

## PROPERTY TAX ASSESSMENTS

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**House Bill 6049 as introduced**  
**Sponsor: Rep. James A. Lower**  
**Committee: Tax Policy**  
**Complete to 6-5-18**

Analysis available at  
<http://www.legislature.mi.gov>

## BRIEF SUMMARY:

House Bill 6049 would amend the General Property Tax Act by adding and amending sections that define the state's property tax assessment process. The bill would take effect January 1, 2019.

The bill would do all of the following:

- Require an assessing district to employ an assessor of record who is certified by the State Tax Commission (STC) as a Michigan master assessing officer (MMAO, level 4) or Michigan advanced assessing officer (MAAO, level 3).
- Require a county tax or equalization director to oversee and administer tax assessments for all assessing districts in the county that did not employ an assessor as described above. The director would have to be certified as an MMAO. The county would be paid for this assessing service through the county's share of property tax administration fees allowed under the act (at least 80% of an administrative fee of up to 1.0%) and, if necessary, a direct charge to the district receiving the service.
- Require an assessor to be employed full-time either by the assessing district, by one or more assessing districts, or by a consolidated assessing district. The STC could grant a waiver to the full-time requirement.
- Require an assessor, across all assessment districts, to assess at least 5,000 parcels that together generate at least \$12.0 million in annual property tax revenue. The STC could grant a waiver to this requirement.
- Require an assessing district to meet certain standards, including the use of mass appraisal software, maintaining office hours, providing online information, and meeting internationally recognized staffing levels.
- Require a county, if it serves as assessor for its assessing districts, to create three specialized boards of review and one type of general board of review.
- Require members of boards of review to meet qualifications and be certified to serve on a board of review by the STC.
- Require county boards of commissioners to create a county assessing office to undertake specific duties related to assessment services.
- Require the STC to develop and implement an audit program, with specific criteria, to ensure that counties and assessing units are in compliance with the requirements of the bill.

The bill has an enacting section that states legislative intent to appropriate sufficient money to provide funding for the training and start-up costs for the transition of some assessment and board of review services to the county level, including costs incurred to increase the number of assessors certified as master and advanced assessing officers and to train and certify members of local, regional, and specialized boards of review.

MCL 211.28 and 211.34 and proposed MCL 211.10g

## **DETAILED SUMMARY:**

Beginning on and after December 31, 2021, an assessing district would have to employ an assessor of record who is certified by the STC as an MMAO or an MAAO to oversee and administer an annual assessment of all property liable to taxation.

### Assessor of Record Employment and Standards

The assessing district's assessor would have to be employed in one of the following ways:

- By the assessing district to serve its assessing office.
- By the assessing district and one or more other assessing districts to serve each district's assessing office.
- By an assessing district formed by the consolidation of the assessing district and one or more other assessing districts to serve the consolidated district's assessing office.

The assessor would have to meet all of the following:

- Not be an elected official of the district.
- Be an MMAO if the assessing district is rated by the STC to require a master level of certification to assess or equalize the entire unit.
- Across all districts for which he or she is the assessor, assess, in total, at least 5,000 parcels that together generate at least \$12.0 million in annual property tax revenue.
  - The STC could grant a waiver to this requirement, in accordance with its guidance, based on a determination that the district served by the assessor has, or the districts served collectively have, sufficient resources and fiscal capacity to support the assessment function.
- Serve the district full-time. The STC could determine, based on all the following, that part-time service is sufficient:
  - Number and complexity of parcels subject to assessment.
  - Total state equalization value of the property.
  - Number of hours per week that the assessor proposes to serve.
  - Total anticipated workload of the assessor for all districts in which he or she proposes to serve, including the total number and complexity of all parcels.
  - The assessor's certification level.

### Assessing District Requirements

The assessing district would have to meet all of the following:

- Use a computer-assisted mass appraisal system that is approved by the STC as having sufficient capabilities to meet the requirements of the act and to store and back up data.
- Follow a policy approved by the STC for public inspection of its records.
- Maintain reasonable office hours and availability, including at least 8 hours per week during which the assessor is physically in the office, and normal business hours throughout the week during which the assessor is available by phone and email.
- Provide taxpayers with online information regarding assessment services, including parcel information, land value maps, land adjustments, and economic condition factors.
- Provide notice to taxpayers of all changes in assessment and denials of exemption claims.
- Provide a process by which an assessment administration board or the assessor or designee, under STC guidance, informally hears and attempts to resolve assessment valuation disputes brought by taxpayers before the March board of review meeting.
- Meet International Association of Assessing Officers standards regarding recommended staffing levels based on the number and complexity of parcels, unless the STC grants a waiver based on a determination that the district's staffing levels are sufficient to perform the assessment function.
- Assure that its support staff is sufficiently trained, require that its assessors maintain certification levels, and require that board of review members attend annual review trainings approved by the STC.
- Dedicate all revenues collected from property tax administration fees to assessment administration and tax collection.

### Use of County Director of Tax or Equalization

If a district did not employ an assessor in accordance with the requirements above, the assessor for that district would be the director of tax or equalization for the county in which the district is located. As assessor of record for one or more assessing districts served in the county, the county tax or equalization director would oversee and administer an annual assessment of all property liable to taxation in each assessing district as provided in the state constitution and state law.

The county-assessing services would begin on and after December 31, 2021 for districts that do not employ assessors certified as master or advanced assessors, and begin on and after December 31, 2023 for districts that employ master or advanced assessors but have not provided a notice of such to the STC.

A county providing assessment services would have to employ a director of tax or equalization who is an MMAO. If a county did not employ a director as such by October 31, 2020, the county would contract for the provision of county-assessing services

for its assessing districts pursuant to the start dates described above with another county that does employ a director who is a certified MMAO.

If a county contracts for services, then decides to provide those services itself or through a different servicing county, the contracting county would have to provide to the current servicing county and the STC a notice of that intent in a form and manner prescribed by the STC at least 24 months before the change becomes effective, unless the current servicing county agrees to an earlier effective date. If the notice of intent is provided after October 31, 2020 but before December 31, 2021, the 24-month period would begin on December 31, 2021.

A county tax or equalization department that provides county-assessing services to another county could not do so for more than one other county, unless the department petitions the STC for and is granted a waiver based on a determination that the department has the capacity, ability, and organizational structure to provide services for two or more additional counties.

#### Audit Program by State Tax Commission

For purposes of overseeing county-assessing service, the STC would develop and implement an audit program to determine whether the county's department of tax or equalization and its assessing office are or will timely be in ***substantial compliance*** with the requirements of the bill. If the STC determines that there is not or will not be timely compliance, the STC would have to assume jurisdiction over the assessment roll and either return the roll to the county after it demonstrates its ability to comply or provide for the preparation of the roll itself or by another county. The costs of the preparation of the roll by the STC or another county would be paid by the county from which the roll was taken.

***Substantial compliance*** would mean that any identified deficiencies do not pose a risk that the county is unable to perform the assessment function. In determining whether compliance is met, STC would specifically determine whether the county has all of the following:

- Properly developed land values.
- Adequate land value maps.
- An assessment database that is not in override.
- Properly developed economic condition factors.
- An annual personal property canvass and sufficient personal property records according to policy and statutory requirements.
- Boards of review that operate within the jurisdictional requirements.
- An adequate process for determining whether to grant or deny exemptions according to statutory requirements.
- An adequate process for meeting the requirements in an STC publication.

#### Notice of Intent

A district that intended to provide for its own assessing services, meeting the required assessor and district requirements described above, would file a notice of that intent with

the county assessing office and the STC, in a form and manner prescribed by the STC, subject to the following:

- A district that does not employ an assessor certified as an MMAO or MAAO would have to file a notice of intent on or before October 31, 2020 that includes notice of the district's intent to employ an assessor so certified.
- A district that employed an assessor certified as a master or advanced officer would have to file a notice of intent on or before October 31, 2021. If a district did not provide the notice, the county would provide assessment beginning on or after October 31, 2023.

If a district filed a notice of intent after the dates required above to prevent the start of county-assessing services, the notice of intent would be effective not less than 24 months after the date it is filed, unless the county assessing office agrees to an earlier effective date. If a notice of intent is filed before county-assessing services for the district have commenced, the 24-month period would begin on December 31 of the year that the county-assessing services commence.

The STC would have to develop and implement an audit program to determine, upon a district's notice of intent and periodically thereafter, whether the district is or will be timely in *substantial compliance* (same definition as above) with the assessor and district requirements. If the STC determines that the district is not or will not be in substantial compliance with the requirements, the STC would assume jurisdiction over the assessment roll and either return the roll to the district after it demonstrates its ability to comply or provide for the preparation of the roll itself or by the tax or equalization department that services the district.

#### Cost of County-Assessing Services

If a district received county-assessing services, the cost of those services would be paid by the county's share of property tax administration fees, determined under section 44(3) of the act, when a local tax collecting unit does not also serve as its own assessing unit, and, if necessary, direct charge provided for in section 10d(6) of the act.

Section 44(3) of the act requires the local property tax collecting unit to add a property tax administration fee of not more than 1.0% of the total tax bill per parcel. It also stipulates that if a local property tax collecting unit does not also serve as the local assessing unit, the excess of the amount of property tax administration fees over the expense to the local collecting unit in collecting the taxes, but not less than 80% of the fee imposed, must be returned to the local assessing unit.

Under section 10d(6) of the act, if a local assessing district does not have an assessor qualified by certification, and has not employed a certified assessor, the assessment must be made by the county tax or equalization department or the STC and the cost of preparing the rolls is charged to the local assessing district.

### Boards of Review

A county in which the director of tax or equalization served as assessor for one or more of its assessing districts would have to provide boards of review staffed in accordance with rules promulgated by the STC, subject to the following:

- The county would have to provide three specialized boards of review, each to serve the entire county, as follows:
  - One responsible for all the duties of a local board of review, pertaining to the classification and valuation of commercial and industrial real and personal property.
  - One responsible for all the duties of a local board of review, pertaining to any claim of exemption from the collection of taxes.
  - One responsible for all the duties of a local board of review, pertaining to issues arising out of section 27a [property tax assessments].

The county would have to provide one of the following:

- A countywide general board of review responsible for all the duties of a local board of review not delegated to one of the three specialized boards described above.
- A general board of review for each of the regions that could be established by the county responsible within its jurisdiction for all the duties of a local board of review not delegated to a specialized board.

The bill would state that various references within the act to any local-unit board of review would be a reference to the county-provided boards described above, and all of the requirements that would otherwise apply to the local board would apply to the county-provided boards, including any local poverty guidelines adopted by the district.

The boards created would serve each assessing district for which the county's tax or equalization director serves as the assessor, except that a district receiving that service could independently provide the district with a board of review limited to performing all of the duties of a local board of review pertaining to valuation of, and exemption and transfer determinations for, residential real property.

A district that employed an assessor, for itself or together with one or more other assessing districts, would have to do one of the following:

- Provide the district with a board of review responsible for all the duties of a local board of review under the act.
- Accept for the district the services of the county's boards of review created and maintained as described above.
- Accept for the district the services of the county's boards of review created and maintained as described above, subject to the exception that the district may independently provide for the district a board of review limited to performing duties related to residential real property.

Beginning January 2, 2022, to serve on a board of review, whether provided by a county or a district, an individual would have to meet both of the following:

- By education, experience, or both, possess a substantial level of property tax expertise determined pursuant to specific qualifications determined by the STC.
- Be certified by the STC as eligible to serve as a member of the particular type of board of review for which he or she is selected

#### County Assessing Office

The bill would require county boards of commissioners to establish and maintain a county assessing office, overseen and administered by a county assessor certified as an MMAO or MAAO, to assist the director of tax or equalization in the performance of his or her duties. The assessing office would perform all of the duties listed under Assessing District Requirements, above. Additionally, the assessing office could choose to do any of the following:

- Employ as deputy county assessor an individual certified by the STC as an MAAO or MMAO.
- Establish appraisal regions within the county as needed to improve the efficiency of the assessor's office, and for each region, appoint a director certified as an MAAO or MMAO, to appraise all real property within the region that is not classified as industrial or commercial real property.
- Employ a personal property director, certified as an MAAO or MMAO, to appraise and audit all personal property.
- Employ an appeals director, certified as an MAAO or MMAO, to manage property tax appeals.
- Employ additional assessors as needed to improve efficiency.

#### **FISCAL IMPACT:**

As written, the bill would have little or no impact on state or local revenues, although complying with the required provisions could increase costs to local assessing units. The enacting language specifies the intent of the legislature that counties would receive sufficient funding from the state, which would increase state expenditures and mitigate the impact upon the locals. However, because statute cannot mandate an appropriation, there is no guarantee that locals would receive the appropriate amount of funding.

The potential costs to local units or the state cannot be determined in advance since there is no way to know which local units will end up contracting with counties to perform assessments and what staffing requirements will be required.

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