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BILL ANALYSIS

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House Bill 4668 (Substitute S-1 as reported)
House Bill 4669 (Substitute H-1 as reported without amendment)
Sponsor: Representative Frank Foster
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

House Bill 4668 (S-2) would add Section 16a to Public Act 230 of 1897, which provides for the formation of summer resort corporations, to do the following:

- Beginning January 1, 2012, require the taxable and assessed values of a corporation's real property to be allocated among stockholder lessees so that each was assessed for the leased property and for real property improvements available for the stockholders' common and exclusive use.
- Allow the corporation to propose to the local assessor the percentage he or she could use to allocate the taxable and assessed values of the corporation's property.
- Require the proposed allocation to equal 100% and to be the same as, or calculated using the same methodology as, the corporation used in the previous tax year to allocate its real property taxes to the stockholders for payment to the corporation, if it made such an allocation.
- Provide that, if an assessor allocated the taxable and assessed values as proposed, a stockholder lessee who appealed that allocation would have the burden of proving by clear and convincing evidence that the allocated values violated Section 16a.
- Specify that the taxable and assessed values of property available for stockholder lessees' common and exclusive use would be zero, if the values were allocated as provided in the bill.
- Provide that, if a stockholder lessee assigned a lease and transferred the related stock, the price paid for the transfer would include the value of the property subject to the lease.

The bill also provides that, for the 2012 tax year, the total taxable value allocated to the stockholder lessees could not exceed the total taxable value of the corporation's real property on the tax roll on December 30, 2011, multiplied by the 2012 tax year inflation rate of 1.027.

House Bill 4669 (H-1) would amend the General Property Tax Act to specify that a transfer of ownership would not include a change to the assessment roll or tax roll resulting from the application of Section 16a of Public Act 230 of 1897.

The bill also provides that a transfer of stock of a corporation subject to Public Act 230 would be a transfer of ownership only with respect to the real property that was assessed to the transferor lessee stockholder. A cumulative conveyance of more than 50% of the corporation's stock would not constitute a transfer of ownership of the corporation's real property.

The bills are tie-barred.

FISCAL IMPACT

The bills would reduce State and local property tax revenue by an unknown amount that would depend on the specific characteristics of affected properties, including the frequency such properties would be conveyed (and the associated transaction amounts) under transfers identified in the bill.

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