

HOUSE BILL No. 5680

March 6, 2018, Introduced by Rep. Barrett and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending sections 27 and 34d (MCL 211.27 and 211.34d), section
27 as amended by 2013 PA 162 and section 34d as amended by 2014 PA
164.

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

1 the class of property being valued. The usual selling price does
2 not include sales at public auction if the sale is part of a
3 liquidation of the seller's assets in a bankruptcy proceeding or if
4 the seller is unable to use common marketing techniques to obtain
5 the usual selling price for the property. A sale or other
6 disposition by this state or an agency or political subdivision of
7 this state of land acquired for delinquent taxes or an appraisal
8 made in connection with the sale or other disposition or the value
9 attributed to the property of regulated public utilities by a
10 governmental regulatory agency for rate-making purposes is not
11 controlling evidence of true cash value for assessment purposes. In
12 determining the true cash value, the assessor shall also consider
13 the advantages and disadvantages of location; quality of soil;
14 zoning; existing use; present economic income of structures,
15 including farm structures; present economic income of land if the
16 land is being farmed or otherwise put to income producing use;
17 quantity and value of standing timber; water power and privileges;
18 minerals, quarries, or other valuable deposits not otherwise exempt
19 under this act known to be available in the land and their value.
20 In determining the true cash value of personal property owned by an
21 electric utility cooperative, the assessor shall consider the
22 number of kilowatt hours of electricity sold per mile of
23 distribution line compared to the average number of kilowatt hours
24 of electricity sold per mile of distribution line for all electric
25 utilities.

26 (2) The assessor shall not consider the increase in true cash
27 value that is a result of expenditures for normal repairs,

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

17 (a) Outside painting.

18 (b) Repairing or replacing siding, roof, porches, steps,
19 sidewalks, or drives.

20 (c) Repainting, repairing, or replacing existing masonry.

21 (d) Replacing awnings.

22 (e) Adding or replacing gutters and downspouts.

23 (f) Replacing storm windows or doors.

24 (g) Insulating or weatherstripping.

25 (h) Complete rewiring.

26 (i) Replacing plumbing and light fixtures.

27 (j) Replacing a furnace with a new furnace of the same type or

1 replacing an oil or gas burner.

2 (k) Repairing plaster, inside painting, or other redecorating.

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

4 (m) Removing partitions to enlarge rooms.

5 (n) Replacing an automatic hot water heater.

6 (o) Replacing dated interior woodwork.

7 **(P) INSTALLING, REPLACING, OR REPAIRING AN ALTERNATIVE ENERGY**
8 **SYSTEM WITH A GENERATING CAPACITY OF NOT MORE THAN 1 MEGAWATT, THE**
9 **ENERGY OUTPUT OF WHICH DOES NOT EXCEED USAGE. AS USED IN THIS**
10 **SUBDIVISION, "ALTERNATIVE ENERGY SYSTEM" MEANS THAT TERM AS DEFINED**
11 **IN SECTION 2 OF THE MICHIGAN NEXT ENERGY AUTHORITY ACT, 2002 PA**
12 **593, MCL 207.822.**

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

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

25 (b) Amounts attributable to personal property that were
26 included in the purchase price of the property in the last
27 conveyance of the property.

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

6 (d) The purchaser of real property, including a purchaser by
7 land contract, may file with the assessor of the city or township
8 in which the property is located 2 copies of the purchase agreement
9 or of an affidavit that identifies the amount, if any, for each
10 item listed in subdivisions (a) to (c). One copy shall be forwarded
11 by the assessor to the county equalization department. The
12 affidavit shall be prescribed by the state tax commission.

13 (4) In finalizing sales studies for property classified as
14 agricultural real property under section 34c, an assessor and
15 equalization director shall determine if an affidavit for the
16 property has been filed under section ~~27a(7)(n)~~. **27A(7)(O)**. If an
17 affidavit has not been filed, the property shall be reviewed to
18 determine if classification as agricultural real property under
19 section 34c is correct or should be changed. The assessor for the
20 local tax collecting unit in which the property is located shall
21 contact the property owner to determine why the property owner did
22 not file an affidavit under section ~~27a(7)(n)~~. **27A(7)(O)**. Unless
23 there are convincing facts to the contrary, the sale of property
24 classified as agricultural real property under section 34c for
25 which an affidavit under section ~~27a(7)(n)~~. **27A(7)(O)** has not been
26 filed shall not be included in a sales study.

27 (5) As used in subsection (1), "present economic income" means

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

19 (6) Except as otherwise provided in subsection (7), the
20 purchase price paid in a transfer of property is not the
21 presumptive true cash value of the property transferred. In
22 determining the true cash value of transferred property, an
23 assessing officer shall assess that property using the same
24 valuation method used to value all other property of that same
25 classification in the assessing jurisdiction. As used in this
26 subsection and subsection (7), "purchase price" means the total
27 consideration agreed to in an arms-length transaction and not at a

1 forced sale paid by the purchaser of the property, stated in
2 dollars, whether or not paid in dollars.

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

12 (a) "Charitable nonprofit housing organization" means a
13 charitable nonprofit organization the primary purpose of which is
14 the construction or renovation of residential housing for
15 conveyance to a low-income person.

16 (b) "Eligible nonprofit housing property" means property owned
17 by a charitable nonprofit housing organization, the ownership of
18 which the charitable nonprofit housing organization intends to
19 transfer to a low-income person after construction or renovation of
20 the property is completed.

21 (c) "Family income" and "statewide median gross income" mean
22 those terms as defined in section 11 of the state housing
23 development authority act of 1966, 1966 PA 346, MCL 125.1411.

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

1 charitable nonprofit housing organization.

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

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

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

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

20 (i) Omitted real property. As used in this subparagraph,
21 "omitted real property" means previously existing tangible real
22 property not included in the assessment. Omitted real property
23 shall not increase taxable value as an addition unless the
24 assessing jurisdiction has a property record card or other
25 documentation showing that the omitted real property was not
26 previously included in the assessment. The assessing jurisdiction
27 has the burden of proof in establishing whether the omitted real

property is included in the assessment. Omitted real property for the current and the 2 immediately preceding years, discovered after the assessment roll has been completed, shall be added to the tax roll pursuant to the procedures established in section 154. For purposes of determining the taxable value of real property under section 27a, the value of omitted real property is based on the value and the ratio of taxable value to true cash value the omitted real property would have had if the property had not been omitted.

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

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

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

(A) The value of property previously exempt under section 7u

1 is the taxable value the entire parcel of property would have had
2 if that property had not been exempt, minus the product of the
3 entire parcel's taxable value in the immediately preceding year and
4 the lesser of 1.05 or the inflation rate.

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

9 (C) The value of property previously exempt under any other
10 section of law is the true cash value of the previously exempt
11 property multiplied by 0.50.

12 (v) Replacement construction. As used in this subparagraph,
13 "replacement construction" means construction that replaced
14 property damaged or destroyed by accident or act of God and that
15 occurred after the immediately preceding tax day to the extent the
16 construction's true cash value does not exceed the true cash value
17 of property that was damaged or destroyed by accident or act of God
18 in the immediately preceding 3 years. Except as otherwise provided
19 in this subparagraph, for purposes of determining the taxable value
20 of property under section 27a, the value of the replacement
21 construction is the true cash value of the replacement construction
22 multiplied by a fraction, the numerator of which is the taxable
23 value of the property to which the construction was added in the
24 immediately preceding year and the denominator of which is the true
25 cash value of the property to which the construction was added in
26 the immediately preceding year, and then multiplied by the lesser
27 of 1.05 or the inflation rate. However, after December 31, 2011,

1 for purposes of determining the taxable value of property under
2 section 27a, if the property's replacement construction is of
3 substantially the same materials as determined by the state tax
4 commission, if the square footage is not more than 5% greater than
5 the property that was damaged or destroyed, and if the replacement
6 construction is completed not later than December 31 in the year 3
7 years after the accident or act of God occurred, the replacement
8 construction's taxable value shall be equal to the taxable value of
9 the property in the year immediately preceding the year in which
10 the property was damaged or destroyed, adjusted annually as
11 provided in section 27a(2). Any construction materials required to
12 bring the property into compliance with any applicable health,
13 sanitary, zoning, safety, fire, or construction codes or ordinances
14 shall be considered to be substantially the same materials by the
15 state tax commission for the sake of replacement construction under
16 this section.

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

1 property had it not been contaminated and the denominator of which
2 is the true cash value of the property had it not been
3 contaminated.

4 (vii) Public services. As used in this subparagraph, "public
5 services" means water service, sewer service, a primary access
6 road, natural gas service, electrical service, telephone service,
7 sidewalks, or street lighting. For purposes of determining the
8 taxable value of real property under section 27a, the value of
9 public services is the amount of increase in true cash value of the
10 property attributable to the available public services multiplied
11 by 0.50, and shall be added in the calendar year following the
12 calendar year when those public services are initially available.

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

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

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

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

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

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

25 (f) "General price level" means the annual average of the 12
26 monthly values for the United States ~~consumer price index~~ **CONSUMER**
27 **PRICE INDEX** for all urban consumers as defined and officially

1 reported by the United States ~~department~~ **DEPARTMENT** of ~~labor,~~
2 ~~bureau~~ **LABOR, BUREAU** of ~~labor statistics.~~ **LABOR STATISTICS.**

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

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

10 (i) Property that has been destroyed or removed. For purposes
11 of determining the taxable value of property under section 27a, the
12 value of property destroyed or removed is the product of the true
13 cash value of that property multiplied by a fraction, the numerator
14 of which is the taxable value of that property in the immediately
15 preceding year and the denominator of which is the true cash value
16 of that property in the immediately preceding year.

17 (ii) Property that was subject to ad valorem taxation under
18 this act in the immediately preceding year that is now exempt from
19 ad valorem taxation under this act. For purposes of determining the
20 taxable value of property under section 27a, the value of property
21 exempted from ad valorem taxation under this act is the amount
22 exempted.

23 (iii) Prior to December 31, 2013, an adjustment in value, if
24 any, because of a decrease in the property's occupancy rate, to the
25 extent provided by law. For purposes of determining the taxable
26 value of real property under section 27a, the value of a loss for a
27 decrease in the property's occupancy rate is the product of the

1 decrease in the true cash value of the property attributable to the
2 decreased occupancy rate multiplied by a fraction, the numerator of
3 which is the taxable value of the property in the immediately
4 preceding year and the denominator of which is the true cash value
5 of the property in the immediately preceding year.

6 (iv) A decrease in taxable value attributable to environmental
7 contamination existing on the immediately preceding tax day. The
8 department of environmental quality shall determine the degree to
9 which environmental contamination limits the use of property based
10 on information available in existing department of environmental
11 quality records or information made available to the department of
12 environmental quality if the appropriate assessing officer for a
13 local tax collecting unit requests that determination. The
14 department of environmental quality's determination of the degree
15 to which environmental contamination limits the use of property
16 shall be based on the criteria established for the categories set
17 forth in section 20120a(1) of the natural resources and
18 environmental protection act, 1994 PA 451, MCL 324.20120a. The
19 decrease in taxable value attributable to the contamination is the
20 decrease in true cash value attributable to the contamination
21 multiplied by a fraction, the numerator of which is the taxable
22 value of the property had it not been contaminated and the
23 denominator of which is the true cash value of the property had it
24 not been contaminated.

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

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

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

2 (j) "New construction and improvements" means additions less
3 losses.

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

6 (l) "Inflation rate" means the ratio of the general price
7 level for the state fiscal year ending in the calendar year
8 immediately preceding the current year divided by the general price
9 level for the state fiscal year ending in the calendar year before
10 the year immediately preceding the current year.

11 (2) On or before the first Monday in May of each year, the
12 assessing officer of each township or city shall tabulate the
13 tentative taxable value as approved by the local board of review
14 and as modified by county equalization for each classification of
15 property that is separately equalized for each unit of local
16 government and provide the tabulated tentative taxable values to
17 the county equalization director. The tabulation by the assessing
18 officer shall contain additions and losses for each classification
19 of property that is separately equalized for each unit of local
20 government or part of a unit of local government in the township or
21 city. If as a result of state equalization the taxable value of
22 property changes, the assessing officer of each township or city
23 shall revise the calculations required by this subsection on or
24 before the Friday following the fourth Monday in May. The county
25 equalization director shall compute these amounts and the current
26 and immediately preceding year's taxable values for each
27 classification of property that is separately equalized for each

1 unit of local government that levies taxes under this act within
2 the boundary of the county. The county equalization director shall
3 cooperate with equalization directors of neighboring counties, as
4 necessary, to make the computation for units of local government
5 located in more than 1 county. The county equalization director
6 shall calculate the millage reduction fraction for each unit of
7 local government in the county for the current year. The financial
8 officer for each taxing jurisdiction shall calculate the compounded
9 millage reduction fractions beginning in 1980 resulting from the
10 multiplication of successive millage reduction fractions and shall
11 recognize a local voter action to increase the compounded millage
12 reduction fraction to a maximum of 1 as a new beginning fraction.
13 Upon request of the superintendent of the intermediate school
14 district, the county equalization director shall transmit the
15 complete computations of the taxable values to the superintendent
16 of the intermediate school district within that county. At the
17 request of the presidents of community colleges, the county
18 equalization director shall transmit the complete computations of
19 the taxable values to the presidents of community colleges within
20 the county.

21 (3) On or before the first Monday in June of each year, the
22 county equalization director shall deliver the statement of the
23 computations signed by the county equalization director to the
24 county treasurer.

25 (4) On or before the second Monday in June of each year, the
26 treasurer of each county shall certify the immediately preceding
27 year's taxable values, the current year's taxable values, the

1 amount of additions and losses for the current year, and the
2 current year's millage reduction fraction for each unit of local
3 government that levies a property tax in the county.

4 (5) The financial officer of each unit of local government
5 shall make the computation of the tax rate using the data certified
6 by the county treasurer and the state tax commission. At the annual
7 session in October, or, for a county or local tax collecting unit
8 that approves under section 44a(2) the accelerated collection in a
9 summer property tax levy of a millage that had been previously
10 billed and collected as in a preceding tax year as part of the
11 winter property tax levy, before a special meeting held before the
12 annual levy on July 1, the county board of commissioners shall not
13 authorize the levy of a tax unless the governing body of the taxing
14 jurisdiction has certified that the requested millage has been
15 reduced, if necessary, in compliance with section 31 of article IX
16 of the state constitution of 1963.

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

24 (7) A millage reduction fraction shall be determined for each
25 year for each local unit of government. For ad valorem property
26 taxes that became a lien before January 1, 1983, the numerator of
27 the fraction shall be the total state equalized valuation for the

1 immediately preceding year multiplied by the inflation rate and the
2 denominator of the fraction shall be the total state equalized
3 valuation for the current year minus new construction and
4 improvements. For ad valorem property taxes that become a lien
5 after December 31, 1982 and through December 31, 1994, the
6 numerator of the fraction shall be the product of the difference
7 between the total state equalized valuation for the immediately
8 preceding year minus losses multiplied by the inflation rate and
9 the denominator of the fraction shall be the total state equalized
10 valuation for the current year minus additions. For ad valorem
11 property taxes that are levied after December 31, 1994, the
12 numerator of the fraction shall be the product of the difference
13 between the total taxable value for the immediately preceding year
14 minus losses multiplied by the inflation rate and the denominator
15 of the fraction shall be the total taxable value for the current
16 year minus additions. For each year after 1993, a millage reduction
17 fraction shall not exceed 1.

18 (8) The compounded millage reduction fraction shall be
19 calculated by multiplying the local unit's previous year's
20 compounded millage reduction fraction by the current year's millage
21 reduction fraction. The compounded millage reduction fraction for
22 the year shall be multiplied by the maximum millage rate authorized
23 by law or charter for the unit of local government for the year,
24 except as provided by subsection (9). A compounded millage
25 reduction fraction shall not exceed 1.

26 (9) The millage reduction shall be determined separately for
27 authorized millage approved by the voters. The limitation on

1 millage authorized by the voters on or before April 30 of a year
2 shall be calculated beginning with the millage reduction fraction
3 for that year. Millage authorized by the voters after April 30
4 shall not be subject to a millage reduction until the year
5 following the voter authorization which shall be calculated
6 beginning with the millage reduction fraction for the year
7 following the authorization. The first millage reduction fraction
8 used in calculating the limitation on millage approved by the
9 voters after January 1, 1979 shall not exceed 1.

10 (10) A millage reduction fraction shall be applied separately
11 to the aggregate maximum millage rate authorized by a charter and
12 to each maximum millage rate authorized by state law for a specific
13 purpose.

14 (11) A unit of local government may submit to the voters for
15 their approval the levy in that year of a tax rate in excess of the
16 limit set by this section. The ballot question shall ask the voters
17 to approve the levy of a specific number of mills in excess of the
18 limit. The provisions of this section do not allow the levy of a
19 millage rate in excess of the maximum rate authorized by law or
20 charter. If the authorization to levy millage expires after 1993
21 and a local governmental unit is asking voters to renew the
22 authorization to levy the millage, the ballot question shall ask
23 for renewed authorization for the number of expiring mills as
24 reduced by the millage reduction required by this section. If the
25 election occurs before June 1 of a year, the millage reduction is
26 based on the immediately preceding year's millage reduction
27 applicable to that millage. If the election occurs after May 31 of

1 a year, the millage reduction shall be based on that year's millage
2 reduction applicable to that millage had it not expired.

3 (12) A reduction or limitation under this section shall not be
4 applied to taxes imposed for the payment of principal and interest
5 on bonds or other evidence of indebtedness or for the payment of
6 assessments or contract obligations in anticipation of which bonds
7 are issued that were authorized before December 23, 1978, as
8 provided by section 4 of chapter I of former 1943 PA 202, or to
9 taxes imposed for the payment of principal and interest on bonds or
10 other evidence of indebtedness or for the payment of assessments or
11 contract obligations in anticipation of which bonds are issued that
12 are approved by the voters after December 22, 1978.

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

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

25 (15) The fractions calculated pursuant to this section shall
26 be rounded to 4 decimal places, except that the inflation rate
27 shall be computed by the state tax commission and shall be rounded

1 to 3 decimal places. The state tax commission shall publish the
2 inflation rate before March 1 of each year.

3 (16) Beginning with taxes levied in 1994, the millage
4 reduction required by section 31 of article IX of the state
5 constitution of 1963 shall permanently reduce the maximum rate or
6 rates authorized by law or charter. The reduced maximum authorized
7 rate or rates for 1994 shall equal the product of the maximum rate
8 or rates authorized by law or charter before application of this
9 section multiplied by the compounded millage reduction applicable
10 to that millage in 1994 pursuant to subsections (8) to (12). The
11 reduced maximum authorized rate or rates for 1995 and each year
12 after 1995 shall equal the product of the immediately preceding
13 year's reduced maximum authorized rate or rates multiplied by the
14 current year's millage reduction fraction and shall be adjusted for
15 millage for which authorization has expired and new authorized
16 millage approved by the voters pursuant to subsections (8) to (12).