

SENATE BILL No. 76

January 27, 2009, Introduced by Senator GILBERT 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 2003 PA 274.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27. (1) As used in this act, "true cash value" means the
2 usual selling price at the place where the property to which the
3 term is applied is at the time of assessment, being the price that
4 could be obtained for the property at private sale, and not at
5 auction sale except as otherwise provided in this section, or at
6 forced sale. The usual selling price may include sales at public
7 auction held by a nongovernmental agency or person if those sales
8 have become a common method of acquisition in the jurisdiction for
9 the class of property being valued. The usual selling price does
10 not include sales at public auction if the sale is part of a

1 liquidation of the seller's assets in a bankruptcy proceeding or if
2 the seller is unable to use common marketing techniques to obtain
3 the usual selling price for the property. A sale or other
4 disposition by this state or an agency or political subdivision of
5 this state of land acquired for delinquent taxes or an appraisal
6 made in connection with the sale or other disposition or the value
7 attributed to the property of regulated public utilities by a
8 governmental regulatory agency for rate-making purposes is not
9 controlling evidence of true cash value for assessment purposes. In
10 determining the true cash value, the assessor shall also consider
11 the advantages and disadvantages of location; quality of soil;
12 zoning; existing use; present economic income of structures,
13 including farm structures; present economic income of land if the
14 land is being farmed or otherwise put to income producing use;
15 quantity and value of standing timber; water power and privileges;
16 and mines, minerals, quarries, or other valuable deposits known to
17 be available in the land and their value. In determining the true
18 cash value of personal property owned by an electric utility
19 cooperative, the assessor shall consider the number of kilowatt
20 hours of electricity sold per mile of distribution line compared to
21 the average number of kilowatt hours of electricity sold per mile
22 of distribution line for all electric utilities.

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

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

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

1 (m) Removing partitions to enlarge rooms.

2 (n) Replacing an automatic hot water heater.

3 (o) Replacing dated interior woodwork.

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

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

16 (b) Amounts attributable to personal property that were
17 included in the purchase price of the property in the last
18 conveyance of the property.

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

24 (d) The purchaser of real property, including a purchaser by
25 land contract, may file with the assessor of the city or township
26 in which the property is located 2 copies of the purchase agreement
27 or of an affidavit that identifies the amount, if any, for each

1 item listed in subdivisions (a) to (c). One copy shall be forwarded
2 by the assessor to the county equalization department. The
3 affidavit shall be prescribed by the state tax commission.

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

23 (5) Beginning December 31, 1994, the purchase price paid in a
24 transfer of property is not the presumptive true cash value of the
25 property transferred. In determining the true cash value of
26 transferred property, an assessing officer shall assess that
27 property using the same valuation method used to value all other

1 property of that same classification in the assessing jurisdiction.
2 As used in this subsection, "purchase price" means the total
3 consideration agreed to in an arms-length transaction and not at a
4 forced sale paid by the purchaser of the property, stated in
5 dollars, whether or not paid in dollars.

6 (6) For purposes of a statement submitted under section 19,
7 the true cash value of a standard tool is the net book value of
8 that standard tool as of December 31 in each tax year as determined
9 using generally accepted accounting principles in a manner
10 consistent with the established depreciation method used by the
11 person submitting that statement. The net book value of a standard
12 tool for federal income tax purposes is not the presumptive true
13 cash value of that standard tool. As used in this subsection,
14 "standard tool" means that term as defined in section 9b.

15 (7) BEGINNING DECEMBER 31, 2009, THE DEPARTMENT OF TREASURY
16 SHALL REQUIRE ASSESSORS TO USE A SINGLE-YEAR SALES RATIO STUDY IN
17 DETERMINING ASSESSMENTS IF THE SINGLE-YEAR SALES RATIO STUDY WOULD
18 RESULT IN AN ASSESSMENT INCREASE FOR REAL PROPERTY THAT IS LESS
19 THAN THE ASSESSMENT INCREASE THAT WOULD RESULT USING A MULTIYEAR
20 SALES RATIO STUDY. A SINGLE-YEAR SALES RATIO STUDY SHALL INCLUDE
21 BOTH SALES AND FORECLOSURES OCCURRING ON OCTOBER 1 THROUGH THE
22 IMMEDIATELY SUCCEEDING SEPTEMBER 30.