

HOUSE BILL NO. 5326

September 22, 2021, Introduced by Reps. Outman, Green, Howell, Markkanen, Beeler, Wozniak and O'Malley and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27 (MCL 211.27), as amended by 2019 PA 116.

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

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

29 (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 (p) that is known to the assessor and excluded from true cash value ~~shall~~**must** 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.

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

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

3 (m) Removing partitions to enlarge rooms.

4 (n) Replacing an automatic hot water heater.

5 (o) Replacing dated interior woodwork.

6 (p) Installing, replacing, or repairing an alternative energy
7 system, without regard to ownership of the system, with a
8 generating capacity of not more than 150 kilowatts, the annual
9 energy output of which does not exceed the annual energy
10 consumption measured by the utility-provided electrical meter on
11 the system to which it is connected. As used in this subdivision,
12 "alternative energy system" means that term as defined in section 2
13 of the Michigan next energy authority act, 2002 PA 593, MCL
14 207.822.

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

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

27 (b) Amounts attributable to personal property that were
28 included in the purchase price of the property in the last
29 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~~ **The assessor shall forward 1 copy** to the county equalization
12 department. The affidavit ~~shall~~ **must** be **as** prescribed by the state
13 tax commission.

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

28 (5) As used in subsection (1), "present economic income" means
29 for leased or rented property the ordinary, general, and usual

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

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

29 (7) The purchase price paid in a transfer of eligible

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

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

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

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

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

26 (8) For purposes of a statement submitted under section 19,
27 the true cash value of a standard tool is the net book value of
28 that standard tool as of December 31 in each tax year as determined
29 using generally accepted accounting principles in a manner

1 consistent with the established depreciation method used by the
2 person submitting that statement. The net book value of a standard
3 tool for federal income tax purposes is not the presumptive true
4 cash value of that standard tool. As used in this subsection,
5 "standard tool" means that term as defined in section 9b.

6 (9) For purposes of a statement submitted under section 19 and
7 controlling for assessment purposes under this act, the true cash
8 value of a wind energy system is the sum of its original
9 (historical) installed cost multiplied by the applicable
10 multiplier, plus the value of any applicable easements, rights-of-
11 way, and leasehold interests prorated per megawatt for each wind
12 turbine, but not less than \$29,067.00 per megawatt. This subsection
13 applies prospectively to the determination of the true cash value
14 of any wind energy system in existence on or after the effective
15 date of the amendatory act that added this subsection, and it
16 applies retroactively to the determination of the true cash value
17 of any wind energy system subject to an appeal still pending on the
18 effective date of the amendatory act that added this subsection
19 concerning property taxes levied on or after January 1, 2016. This
20 subsection has no other retroactive application to prior tax-year
21 valuations and does not permit the reversal of any finally
22 determined valuation of a wind energy system for any prior tax
23 year. As used in this subsection:

24 (a) "Applicable multiplier" means the multiplier listed as
25 follows for each successive tax year immediately following the date
26 that commercial operation of a wind energy system commenced:

- 27 (i) The first tax year, 1.00.
28 (ii) The second tax year, 0.95.
29 (iii) The third tax year, 0.90.

1 (iv) The fourth tax year, 0.85.

2 (v) The fifth tax year, 0.80.

3 (vi) The sixth tax year, 0.76.

4 (vii) The seventh tax year, 0.70.

5 (viii) The eighth tax year, 0.65.

6 (ix) The ninth tax year, 0.60.

7 (x) The tenth tax year, 0.56.

8 (xi) The eleventh tax year, 0.50.

9 (xii) The twelfth tax year, 0.45.

10 (xiii) The thirteenth tax year, 0.40.

11 (xiv) The fourteenth tax year, 0.36.

12 (xv) The fifteenth tax year and each tax year thereafter until
13 the wind energy system is physically removed, 0.30.

14 (b) "Original (historical) installed cost" means the original
15 cost new of all site improvements in the year incurred less any
16 retirements, plus any additions in the year they were incurred,
17 reported in accordance with the asset recording methods required
18 under generally accepted accounting principles, including, but not
19 limited to, those costs described in subparagraphs (i) and (ii), and
20 subject to subparagraph (iii), as follows:

21 (i) Direct costs, including, but not limited to, costs of
22 installation, equipment, materials, and labor; costs of the rotor,
23 drive train, tower, controls, electric interface, and tower
24 foundation; costs of all land improvements other than buildings,
25 including, but not limited to, roads and fences; costs of computer
26 equipment and communication facilities; and the contractor's profit
27 required to construct the wind energy system.

28 (ii) Indirect costs, including, but not limited to,

1 administrative costs, overhead, freight, wind studies, and
2 professional fees; financing costs, including interest paid on
3 construction loans; taxes, including sales tax; and the builder's
4 or developer's all-risk insurance during construction.

5 (iii) Costs under this subdivision must be determined without
6 adjustment for purchase-method, fresh-start, or push-down
7 accounting and without reduction for the value of any tax or other
8 governmental incentives.

9 (c) "Wind energy system" means that term as defined in section
10 8 (l) .