OF THE**
16 **FRACTION SHALL BE THE TOTAL ASSESSED VALUATION OF PROPERTY AS**
17 **FINALLY EQUALIZED FOR THE CURRENT YEAR MINUS ADDITIONS.** For each
18 year after 1993, a millage reduction fraction shall not exceed 1.

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

1 (9) The millage reduction shall be determined separately for
2 authorized millage approved by the voters. The limitation on
3 millage authorized by the voters on or before April 30 of a year
4 shall be calculated beginning with the millage reduction fraction
5 for that year. Millage authorized by the voters after April 30
6 shall not be subject to a millage reduction until the year
7 following the voter authorization which shall be calculated
8 beginning with the millage reduction fraction for the year
9 following the authorization. The first millage reduction fraction
10 used in calculating the limitation on millage approved by the
11 voters after January 1, 1979 shall not exceed 1.

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

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

1 based on the immediately preceding year's millage reduction
2 applicable to that millage. If the election occurs after May 31 of
3 a year, the millage reduction shall be based on that year's millage
4 reduction applicable to that millage had it not expired.

5 (12) A reduction or limitation under this section shall not be
6 applied to taxes imposed for the payment of principal and interest
7 on bonds or other evidence of indebtedness or for the payment of
8 assessments or contract obligations in anticipation of which bonds
9 are issued that were authorized before December 23, 1978, as
10 provided by section 4 of chapter I of former 1943 PA 202, or to
11 taxes imposed for the payment of principal and interest on bonds or
12 other evidence of indebtedness or for the payment of assessments or
13 contract obligations in anticipation of which bonds are issued that
14 are approved by the voters after December 22, 1978.

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

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

27 (15) The fractions calculated pursuant to this section shall

1 be rounded to 4 decimal places, except that the inflation rate
2 shall be computed by the state tax commission and shall be rounded
3 to 3 decimal places. The state tax commission shall publish the
4 inflation rate before March 1 of each year.

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

19 Enacting section 1. This amendatory act does not take effect
20 unless all of the following bills of the 93rd Legislature are
21 enacted into law:

22 (a) House Bill No. 4342.

23 (b) House Bill No. 4972.

24 (c) House Bill No. 4973.

25 (d) House Bill No. 4980.

26 (e) House Bill No. 5095.

27 (f) House Bill No. 5096.

House Bill No. 5097 (H-5) as amended November 10, 2005

1 (g) House Bill No. 5098.

2 (h) House Bill No. 5106.

3 (i) House Bill No. 5107.

4 (j) House Bill No. 5108.

5 (k) Senate Bill No. 633.

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