HOUSE SUBSTITUTE FOR

SENATE BILL NO. 47

A bill to amend 1893 PA 206, entitled

"The general property tax act,"

by amending section 27 (MCL 211.27), as amended by 2013 PA 162.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 27. (1) As used in this act, "true cash value" means the usual selling price at the place where the property to which the term is applied is at the time of assessment, being the price that could be obtained for the property at private sale, and not at auction sale except as otherwise provided in this section, or at forced sale. The usual selling price may include sales at public auction held by a nongovernmental agency or person if those sales have become a common method of acquisition in the jurisdiction for the class of property being valued. The usual selling price does not include sales at public auction if the sale is part of a liquidation of the seller's assets in a bankruptcy proceeding or if the seller is unable to use common marketing techniques to obtain the usual selling price for the property. A sale or other disposition by this state or an agency or political subdivision of this state of land acquired for delinquent taxes or an appraisal made in connection with the sale or other disposition or the value attributed to the property of regulated public utilities by a governmental regulatory agency for rate-making purposes is not controlling evidence of true cash value for assessment purposes. In determining the true cash value, the assessor shall also consider the advantages and disadvantages of location; quality of soil; zoning; existing use; present economic income of structures, including farm structures; present economic income of land if the land is being farmed or otherwise put to income producing use; quantity and value of standing timber; water power and privileges; minerals, quarries, or other valuable deposits not otherwise exempt under this act known to be available in the land and their value. In determining the true cash value of personal property owned by an electric utility cooperative, the assessor shall consider the number of kilowatt hours of electricity sold per mile of distribution line compared to the average number of kilowatt hours of electricity sold per mile of distribution line for all electric utilities.

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

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

(a) Outside painting.

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

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

(d) Replacing awnings.

(e) Adding or replacing gutters and downspouts.

(f) Replacing storm windows or doors.

(g) Insulating or weatherstripping.

(h) Complete rewiring.

(i) Replacing plumbing and light fixtures.

(j) Replacing a furnace with a new furnace of the same type or replacing an oil or gas burner.

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

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

(m) Removing partitions to enlarge rooms.

(n) Replacing an automatic hot water heater.

(o) Replacing dated interior woodwork.

(p) Installing, replacing, or repairing an alternative energy system, without regard to ownership of the system, with a generating capacity of not more than 150 kilowatts, the annual energy output of which does not exceed the annual energy consumption measured by the utility-provided electrical meter on the system to which it is connected. As used in this subdivision, "alternative energy system" means that term as defined in section 2 of the Michigan next energy authority act, 2002 PA 593, MCL 207.822.

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

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

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

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

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

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

(5) As used in subsection (1), "present economic income" means for leased or rented property the ordinary, general, and usual economic return realized from the lease or rental of property negotiated under current, contemporary conditions between parties equally knowledgeable and familiar with real estate values. The actual income generated by the lease or rental of property is not the controlling indicator of its true cash value in all cases. This

subsection does not apply to property subject to a lease entered into before January 1, 1984 for which the terms of the lease governing the rental rate or tax liability have not been renegotiated after December 31, 1983. This subsection does not apply to a nonprofit housing cooperative subject to regulatory agreements between the state or federal government entered into before January 1, 1984. As used in this subsection, "nonprofit cooperative housing corporation" means a nonprofit cooperative housing corporation that is engaged in providing housing services to its stockholders and members and that does not pay dividends or interest upon stock or membership investment but that does distribute all earnings to its stockholders or members.

(6) Except as otherwise provided in subsection (7), the purchase price paid in a transfer of property is not the presumptive true cash value of the property transferred. In determining the true cash value of transferred property, an assessing officer shall assess that property using the same valuation method used to value all other property of that same classification in the assessing jurisdiction. As used in this subsection and subsection (7), "purchase price" means the total consideration agreed to in an arms-length transaction and not at a forced sale paid by the purchaser of the property, stated in dollars, whether or not paid in dollars.

(7) The purchase price paid in a transfer of eligible nonprofit housing property from a charitable nonprofit housing organization to a low-income person that occurs after December 31, 2010 is the presumptive true cash value of the eligible nonprofit housing property transferred. In the year immediately succeeding the year in which the transfer of eligible nonprofit housing

property occurs and each year thereafter, the taxable value of the eligible nonprofit housing property shall be adjusted as provided under section 27a. As used in this subsection:

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

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

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

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

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

Enacting section 1. This amendatory act does not take effect unless House Bill No. 4069 of the 100th Legislature is enacted into law.