

SENATE BILL No. 396

May 29, 2013, Introduced by Senators CASPERSON, WALKER and GREEN and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 34d (MCL 211.34d), as amended by 2012 PA 185.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

8 (b) For taxes levied after 1994, "additions" means, except as
9 provided in subdivision (c), all of the following:

10 (i) Omitted real property. As used in this subparagraph,

1 "omitted real property" means previously existing tangible real
2 property not included in the assessment. Omitted real property
3 shall not increase taxable value as an addition unless the
4 assessing jurisdiction has a property record card or other
5 documentation showing that the omitted real property was not
6 previously included in the assessment. The assessing jurisdiction
7 has the burden of proof in establishing whether the omitted real
8 property is included in the assessment. Omitted real property for
9 the current and the 2 immediately preceding years, discovered after
10 the assessment roll has been completed, shall be added to the tax
11 roll pursuant to the procedures established in section 154. For
12 purposes of determining the taxable value of real property under
13 section 27a, the value of omitted real property is based on the
14 value and the ratio of taxable value to true cash value the omitted
15 real property would have had if the property had not been omitted.

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

20 (iii) New construction. As used in this subparagraph, "new
21 construction" means property not in existence on the immediately
22 preceding tax day and not replacement construction. New
23 construction includes the physical addition of equipment or
24 furnishings, subject to the provisions set forth in section
25 27(2) (a) to (o). For purposes of determining the taxable value of
26 property under section 27a, the value of new construction is the
27 true cash value of the new construction multiplied by 0.50.

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

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

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

16 (C) The value of property previously exempt under any other
17 section of law is the true cash value of the previously exempt
18 property multiplied by 0.50.

19 (v) Replacement construction. As used in this subparagraph,
20 "replacement construction" means construction that replaced
21 property damaged or destroyed by accident or act of God and that
22 occurred after the immediately preceding tax day to the extent the
23 construction's true cash value does not exceed the true cash value
24 of property that was damaged or destroyed by accident or act of God
25 in the immediately preceding 3 years. ~~For~~ **EXCEPT AS OTHERWISE**
26 **PROVIDED IN THIS SUBPARAGRAPH, FOR** purposes of determining the
27 taxable value of property under section 27a, the value of the

1 replacement construction is the true cash value of the replacement
2 construction multiplied by a fraction, the numerator of which is
3 the taxable value of the property to which the construction was
4 added in the immediately preceding year and the denominator of
5 which is the true cash value of the property to which the
6 construction was added in the immediately preceding year, and then
7 multiplied by the lesser of 1.05 or the inflation rate. **HOWEVER,**
8 **AFTER DECEMBER 31, 2011, FOR PURPOSES OF DETERMINING THE TAXABLE**
9 **VALUE OF PROPERTY UNDER SECTION 27A, IF THE PROPERTY'S REPLACEMENT**
10 **CONSTRUCTION IS OF SUBSTANTIALLY THE SAME MATERIALS AND SQUARE**
11 **FOOTAGE, AND IF THE REPLACEMENT CONSTRUCTION IS COMPLETED NOT LATER**
12 **THAN DECEMBER 31 IN THE YEAR 3 YEARS AFTER THE ACCIDENT OR ACT OF**
13 **GOD OCCURRED, THE REPLACEMENT CONSTRUCTION'S TAXABLE VALUE IS THE**
14 **TAXABLE VALUE OF THE PROPERTY DAMAGED OR DESTROYED, ADJUSTED**
15 **ANNUALLY AS PROVIDED IN SECTION 27A(2). ANY CONSTRUCTION**
16 **IMPROVEMENTS REQUIRED TO BRING THE PROPERTY INTO COMPLIANCE WITH**
17 **ANY APPLICABLE HEALTH, SANITARY, ZONING, SAFETY, FIRE, OR**
18 **CONSTRUCTION CODES OR ORDINANCES SHALL NOT INCREASE THE PROPERTY'S**
19 **TAXABLE VALUE UNDER SECTION 27A.**

20 (vi) An increase in taxable value attributable to the complete
21 or partial remediation of environmental contamination existing on
22 the immediately preceding tax day. The department of environmental
23 quality shall determine the degree of remediation based on
24 information available in existing department of environmental
25 quality records or information made available to the department of
26 environmental quality if the appropriate assessing officer for a
27 local tax collecting unit requests that determination. The increase

1 in taxable value attributable to the remediation is the increase in
2 true cash value attributable to the remediation multiplied by a
3 fraction, the numerator of which is the taxable value of the
4 property had it not been contaminated and the denominator of which
5 is the true cash value of the property had it not been
6 contaminated.

7 (vii) An increase in the value attributable to the property's
8 occupancy rate if either a loss, as that term is defined in this
9 section, had been previously allowed because of a decrease in the
10 property's occupancy rate or if the value of new construction was
11 reduced because of a below-market occupancy rate. For purposes of
12 determining the taxable value of property under section 27a, the
13 value of an addition for the increased occupancy rate is the
14 product of the increase in the true cash value of the property
15 attributable to the increased occupancy rate multiplied by a
16 fraction, the numerator of which is the taxable value of the
17 property in the immediately preceding year and the denominator of
18 which is the true cash value of the property in the immediately
19 preceding year, and then multiplied by the lesser of 1.05 or the
20 inflation rate.

21 (viii) Public services. As used in this subparagraph, "public
22 services" means water service, sewer service, a primary access
23 road, natural gas service, electrical service, telephone service,
24 sidewalks, or street lighting. For purposes of determining the
25 taxable value of real property under section 27a, the value of
26 public services is the amount of increase in true cash value of the
27 property attributable to the available public services multiplied

1 by 0.50, and shall be added in the calendar year following the
2 calendar year when those public services are initially available.

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

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

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

7 (iii) For the purposes of the calculation of the millage
8 reduction fraction under subsection (7) only, increased taxable
9 value under section 27a(3) after a transfer of ownership of
10 property.

11 (d) "Assessed valuation of property as finally equalized"
12 means taxable value under section 27a.

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

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

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

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

26 (i) Property that has been destroyed or removed. For purposes
27 of determining the taxable value of property under section 27a, the

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

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

12 (iii) An adjustment in value, if any, because of a decrease in
13 the property's occupancy rate, to the extent provided by law. For
14 purposes of determining the taxable value of real property under
15 section 27a, the value of a loss for a decrease in the property's
16 occupancy rate is the product of the decrease in the true cash
17 value of the property attributable to the decreased occupancy rate
18 multiplied by a fraction, the numerator of which is the taxable
19 value of the property in the immediately preceding year and the
20 denominator of which is the true cash value of the property in the
21 immediately preceding year.

22 (iv) A decrease in taxable value attributable to environmental
23 contamination existing on the immediately preceding tax day. The
24 department of environmental quality shall determine the degree to
25 which environmental contamination limits the use of property based
26 on information available in existing department of environmental
27 quality records or information made available to the department of

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

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

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

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

18 (j) "New construction and improvements" means additions less
19 losses.

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

22 (l) "Inflation rate" means the ratio of the general price level
23 for the state fiscal year ending in the calendar year immediately
24 preceding the current year divided by the general price level for
25 the state fiscal year ending in the calendar year before the year
26 immediately preceding the current year.

27 (2) On or before the first Monday in May of each year, the

1 assessing officer of each township or city shall tabulate the
2 tentative taxable value as approved by the local board of review
3 and as modified by county equalization for each classification of
4 property that is separately equalized for each unit of local
5 government and provide the tabulated tentative taxable values to
6 the county equalization director. The tabulation by the assessing
7 officer shall contain additions and losses for each classification
8 of property that is separately equalized for each unit of local
9 government or part of a unit of local government in the township or
10 city. If as a result of state equalization the taxable value of
11 property changes, the assessing officer of each township or city
12 shall revise the calculations required by this subsection on or
13 before the Friday following the fourth Monday in May. The county
14 equalization director shall compute these amounts and the current
15 and immediately preceding year's taxable values for each
16 classification of property that is separately equalized for each
17 unit of local government that levies taxes under this act within
18 the boundary of the county. The county equalization director shall
19 cooperate with equalization directors of neighboring counties, as
20 necessary, to make the computation for units of local government
21 located in more than 1 county. The county equalization director
22 shall calculate the millage reduction fraction for each unit of
23 local government in the county for the current year. The financial
24 officer for each taxing jurisdiction shall calculate the compounded
25 millage reduction fractions beginning in 1980 resulting from the
26 multiplication of successive millage reduction fractions and shall
27 recognize a local voter action to increase the compounded millage

1 reduction fraction to a maximum of 1 as a new beginning fraction.
2 Upon request of the superintendent of the intermediate school
3 district, the county equalization director shall transmit the
4 complete computations of the taxable values to the superintendent
5 of the intermediate school district within that county. At the
6 request of the presidents of community colleges, the county
7 equalization director shall transmit the complete computations of
8 the taxable values to the presidents of community colleges within
9 the county.

10 (3) On or before the first Monday in June of each year, the
11 county equalization director shall deliver the statement of the
12 computations signed by the county equalization director to the
13 county treasurer.

14 (4) On or before the second Monday in June of each year, the
15 treasurer of each county shall certify the immediately preceding
16 year's taxable values, the current year's taxable values, the
17 amount of additions and losses for the current year, and the
18 current year's millage reduction fraction for each unit of local
19 government that levies a property tax in the county.

20 (5) The financial officer of each unit of local government
21 shall make the computation of the tax rate using the data certified
22 by the county treasurer and the state tax commission. At the annual
23 session in October, or, for a county or local tax collecting unit
24 that approves under section 44a(2) the accelerated collection in a
25 summer property tax levy of a millage that had been previously
26 billed and collected as in a preceding tax year as part of the
27 winter property tax levy, before a special meeting held before the

1 annual levy on July 1, the county board of commissioners shall not
2 authorize the levy of a tax unless the governing body of the taxing
3 jurisdiction has certified that the requested millage has been
4 reduced, if necessary, in compliance with section 31 of article IX
5 of the state constitution of 1963.

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

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

1 numerator of the fraction shall be the product of the difference
2 between the total taxable value for the immediately preceding year
3 minus losses multiplied by the inflation rate and the denominator
4 of the fraction shall be the total taxable value for the current
5 year minus additions. For each year after 1993, a millage reduction
6 fraction shall not exceed 1.

7 (8) The compounded millage reduction fraction shall be
8 calculated by multiplying the local unit's previous year's
9 compounded millage reduction fraction by the current year's millage
10 reduction fraction. The compounded millage reduction fraction for
11 the year shall be multiplied by the maximum millage rate authorized
12 by law or charter for the unit of local government for the year,
13 except as provided by subsection (9). A compounded millage
14 reduction fraction shall not exceed 1.

15 (9) The millage reduction shall be determined separately for
16 authorized millage approved by the voters. The limitation on
17 millage authorized by the voters on or before April 30 of a year
18 shall be calculated beginning with the millage reduction fraction
19 for that year. Millage authorized by the voters after April 30
20 shall not be subject to a millage reduction until the year
21 following the voter authorization which shall be calculated
22 beginning with the millage reduction fraction for the year
23 following the authorization. The first millage reduction fraction
24 used in calculating the limitation on millage approved by the
25 voters after January 1, 1979 shall not exceed 1.

26 (10) A millage reduction fraction shall be applied separately
27 to the aggregate maximum millage rate authorized by a charter and

1 to each maximum millage rate authorized by state law for a specific
2 purpose.

3 (11) A unit of local government may submit to the voters for
4 their approval the levy in that year of a tax rate in excess of the
5 limit set by this section. The ballot question shall ask the voters
6 to approve the levy of a specific number of mills in excess of the
7 limit. The provisions of this section do not allow the levy of a
8 millage rate in excess of the maximum rate authorized by law or
9 charter. If the authorization to levy millage expires after 1993
10 and a local governmental unit is asking voters to renew the
11 authorization to levy the millage, the ballot question shall ask
12 for renewed authorization for the number of expiring mills as
13 reduced by the millage reduction required by this section. If the
14 election occurs before June 1 of a year, the millage reduction is
15 based on the immediately preceding year's millage reduction
16 applicable to that millage. If the election occurs after May 31 of
17 a year, the millage reduction shall be based on that year's millage
18 reduction applicable to that millage had it not expired.

19 (12) A reduction or limitation under this section shall not be
20 applied to taxes imposed for the payment of principal and interest
21 on bonds or other evidence of indebtedness or for the payment of
22 assessments or contract obligations in anticipation of which bonds
23 are issued that were authorized before December 23, 1978, as
24 provided by section 4 of chapter I of former 1943 PA 202, or to
25 taxes imposed for the payment of principal and interest on bonds or
26 other evidence of indebtedness or for the payment of assessments or
27 contract obligations in anticipation of which bonds are issued that

1 are approved by the voters after December 22, 1978.

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

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

14 (15) The fractions calculated pursuant to this section shall
15 be rounded to 4 decimal places, except that the inflation rate
16 shall be computed by the state tax commission and shall be rounded
17 to 3 decimal places. The state tax commission shall publish the
18 inflation rate before March 1 of each year.

19 (16) Beginning with taxes levied in 1994, the millage
20 reduction required by section 31 of article IX of the state
21 constitution of 1963 shall permanently reduce the maximum rate or
22 rates authorized by law or charter. The reduced maximum authorized
23 rate or rates for 1994 shall equal the product of the maximum rate
24 or rates authorized by law or charter before application of this
25 section multiplied by the compounded millage reduction applicable
26 to that millage in 1994 pursuant to subsections (8) to (12). The
27 reduced maximum authorized rate or rates for 1995 and each year

1 after 1995 shall equal the product of the immediately preceding
2 year's reduced maximum authorized rate or rates multiplied by the
3 current year's millage reduction fraction and shall be adjusted for
4 millage for which authorization has expired and new authorized
5 millage approved by the voters pursuant to subsections (8) to (12).