

SUMMER RESORT PROPERTY ASSESSMENTS: TRANSFER OF OWNERSHIP

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House Bills 4668 and 4669
Sponsor: Rep. Frank Foster
Committee: Tax Policy

Complete to 6-13-11

A SUMMARY OF HOUSE BILLS 4668 & 4669 AS INTRODUCED 5-24-11

House Bill 4668 would amend Public Act 230 of 1897, which is one of several bills under which summer resort associations can be organized. The bill would allow a summer resort corporation, under specified circumstances, to request the local assessor to assess its real property ratably (proportionately) to the stockholder lessees. The written notice to the assessor could include the percentages the assessor is to use to allocate the real property among the stockholder lessees and the corporation. The bill specifies that an assessment roll change or tax roll change under these circumstances would not be considered a "transfer of ownership." House Bill 4669 would make a complementary amendment to the General Property Tax Act. The two bills are tie-barred.

Specifically, House Bill 4668 would apply in cases where the real property of the resort corporation has been platted and the lots have been leased to stockholders. In that case, the directors of the corporation could submit to the assessor of the local tax collecting unit a written notice, signed by the corporation secretary, requesting that all of the corporation's real property be assessed ratably to the stockholder lessees of those lots. The assessor would then assess all property taxes ratably to each lot leased to a stockholder lessee with the assessment to include any improvements to the lot. However, except as otherwise provided by law, the assessment would not include improvements commonly used by the corporation's stockholders. An assessment roll change or tax roll change under these circumstances would not be considered a "transfer of ownership."

House Bill 4669 would amend Section 27a of the General Property Tax Act, which deals with the assessment of property, to amend the definition of the term "transfer of ownership." The bill specifies that in a case where a summer resort corporation has requested the assessor to assess its property to the stockholder lessees, both of the following apply:

- (1) A transfer of the stock of the corporation is a transfer of ownership only with respect to the real property that is assessed to the transferor lessee stockholder.
- (2) A cumulative conveyance of more than 50% of the corporation's stock does not constitute a transfer of ownership of the corporation's real property.

Currently, the provisions dealing with transfers of ownership say, generally, that a conveyance of ownership interest in a corporation or similar legal entity is a transfer of ownership if the ownership interest conveyed is more than 50% of the corporation or other legal entity. When such a conveyance occurs, the legal entity must notify the local assessor. House Bills 4668 and 4669 would provide an exception to that requirement.

The term "transfer of ownership" is a relevant term in the act's property assessment provisions because of its application to the cap on property assessments. Generally speaking, under Michigan law, the taxable value of a parcel of property cannot increase from one year to the next by more than the rate of inflation or five percent, whichever is less. However, when there is a transfer of ownership, the assessment of a parcel "pops up" to 50% of market value. The act defines when a transfer of ownership has occurred for the purpose of re-setting the assessment based on market value.

FISCAL IMPACT:

A fiscal analysis is in process.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.