

**SUBSTITUTE FOR
HOUSE BILL NO. 4375**

A bill to provide for the exemption of certain property from certain taxes; to levy and collect a specific tax upon the owners of certain property; to provide for the disposition of the tax; to prescribe the powers and duties of certain local government officials; and to provide penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "commercial rental property specific tax act".

3 Sec. 2. As used in this act:

4 (a) "Additions" and "losses" mean those terms as defined in
5 section 34d of the general property tax act, 1893 PA 206, MCL
6 211.34d.

7 (b) "Commercial rental property" means real property that

1 meets all of the following conditions:

2 (i) Is classified as commercial real property or industrial
3 real property under section 34c of the general property tax act,
4 1893 PA 206, MCL 211.34c.

5 (ii) All or a portion is subject to a lease or is offered for
6 lease.

7 (c) "Commission" means the state tax commission created by
8 1927 PA 360, MCL 209.101 to 209.107.

9 (d) "Net occupancy loss" means the sum of both of the
10 following:

11 (i) All prior losses attributable to that property pursuant to
12 section 34d(1)(h)(iii) of the general property tax act, 1893 PA 206,
13 MCL 211.34d, before the effective date of this act, minus all prior
14 additions attributable to that property pursuant to section
15 34d(1)(b)(vii) of the general property tax act, 1893 PA 206, MCL
16 211.34d, before January 1, 2005.

17 (ii) All prior occupancy losses minus all prior occupancy
18 additions.

19 (e) "Occupancy addition" means an increase in the value
20 attributable to commercial rental property's occupancy rate.

21 (f) "Occupancy loss" means an adjustment in value because of a
22 decrease in commercial rental property's occupancy rate.

23 (g) "Taxable value" means the taxable value as determined
24 under section 27a of the general property tax act, 1893 PA 206, MCL
25 211.27a.

26 (h) "Transfer of ownership" means that term as defined in
27 section 27a of the general property tax act, 1893 PA 206, MCL

1 211.27a.

2 Sec. 3. Commercial rental property is exempt from ad valorem
3 property taxes collected under the general property tax act, 1893
4 PA 206, MCL 211.1 to 211.157, as provided under section 7// of the
5 general property tax act, 1893 PA 206, MCL 211.7//.

6 Sec. 4. (1) The assessor of each local tax collecting unit in
7 which there is commercial rental property shall determine annually
8 as of December 31 the value and adjusted taxable value of each
9 parcel of commercial rental property located in that local tax
10 collecting unit.

11 (2) Except as otherwise provided in this section, commercial
12 rental property shall be assessed at 50% of its true cash value
13 under section 3 of article IX of the state constitution of 1963.

14 (3) Except as otherwise provided in subsection (4), for taxes
15 levied in 2008 and for each year after 2008, the adjusted taxable
16 value of each parcel of commercial rental property is the lesser of
17 the following:

18 (a) The property's adjusted taxable value in the immediately
19 preceding year minus any losses, adjusted by any occupancy loss,
20 multiplied by the lesser of 1.05 or the inflation rate, adjusted by
21 any occupancy addition, plus all additions. Adjusted taxable value
22 shall reflect an occupancy addition only if either an occupancy
23 loss had been previously allowed because of a decrease in the
24 commercial rental property's occupancy rate or if the value of
25 commercial rental property that was new construction was reduced
26 because of a below-market occupancy rate. The amount of any
27 occupancy addition shall not exceed the amount of any net occupancy

1 loss. For taxes levied in 2008, the commercial rental property's
2 adjusted taxable value in the immediately preceding year is the sum
3 of both of the following:

4 (i) The taxable value that property would have had in 2008 if
5 the property had been subject to the collection of taxes under the
6 general property tax act, 1893 PA 206, MCL 211.1 to 211.157.

7 (ii) All additions that would have been attributable to that
8 property pursuant to section 34d(1)(b)(vii) of the general property
9 tax act, 1893 PA 206, MCL 211.34d, after January 1, 2005 and before
10 the effective date of this act, notwithstanding the opinion of the
11 Michigan supreme court in WPW Acquisition Company v City of Troy,
12 466 Mich 117 (2002) (Docket No. 118750).

13 (b) The commercial rental property's current state equalized
14 valuation.

15 (4) In 2008 and each year after 2008, not later than January
16 15, if the adjusted taxable value of commercial rental property is
17 adjusted under subsection (3) due to an occupancy loss, an owner of
18 that commercial rental property shall file a copy of a rent roll
19 for that commercial rental property or a sworn statement of the
20 square foot percentage of occupancy of that commercial rental
21 property as of the immediately preceding December 31 with the
22 assessor of the local tax collecting unit in which that commercial
23 rental property is located.

24 (5) Upon a transfer of ownership of commercial rental property
25 after 2008, the commercial rental property's adjusted taxable value
26 for the calendar year following the year of the transfer is the
27 commercial rental property's state equalized valuation for the

1 calendar year following the transfer.

2 (6) If the adjusted taxable value of commercial rental
3 property is adjusted under subsection (5), a subsequent increase in
4 the commercial rental property's adjusted taxable value is subject
5 to the limitation set forth in subsection (3) until a subsequent
6 transfer of ownership occurs.

7 (7) An owner of commercial rental property may appeal the
8 determination of the commercial rental property's adjusted taxable
9 value at the same time and in the same manner as appeals under the
10 general property tax act, 1893 PA 206, MCL 211.1 to 211.157. This
11 subsection shall not limit a commercial rental property owner's
12 appeal rights under the tax tribunal act, 1973 PA 186, MCL 205.701
13 to 205.779, the general property tax act, 1893 PA 206, MCL 211.1 to
14 211.155, or 1941 PA 122, MCL 205.1 to 205.31.

15 Sec. 5. (1) There is levied upon the owner of every commercial
16 rental property a specific tax to be known as the commercial rental
17 property specific tax.

18 (2) The amount of the commercial rental property specific tax
19 in each year shall be determined by multiplying the number of mills
20 that would be assessed in the local tax collecting unit if the
21 property were subject to the collection of taxes under the general
22 property tax act, 1893 PA 206, MCL 211.1 to 211.157, by the
23 commercial rental property's adjusted taxable value.

24 (3) The commercial rental property specific tax is an annual
25 tax, payable at the same times, in the same installments, and to
26 the same collecting officer or officers as taxes collected under
27 the general property tax act, 1893 PA 206, MCL 211.1 to 211.157.

1 (4) The collecting officer or officers shall disburse the
2 commercial rental property specific tax to and among this state and
3 cities, townships, villages, school districts, counties, or other
4 taxing units, at the same times and in the same proportions as
5 required by law for the disbursement of taxes collected under the
6 general property tax act, 1893 PA 206, MCL 211.1 to 211.157.

7 (5) The collecting officer or officers shall send a copy of
8 the amount of disbursement made to each taxing unit under this
9 section to the commission on a form provided by the commission.

10 (6) Commercial rental property located in a renaissance zone
11 under the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681
12 to 125.2696, is exempt from the commercial rental property specific
13 tax levied under this act to the extent and for the duration
14 provided pursuant to the Michigan renaissance zone act, 1996 PA
15 376, MCL 125.2681 to 125.2696, except for that portion of the
16 commercial rental property specific tax attributable to a tax
17 described in section 7ff(2) of the general property tax act, 1893
18 PA 206, MCL 211.7ff. The commercial rental property specific tax
19 calculated under this subsection shall be disbursed proportionately
20 to the taxing unit or units that levied the tax described in
21 section 7ff(2) of the general property tax act, 1893 PA 206, MCL
22 211.7ff.

23 Sec. 6. Unpaid commercial rental property specific taxes are
24 subject to forfeiture, foreclosure, and sale in the same manner and
25 at the same time as taxes returned as delinquent under the general
26 property tax act, 1893 PA 206, MCL 211.1 to 211.157.

27 Sec. 7. This act is repealed if the adjustment for any

1 occupancy addition or any occupancy loss required under section
2 4(3)(a) is determined to be invalid by a court of competent
3 jurisdiction and that determination is not under appeal.

4 Enacting section 1. This act does not take effect unless House
5 Bill No. 4376 of the 94th Legislature is enacted into law.