

HOUSE BILL No. 4213

February 17, 2015, Introduced by Rep. Lyons and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 2014 PA 310.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27a. (1) Except as otherwise provided in this section,
2 property shall be assessed at 50% of its true cash value under
3 section 3 of article IX of the state constitution of 1963.

4 (2) Except as otherwise provided in subsection (3), for taxes
5 levied in 1995 and for each year after 1995, the taxable value of
6 each parcel of property is the lesser of the following:

7 (a) The property's taxable value in the immediately preceding
8 year minus any losses, multiplied by the lesser of 1.05 or the
9 inflation rate, plus all additions. **HOWEVER, FOR TAXES LEVIED IN**
10 **2014 AND EACH YEAR AFTER 2014, IF A FRACTION THE NUMERATOR OF WHICH**

1 IS THE STATE EQUALIZED VALUE FOR THE CURRENT YEAR MINUS ADDITIONS
2 AND THE DENOMINATOR OF WHICH IS THE STATE EQUALIZED VALUE FOR THE
3 IMMEDIATELY PRECEDING YEAR MINUS LOSSES IS LESS THAN BOTH 1.05 AND
4 THE INFLATION RATE, FOR PURPOSES OF THIS SUBDIVISION THE TAXABLE
5 VALUE IS THE PROPERTY'S TAXABLE VALUE IN THE IMMEDIATELY PRECEDING
6 YEAR MINUS LOSSES PLUS ADDITIONS. For taxes levied in 1995, the
7 property's taxable value in the immediately preceding year is the
8 property's state equalized valuation in 1994.

9 (b) The property's current state equalized valuation.

10 (3) Upon a transfer of ownership of property after 1994, the
11 property's taxable value for the calendar year following the year
12 of the transfer is the property's state equalized valuation for the
13 calendar year following the transfer.

14 (4) If the taxable value of property is adjusted under
15 subsection (3), a subsequent increase in the property's taxable
16 value is subject to the limitation set forth in subsection (2)
17 until a subsequent transfer of ownership occurs. If the taxable
18 value of property is adjusted under subsection (3) and the assessor
19 determines that there had not been a transfer of ownership, the
20 taxable value of the property shall be adjusted at the July or
21 December board of review. Notwithstanding the limitation provided
22 in section 53b(1) on the number of years for which a correction may
23 be made, the July or December board of review may adjust the
24 taxable value of property under this subsection for the current
25 year and for the 3 immediately preceding calendar years. A
26 corrected tax bill shall be issued for each tax year for which the
27 taxable value is adjusted by the local tax collecting unit if the

1 local tax collecting unit has possession of the tax roll or by the
2 county treasurer if the county has possession of the tax roll. For
3 purposes of section 53b, an adjustment under this subsection shall
4 be considered the correction of a clerical error.

5 (5) Assessment of property, as required in this section and
6 section 27, is inapplicable to the assessment of property subject
7 to the levy of ad valorem taxes within voted tax limitation
8 increases to pay principal and interest on limited tax bonds issued
9 by any governmental unit, including a county, township, community
10 college district, or school district, before January 1, 1964, if
11 the assessment required to be made under this act would be less
12 than the assessment as state equalized prevailing on the property
13 at the time of the issuance of the bonds. This inapplicability
14 shall continue until levy of taxes to pay principal and interest on
15 the bonds is no longer required. The assessment of property
16 required by this act shall be applicable for all other purposes.

17 (6) As used in this act, "transfer of ownership" means the
18 conveyance of title to or a present interest in property, including
19 the beneficial use of the property, the value of which is
20 substantially equal to the value of the fee interest. Transfer of
21 ownership of property includes, but is not limited to, the
22 following:

23 (a) A conveyance by deed.

24 (b) A conveyance by land contract. The taxable value of
25 property conveyed by a land contract executed after December 31,
26 1994 shall be adjusted under subsection (3) for the calendar year
27 following the year in which the contract is entered into and shall

1 not be subsequently adjusted under subsection (3) when the deed
2 conveying title to the property is recorded in the office of the
3 register of deeds in the county in which the property is located.

4 (c) A conveyance to a trust after December 31, 1994, except
5 under any of the following conditions:

6 (i) If the settlor or the settlor's spouse, or both, conveys
7 the property to the trust and the sole present beneficiary or
8 beneficiaries are the settlor or the settlor's spouse, or both.

9 (ii) Beginning December 31, 2014, for residential real
10 property, if the settlor or the settlor's spouse, or both, conveys
11 the residential real property to the trust and the sole present
12 beneficiary or beneficiaries are the settlor's or the settlor's
13 spouse's mother, father, brother, sister, son, daughter, adopted
14 son, adopted daughter, grandson, or granddaughter and the
15 residential real property is not used for any commercial purpose
16 following the conveyance. Upon request by the department of
17 treasury or the assessor, the sole present beneficiary or
18 beneficiaries shall furnish proof within 30 days that the sole
19 present beneficiary or beneficiaries meet the requirements of this
20 subparagraph. If a present beneficiary fails to comply with a
21 request by the department of treasury or assessor under this
22 subparagraph, that present beneficiary is subject to a fine of
23 \$200.00.

24 (d) A conveyance by distribution from a trust, except under
25 any of the following conditions:

26 (i) If the distributee is the sole present beneficiary or the
27 spouse of the sole present beneficiary, or both.

1 (ii) Beginning December 31, 2014, a distribution of residential
2 real property if the distributee is the settlor's or the settlor's
3 spouse's mother, father, brother, sister, son, daughter, adopted
4 son, adopted daughter, grandson, or granddaughter and the
5 residential real property is not used for any commercial purpose
6 following the conveyance. Upon request by the department of
7 treasury or the assessor, the sole present beneficiary or
8 beneficiaries shall furnish proof within 30 days that the sole
9 present beneficiary or beneficiaries meet the requirements of this
10 subparagraph. If a present beneficiary fails to comply with a
11 request by the department of treasury or assessor under this
12 subparagraph, that present beneficiary is subject to a fine of
13 \$200.00.

14 (e) A change in the sole present beneficiary or beneficiaries
15 of a trust, except under any of the following conditions:

16 (i) A change that adds or substitutes the spouse of the sole
17 present beneficiary.

18 (ii) Beginning December 31, 2014, for residential real
19 property, a change that adds or substitutes the settlor's or the
20 settlor's spouse's mother, father, brother, sister, son, daughter,
21 adopted son, adopted daughter, grandson, or granddaughter and the
22 residential real property is not used for any commercial purpose
23 following the conveyance. Upon request by the department of
24 treasury or the assessor, the sole present beneficiary or
25 beneficiaries shall furnish proof within 30 days that the sole
26 present beneficiary or beneficiaries meet the requirements of this
27 subparagraph. If a present beneficiary fails to comply with a

1 request by the department of treasury or assessor under this
2 subparagraph, that present beneficiary is subject to a fine of
3 \$200.00.

4 (f) A conveyance by distribution under a will or by intestate
5 succession, except under any of the following conditions:

6 (i) If the distributee is the decedent's spouse.

7 (ii) Beginning December 31, 2014, for residential real
8 property, if the distributee is the decedent's or the decedent's
9 spouse's mother, father, brother, sister, son, daughter, adopted
10 son, adopted daughter, grandson, or granddaughter and the
11 residential real property is not used for any commercial purpose
12 following the conveyance. Upon request by the department of
13 treasury or the assessor, the sole present beneficiary or
14 beneficiaries shall furnish proof within 30 days that the sole
15 present beneficiary or beneficiaries meet the requirements of this
16 subparagraph. If a present beneficiary fails to comply with a
17 request by the department of treasury or assessor under this
18 subparagraph, that present beneficiary is subject to a fine of
19 \$200.00.

20 (g) A conveyance by lease if the total duration of the lease,
21 including the initial term and all options for renewal, is more
22 than 35 years or the lease grants the lessee a bargain purchase
23 option. As used in this subdivision, "bargain purchase option"
24 means the right to purchase the property at the termination of the
25 lease for not more than 80% of the property's projected true cash
26 value at the termination of the lease. After December 31, 1994, the
27 taxable value of property conveyed by a lease with a total duration

1 of more than 35 years or with a bargain purchase option shall be
2 adjusted under subsection (3) for the calendar year following the
3 year in which the lease is entered into. This subdivision does not
4 apply to personal property except buildings described in section
5 14(6) and personal property described in section 8(h), (i), and
6 (j). This subdivision does not apply to that portion of the
7 property not subject to the leasehold interest conveyed.

8 (h) Except as otherwise provided in this subdivision, a
9 conveyance of an ownership interest in a corporation, partnership,
10 sole proprietorship, limited liability company, limited liability
11 partnership, or other legal entity if the ownership interest
12 conveyed is more than 50% of the corporation, partnership, sole
13 proprietorship, limited liability company, limited liability
14 partnership, or other legal entity. Unless notification is provided
15 under subsection (10), the corporation, partnership, sole
16 proprietorship, limited liability company, limited liability
17 partnership, or other legal entity shall notify the assessing
18 officer on a form provided by the state tax commission not more
19 than 45 days after a conveyance of an ownership interest that
20 constitutes a transfer of ownership under this subdivision. Both of
21 the following apply to a corporation subject to 1897 PA 230, MCL
22 455.1 to 455.24:

23 (i) A transfer of stock of the corporation is a transfer of
24 ownership only with respect to the real property that is assessed
25 to the transferor lessee stockholder.

26 (ii) A cumulative conveyance of more than 50% of the
27 corporation's stock does not constitute a transfer of ownership of

1 the corporation's real property.

2 (i) A transfer of property held as a tenancy in common, except
3 that portion of the property not subject to the ownership interest
4 conveyed.

5 (j) A conveyance of an ownership interest in a cooperative
6 housing corporation, except that portion of the property not
7 subject to the ownership interest conveyed.

8 (7) Transfer of ownership does not include the following:

9 (a) The transfer of property from 1 spouse to the other spouse
10 or from a decedent to a surviving spouse.

11 (b) A transfer from a husband, a wife, or a husband and wife
12 creating or disjoining a tenancy by the entirety in the grantors
13 or the grantor and his or her spouse.

14 (c) A transfer of that portion of property subject to a life
15 estate or life lease retained by the transferor, until expiration
16 or termination of the life estate or life lease. That portion of
17 property transferred that is not subject to a life lease shall be
18 adjusted under subsection (3).

19 (d) A transfer through foreclosure or forfeiture of a recorded
20 instrument under chapter 31, 32, or 57 of the revised judicature
21 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
22 to 600.5759, or through deed or conveyance in lieu of a foreclosure
23 or forfeiture, until the mortgagee or land contract vendor
24 subsequently transfers the property. If a mortgagee does not
25 transfer the property within 1 year of the expiration of any
26 applicable redemption period, the property shall be adjusted under
27 subsection (3).

1 (e) A transfer by redemption by the person to whom taxes are
2 assessed of property previously sold for delinquent taxes.

3 (f) A conveyance to a trust if the settlor or the settlor's
4 spouse, or both, conveys the property to the trust and any of the
5 following conditions are satisfied:

6 (i) If the sole present beneficiary of the trust is the settlor
7 or the settlor's spouse, or both.

8 (ii) Beginning December 31, 2014, for residential real
9 property, if the sole present beneficiary of the trust is the
10 settlor's or the settlor's spouse's mother, father, brother,
11 sister, son, daughter, adopted son, adopted daughter, grandson, or
12 granddaughter and the residential real property is not used for any
13 commercial purpose following the conveyance. Upon request by the
14 department of treasury or the assessor, the sole present
15 beneficiary or beneficiaries shall furnish proof within 30 days
16 that the sole present beneficiary or beneficiaries meet the
17 requirements of this subparagraph. If a present beneficiary fails
18 to comply with a request by the department of treasury or assessor
19 under this subparagraph, that present beneficiary is subject to a
20 fine of \$200.00.

21 (g) A transfer pursuant to a judgment or order of a court of
22 record making or ordering a transfer, unless a specific monetary
23 consideration is specified or ordered by the court for the
24 transfer.

25 (h) A transfer creating or terminating a joint tenancy between
26 2 or more persons if at least 1 of the persons was an original
27 owner of the property before the joint tenancy was initially

1 created and, if the property is held as a joint tenancy at the time
2 of conveyance, at least 1 of the persons was a joint tenant when
3 the joint tenancy was initially created and that person has
4 remained a joint tenant since the joint tenancy was initially
5 created. A joint owner at the time of the last transfer of
6 ownership of the property is an original owner of the property. For
7 purposes of this subdivision, a person is an original owner of
8 property owned by that person's spouse.

9 (i) A transfer for security or an assignment or discharge of a
10 security interest.

11 (j) A transfer of real property or other ownership interests
12 among members of an affiliated group. As used in this subsection,
13 "affiliated group" means 1 or more corporations connected by stock
14 ownership to a common parent corporation. Upon request by the state
15 tax commission, a corporation shall furnish proof within 45 days
16 that a transfer meets the requirements of this subdivision. A
17 corporation that fails to comply with a request by the state tax
18 commission under this subdivision is subject to a fine of \$200.00.

19 (k) Normal public trading of shares of stock or other
20 ownership interests that, over any period of time, cumulatively
21 represent more than 50% of the total ownership interest in a
22 corporation or other legal entity and are traded in multiple
23 transactions involving unrelated individuals, institutions, or
24 other legal entities.

25 (l) A transfer of real property or other ownership interests
26 among corporations, partnerships, limited liability companies,
27 limited liability partnerships, or other legal entities if the

1 entities involved are commonly controlled. Upon request by the
2 state tax commission, a corporation, partnership, limited liability
3 company, limited liability partnership, or other legal entity shall
4 furnish proof within 45 days that a transfer meets the requirements
5 of this subdivision. A corporation, partnership, limited liability
6 company, limited liability partnership, or other legal entity that
7 fails to comply with a request by the state tax commission under
8 this subdivision is subject to a fine of \$200.00.

9 (m) A direct or indirect transfer of real property or other
10 ownership interests resulting from a transaction that qualifies as
11 a tax-free reorganization under section 368 of the internal revenue
12 code, 26 USC 368. Upon request by the state tax commission, a
13 property owner shall furnish proof within 45 days that a transfer
14 meets the requirements of this subdivision. A property owner who
15 fails to comply with a request by the state tax commission under
16 this subdivision is subject to a fine of \$200.00.

17 (n) A transfer of qualified agricultural property, if the
18 person to whom the qualified agricultural property is transferred
19 files an affidavit with the assessor of the local tax collecting
20 unit in which the qualified agricultural property is located and
21 with the register of deeds for the county in which the qualified
22 agricultural property is located attesting that the qualified
23 agricultural property shall remain qualified agricultural property.
24 The affidavit under this subdivision shall be in a form prescribed
25 by the department of treasury. An owner of qualified agricultural
26 property shall inform a prospective buyer of that qualified
27 agricultural property that the qualified agricultural property is

1 subject to the recapture tax provided in the agricultural property
2 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
3 qualified agricultural property is converted by a change in use, as
4 that term is defined in section 2 of the agricultural property
5 recapture act, 2000 PA 261, MCL 211.1002. If property ceases to be
6 qualified agricultural property at any time after being
7 transferred, all of the following shall occur:

8 (i) The taxable value of that property shall be adjusted under
9 subsection (3) as of the December 31 in the year that the property
10 ceases to be qualified agricultural property.

11 (ii) The property is subject to the recapture tax provided for
12 under the agricultural property recapture act, 2000 PA 261, MCL
13 211.1001 to 211.1007.

14 (o) A transfer of qualified forest property, if the person to
15 whom the qualified forest property is transferred files a qualified
16 forest taxable value affidavit with the assessor of the local tax
17 collecting unit in which the qualified forest property is located
18 and with the register of deeds for the county in which the
19 qualified forest property is located attesting that the qualified
20 forest property shall remain qualified forest property. The
21 qualified forest taxable value affidavit under this subdivision
22 shall be in a form prescribed by the department of agriculture and
23 rural development. The qualified forest taxable value affidavit
24 shall include a legal description of the qualified forest property,
25 the name of the new property owner, the year the transfer of the
26 property occurred, a statement indicating that the property owner
27 is attesting that the property for which the exemption is claimed

1 is qualified forest property and will be managed according to the
2 approved forest management plan, and any other information
3 pertinent to the parcel and the property owner. The property owner
4 shall provide a copy of the qualified forest taxable value
5 affidavit to the department. The department shall provide 1 copy of
6 the qualified forest taxable value affidavit to the local tax
7 collecting unit, 1 copy to the conservation district, and 1 copy to
8 the department of treasury. These copies may be sent
9 electronically. The exception to the recognition of a transfer of
10 ownership, as herein stated, shall extend to the land only of the
11 qualified forest property. If qualified forest property is improved
12 by buildings, structures, or land improvements, then those
13 improvements shall be recognized as a transfer of ownership, in
14 accordance with the provisions of section 7jj[1]. An owner of
15 qualified forest property shall inform a prospective buyer of that
16 qualified forest property that the qualified forest property is
17 subject to the recapture tax provided in the qualified forest
18 property recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036,
19 if the qualified forest property is converted by a change in use,
20 as that term is defined in section 2 of the qualified forest
21 property recapture tax act, 2006 PA 379, MCL 211.1032. If property
22 ceases to be qualified forest property at any time after being
23 transferred, all of the following shall occur:

24 (i) The taxable value of that property shall be adjusted under
25 subsection (3) as of the December 31 in the year that the property
26 ceases to be qualified forest property, except to the extent that
27 the transfer of the qualified forest property would not have been

1 considered a transfer of ownership under this subsection.

2 (ii) Except as otherwise provided in subparagraph (iii), the
3 property is subject to the recapture tax provided for under the
4 qualified forest property recapture tax act, 2006 PA 379, MCL
5 211.1031 to 211.1036.

6 (iii) Beginning June 1, 2013 and ending November 30, 2013,
7 owners of property enrolled as qualified forest property prior to
8 January 1, 2013 may execute a new qualified forest taxable value
9 affidavit with the department of agriculture and rural development.
10 If a landowner elects to execute a qualified forest taxable value
11 affidavit, that owner is not required to pay the \$50.00 fee
12 required under section 7jj[1](2). If a landowner elects not to
13 execute a qualified forest taxable value affidavit, the existing
14 affidavit shall be rescinded, without subjecting the property to
15 the recapture tax provided for under the qualified forest property
16 recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036, and the
17 taxable value of that property shall be adjusted under subsection
18 (3).

19 (p) Beginning on December 8, 2006, a transfer of land, but not
20 buildings or structures located on the land, which meets 1 or more
21 of the following requirements:

22 (i) The land is subject to a conservation easement under
23 subpart 11 of part 21 of the natural resources and environmental
24 protection act, 1994 PA 451, MCL 324.2140 to 324.2144. As used in
25 this subparagraph, "conservation easement" means that term as
26 defined in section 2140 of the natural resources and environmental
27 protection act, 1994 PA 451, MCL 324.2140.

1 (ii) A transfer of ownership of the land or a transfer of an
2 interest in the land is eligible for a deduction as a qualified
3 conservation contribution under section 170(h) of the internal
4 revenue code, 26 USC 170.

5 (q) A transfer of real property or other ownership interests
6 resulting from a consolidation or merger of a domestic nonprofit
7 corporation that is a boy or girl scout or camp fire girls
8 organization, a 4-H club or foundation, a young men's Christian
9 association, or a young women's Christian association and at least
10 50% of the members of that organization or association are
11 residents of this state.

12 (r) A change to the assessment roll or tax roll resulting from
13 the application of section 16a of 1897 PA 230, MCL 455.16a.

14 (s) Beginning December 31, 2013 through December 30, 2014, a
15 transfer of residential real property if the transferee is related
16 to the transferor by blood or affinity to the first degree and the
17 use of the residential real property does not change following the
18 transfer.

19 (t) Beginning December 31, 2014, a transfer of residential
20 real property if the transferee is the transferor's or the
21 transferor's spouse's mother, father, brother, sister, son,
22 daughter, adopted son, adopted daughter, grandson, or granddaughter
23 and the residential real property is not used for any commercial
24 purpose following the conveyance. Upon request by the department of
25 treasury or the assessor, the transferee shall furnish proof within
26 30 days that the transferee meets the requirements of this
27 ~~subparagraph.~~ **SUBDIVISION.** If a transferee fails to comply with a

1 request by the department of treasury or assessor under this
2 ~~subparagraph, SUBDIVISION~~, that transferee is subject to a fine of
3 \$200.00.

4 (u) Beginning December 31, 2014, for residential real
5 property, a conveyance from a trust if the person to whom the
6 residential real property is conveyed is the settlor's or the
7 settlor's spouse's mother, father, brother, sister, son, daughter,
8 adopted son, adopted daughter, grandson, or granddaughter and the
9 residential real property is not used for any commercial purpose
10 following the conveyance. Upon request by the department of
11 treasury or the assessor, the sole present beneficiary or
12 beneficiaries shall furnish proof within 30 days that the sole
13 present beneficiary or beneficiaries meet the requirements of this
14 ~~subparagraph, SUBDIVISION~~. If a present beneficiary fails to comply
15 with a request by the department of treasury or assessor under this
16 ~~subparagraph, SUBDIVISION~~, that present beneficiary is subject to a
17 fine of \$200.00.

18 (8) If all of the following conditions are satisfied, the
19 local tax collecting unit shall revise the taxable value of
20 qualified agricultural property taxable on the tax roll in the
21 possession of that local tax collecting unit to the taxable value
22 that qualified agricultural property would have had if there had
23 been no transfer of ownership of that qualified agricultural
24 property since December 31, 1999 and there had been no adjustment
25 of that qualified agricultural property's taxable value under
26 subsection (3) since December 31, 1999:

27 (a) The qualified agricultural property was qualified

1 agricultural property for taxes levied in 1999 and each year after
2 1999.

3 (b) The owner of the qualified agricultural property files an
4 affidavit with the assessor of the local tax collecting unit under
5 subsection (7) (n) .

6 (9) If the taxable value of qualified agricultural property is
7 adjusted under subsection (8), the owner of that qualified
8 agricultural property shall not be entitled to a refund for any
9 property taxes collected under this act on that qualified
10 agricultural property before the adjustment under subsection (8) .

11 (10) The register of deeds of the county where deeds or other
12 title documents are recorded shall notify the assessing officer of
13 the appropriate local taxing unit not less than once each month of
14 any recorded transaction involving the ownership of property and
15 shall make any recorded deeds or other title documents available to
16 that county's tax or equalization department. Unless notification
17 is provided under subsection (6), the buyer, grantee, or other
18 transferee of the property shall notify the appropriate assessing
19 office in the local unit of government in which the property is
20 located of the transfer of ownership of the property within 45 days
21 of the transfer of ownership, on a form prescribed by the state tax
22 commission that states the parties to the transfer, the date of the
23 transfer, the actual consideration for the transfer, and the
24 property's parcel identification number or legal description. Forms
25 filed in the assessing office of a local unit of government under
26 this subsection shall be made available to the county tax or
27 equalization department for the county in which that local unit of

1 government is located. This subsection does not apply to personal
2 property except buildings described in section 14(6) and personal
3 property described in section 8(h), (i), and (j).

4 (11) As used in this section:

5 (a) "Additions" means that term as defined in section 34d.

6 (b) "Beneficial use" means the right to possession, use, and
7 enjoyment of property, limited only by encumbrances, easements, and
8 restrictions of record.

9 (c) "Inflation rate" means that term as defined in section
10 34d.

11 (d) "Losses" means that term as defined in section 34d.

12 (e) "Qualified agricultural property" means that term as
13 defined in section 7dd.

14 (f) "Qualified forest property" means that term as defined in
15 section 7jj[1].

16 (g) "Residential real property" means real property classified
17 as residential real property under section 34c.

18 Enacting section 1. This amendatory act does not take effect
19 unless Senate Joint Resolution ____ or House Joint Resolution I
20 (request no. 00253'15) of the 98th Legislature becomes a part of
21 the state constitution of 1963 as provided in section 1 of article
22 XII of the state constitution of 1963.