

SENATE BILL No. 511

September 19, 2013, Introduced by Senators CASPERSON, EMMONS and BOOHER 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 2012 PA 409.

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 minerals, quarries, or other valuable deposits not otherwise exempt
17 under this act known to be available in the land and their value.
18 In determining the true cash value of personal property owned by an
19 electric utility cooperative, the assessor shall consider the
20 number of kilowatt hours of electricity sold per mile of
21 distribution line compared to the average number of kilowatt hours
22 of electricity sold per mile of distribution line for all electric
23 utilities.

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

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

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

1 (l) New ceiling, wall, or floor surfacing.

2 (m) Removing partitions to enlarge rooms.

3 (n) Replacing an automatic hot water heater.

4 (o) Replacing dated interior woodwork.

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

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

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

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

25 (d) The purchaser of real property, including a purchaser by
26 land contract, may file with the assessor of the city or township
27 in which the property is located 2 copies of the purchase agreement

1 or of an affidavit that identifies the amount, if any, for each
2 item listed in subdivisions (a) to (c). One copy shall be forwarded
3 by the assessor to the county equalization department. The
4 affidavit shall be prescribed by the state tax commission.

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

24 (5) Except as otherwise provided in subsection (6), the
25 purchase price paid in a transfer of property is not the
26 presumptive true cash value of the property transferred. In
27 determining the true cash value of transferred property, an

1 assessing officer shall assess that property using the same
2 valuation method used to value all other property of that same
3 classification in the assessing jurisdiction. As used in this
4 subsection and subsection (6), "purchase price" means the total
5 consideration agreed to in an arms-length transaction and not at a
6 forced sale paid by the purchaser of the property, stated in
7 dollars, whether or not paid in dollars.

8 (6) The purchase price paid in a transfer of eligible
9 nonprofit housing property from a charitable nonprofit housing
10 organization to a low-income person that occurs after December 31,
11 2010 is the presumptive true cash value of the eligible nonprofit
12 housing property transferred. In the year immediately succeeding
13 the year in which the transfer of eligible nonprofit housing
14 property occurs and each year thereafter, the taxable value of the
15 eligible nonprofit housing property shall be adjusted as provided
16 under section 27a. As used in this subsection:

17 (a) "Charitable nonprofit housing organization" means a
18 charitable nonprofit organization the primary purpose of which is
19 the construction or renovation of residential housing for
20 conveyance to a low-income person.

21 (b) "Eligible nonprofit housing property" means property owned
22 by a charitable nonprofit housing organization, the ownership of
23 which the charitable nonprofit housing organization intends to
24 transfer to a low-income person after construction or renovation of
25 the property is completed.

26 (c) "Family income" and "statewide median gross income" mean
27 those terms as defined in section 11 of the state housing

1 development authority act of 1966, 1966 PA 346, MCL 125.1411.

2 (d) "Low-income person" means a person with a family income of
3 not more than 60% of the statewide median gross income who is
4 eligible to participate in the charitable nonprofit housing
5 organization's program based on criteria established by the
6 charitable nonprofit housing organization.

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

16 (8) AS USED IN SUBSECTION (1), "EXISTING USE" MEANS THE
17 SPECIFIC USE OF THE PROPERTY AT THE TIME OF ASSESSMENT, WHICH
18 REFLECTS THE VALUE PRESENTLY RECEIVED FROM THE PROPERTY. IF THE
19 EXISTING USE IS FINANCIALLY FEASIBLE AND IS MORE PROFITABLE THAN
20 MODIFICATION OR REDEVELOPMENT, THE EXISTING USE IS THE HIGHEST AND
21 BEST USE OF THE PROPERTY AND SHALL BE USED TO DETERMINE THE
22 PROPERTY'S TRUE CASH VALUE.