

**SUBSTITUTE FOR
HOUSE BILL NO. 4069**

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

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

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



1 (i) Omitted real property. As used in this subparagraph,
 2 "omitted real property" means previously existing tangible real
 3 property not included in the assessment. Omitted real property
 4 shall not increase taxable value as an addition unless the
 5 assessing jurisdiction has a property record card or other
 6 documentation showing that the omitted real property was not
 7 previously included in the assessment. The assessing jurisdiction
 8 has the burden of proof in establishing whether the omitted real
 9 property is included in the assessment. Omitted real property for
 10 the current and the 2 immediately preceding years, discovered after
 11 the assessment roll has been completed, shall be added to the tax
 12 roll pursuant to the procedures established in section 154. For
 13 purposes of determining the taxable value of real property under
 14 section 27a, the value of omitted real property is based on the
 15 value and the ratio of taxable value to true cash value the omitted
 16 real property would have had if the property had not been omitted.

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

21 (iii) New construction. As used in this subparagraph, "new
 22 construction" means property not in existence on the immediately
 23 preceding tax day and not replacement construction. New
 24 construction includes the physical addition of equipment or
 25 furnishings, subject to the provisions set forth in section
 26 27(2) (a) to ~~(e)~~.—**(p)**. For purposes of determining the taxable value
 27 of property under section 27a, the value of new construction is the
 28 true cash value of the new construction multiplied by 0.50.

29 (iv) Previously exempt property. As used in this subparagraph,



1 "previously exempt property" means property that was exempt from ad
 2 valorem taxation under this act on the immediately preceding tax
 3 day but is subject to ad valorem taxation on the current tax day
 4 under this act. For purposes of determining the taxable value of
 5 real property under section 27a:

6 (A) The value of property previously exempt under section 7u
 7 is the taxable value the entire parcel of property would have had
 8 if that property had not been exempt, minus the product of the
 9 entire parcel's taxable value in the immediately preceding year and
 10 the lesser of 1.05 or the inflation rate.

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

15 (C) The value of property previously exempt under any other
 16 section of law is the true cash value of the previously exempt
 17 property multiplied by 0.50.

18 (v) Replacement construction. As used in this subparagraph,
 19 "replacement construction" means construction that replaced
 20 property damaged or destroyed by accident or act of God and that
 21 occurred after the immediately preceding tax day to the extent the
 22 construction's true cash value does not exceed the true cash value
 23 of property that was damaged or destroyed by accident or act of God
 24 in the immediately preceding 3 years. Except as otherwise provided
 25 in this subparagraph, for purposes of determining the taxable value
 26 of property under section 27a, the value of the replacement
 27 construction is the true cash value of the replacement construction
 28 multiplied by a fraction, the numerator of which is the taxable
 29 value of the property to which the construction was added in the



1 immediately preceding year and the denominator of which is the true
2 cash value of the property to which the construction was added in
3 the immediately preceding year, and then multiplied by the lesser
4 of 1.05 or the inflation rate. However, after December 31, 2011,
5 for purposes of determining the taxable value of property under
6 section 27a, if the property's replacement construction is of
7 substantially the same materials as determined by the state tax
8 commission, if the square footage is not more than 5% greater than
9 the property that was damaged or destroyed, and if the replacement
10 construction is completed not later than December 31 in the year 3
11 years after the accident or act of God occurred, the replacement
12 construction's taxable value shall be equal to the taxable value of
13 the property in the year immediately preceding the year in which
14 the property was damaged or destroyed, adjusted annually as
15 provided in section 27a(2). Any construction materials required to
16 bring the property into compliance with any applicable health,
17 sanitary, zoning, safety, fire, or construction codes or ordinances
18 shall be considered to be substantially the same materials by the
19 state tax commission for the sake of replacement construction under
20 this section.

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



1 true cash value attributable to the remediation multiplied by a
 2 fraction, the numerator of which is the taxable value of the
 3 property had it not been contaminated and the denominator of which
 4 is the true cash value of the property had it not been
 5 contaminated.

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

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

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

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

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

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

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

27 (f) "General price level" means the annual average of the 12
 28 monthly values for the United States ~~consumer price index~~ **Consumer**
 29 **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
 28 decrease in the true cash value of the property attributable to the
 29 decreased occupancy rate multiplied by a fraction, the numerator of



1 which is the taxable value of the property in the immediately
2 preceding year and the denominator of which is the true cash value
3 of the property in the immediately preceding year.

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

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

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

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

27 (j) "New construction and improvements" means additions less
28 losses.

29 (k) "Current year" means the year for which the millage



1 limitation is being calculated.

2 (1) "Inflation rate" means the ratio of the general price level
3 for the state fiscal year ending in the calendar year immediately
4 preceding the current year divided by the general price level for
5 the state fiscal year ending in the calendar year before the year
6 immediately preceding the current year.

7 (2) On or before the first Monday in May of each year, the
8 assessing officer of each township or city shall tabulate the
9 tentative taxable value as approved by the local board of review
10 and as modified by county equalization for each classification of
11 property that is separately equalized for each unit of local
12 government and provide the tabulated tentative taxable values to
13 the county equalization director. The tabulation by the assessing
14 officer shall contain additions and losses for each classification
15 of property that is separately equalized for each unit of local
16 government or part of a unit of local government in the township or
17 city. If as a result of state equalization the taxable value of
18 property changes, the assessing officer of each township or city
19 shall revise the calculations required by this subsection on or
20 before the Friday following the fourth Monday in May. The county
21 equalization director shall compute these amounts and the current
22 and immediately preceding year's taxable values for each
23 classification of property that is separately equalized for each
24 unit of local government that levies taxes under this act within
25 the boundary of the county. The county equalization director shall
26 cooperate with equalization directors of neighboring counties, as
27 necessary, to make the computation for units of local government
28 located in more than 1 county. The county equalization director
29 shall calculate the millage reduction fraction for each unit of



1 local government in the county for the current year. The financial
2 officer for each taxing jurisdiction shall calculate the compounded
3 millage reduction fractions beginning in 1980 resulting from the
4 multiplication of successive millage reduction fractions and shall
5 recognize a local voter action to increase the compounded millage
6 reduction fraction to a maximum of 1 as a new beginning fraction.
7 Upon request of the superintendent of the intermediate school
8 district, the county equalization director shall transmit the
9 complete computations of the taxable values to the superintendent
10 of the intermediate school district within that county. At the
11 request of the presidents of community colleges, the county
12 equalization director shall transmit the complete computations of
13 the taxable values to the presidents of community colleges within
14 the county.

15 (3) On or before the first Monday in June of each year, the
16 county equalization director shall deliver the statement of the
17 computations signed by the county equalization director to the
18 county treasurer.

19 (4) On or before the second Monday in June of each year, the
20 treasurer of each county shall certify the immediately preceding
21 year's taxable values, the current year's taxable values, the
22 amount of additions and losses for the current year, and the
23 current year's millage reduction fraction for each unit of local
24 government that levies a property tax in the county.

25 (5) The financial officer of each unit of local government
26 shall make the computation of the tax rate using the data certified
27 by the county treasurer and the state tax commission. At the annual
28 session in October, or, for a county or local tax collecting unit
29 that approves under section 44a(2) the accelerated collection in a



1 summer property tax levy of a millage that had been previously
 2 billed and collected as in a preceding tax year as part of the
 3 winter property tax levy, before a special meeting held before the
 4 annual levy on July 1, the county board of commissioners shall not
 5 authorize the levy of a tax unless the governing body of the taxing
 6 jurisdiction has certified that the requested millage has been
 7 reduced, if necessary, in compliance with section 31 of article IX
 8 of the state constitution of 1963.

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

16 (7) A millage reduction fraction shall be determined for each
 17 year for each local unit of government. For ad valorem property
 18 taxes that became a lien before January 1, 1983, the numerator of
 19 the fraction shall be the total state equalized valuation for the
 20 immediately preceding year multiplied by the inflation rate and the
 21 denominator of the fraction shall be the total state equalized
 22 valuation for the current year minus new construction and
 23 improvements. For ad valorem property taxes that become a lien
 24 after December 31, 1982 and through December 31, 1994, the
 25 numerator of the fraction shall be the product of the difference
 26 between the total state equalized valuation for the immediately
 27 preceding year minus losses multiplied by the inflation rate and
 28 the denominator of the fraction shall be the total state equalized
 29 valuation for the current year minus additions. For ad valorem



1 property taxes that are levied after December 31, 1994, the
2 numerator of the fraction shall be the product of the difference
3 between the total taxable value for the immediately preceding year
4 minus losses multiplied by the inflation rate and the denominator
5 of the fraction shall be the total taxable value for the current
6 year minus additions. For each year after 1993, a millage reduction
7 fraction shall not exceed 1.

8 (8) The compounded millage reduction fraction shall be
9 calculated by multiplying the local unit's previous year's
10 compounded millage reduction fraction by the current year's millage
11 reduction fraction. The compounded millage reduction fraction for
12 the year shall be multiplied by the maximum millage rate authorized
13 by law or charter for the unit of local government for the year,
14 except as provided by subsection (9). A compounded millage
15 reduction fraction shall not exceed 1.

16 (9) The millage reduction shall be determined separately for
17 authorized millage approved by the voters. The limitation on
18 millage authorized by the voters on or before April 30 of a year
19 shall be calculated beginning with the millage reduction fraction
20 for that year. Millage authorized by the voters after April 30
21 shall not be subject to a millage reduction until the year
22 following the voter authorization which shall be calculated
23 beginning with the millage reduction fraction for the year
24 following the authorization. The first millage reduction fraction
25 used in calculating the limitation on millage approved by the
26 voters after January 1, 1979 shall not exceed 1.

27 (10) A millage reduction fraction shall be applied separately
28 to the aggregate maximum millage rate authorized by a charter and
29 to each maximum millage rate authorized by state law for a specific



1 purpose.

2 (11) A unit of local government may submit to the voters for
 3 their approval the levy in that year of a tax rate in excess of the
 4 limit set by this section. The ballot question shall ask the voters
 5 to approve the levy of a specific number of mills in excess of the
 6 limit. The provisions of this section do not allow the levy of a
 7 millage rate in excess of the maximum rate authorized by law or
 8 charter. If the authorization to levy millage expires after 1993
 9 and a local governmental unit is asking voters to renew the
 10 authorization to levy the millage, the ballot question shall ask
 11 for renewed authorization for the number of expiring mills as
 12 reduced by the millage reduction required by this section. If the
 13 election occurs before June 1 of a year, the millage reduction is
 14 based on the immediately preceding year's millage reduction
 15 applicable to that millage. If the election occurs after May 31 of
 16 a year, the millage reduction shall be based on that year's millage
 17 reduction applicable to that millage had it not expired.

18 (12) A reduction or limitation under this section shall not be
 19 applied to taxes imposed for the payment of principal and interest
 20 on bonds or other evidence of indebtedness or for the payment of
 21 assessments or contract obligations in anticipation of which bonds
 22 are issued that were authorized before December 23, 1978, as
 23 provided by section 4 of chapter I of former 1943 PA 202, or to
 24 taxes imposed for the payment of principal and interest on bonds or
 25 other evidence of indebtedness or for the payment of assessments or
 26 contract obligations in anticipation of which bonds are issued that
 27 are approved by the voters after December 22, 1978.

28 (13) If it is determined subsequent to the levy of a tax that
 29 an incorrect millage reduction fraction has been applied, the



1 amount of additional tax revenue or the shortage of tax revenue
 2 shall be deducted from or added to the next regular tax levy for
 3 that unit of local government after the determination of the
 4 authorized rate pursuant to this section.

5 (14) If as a result of an appeal of county equalization or
 6 state equalization the taxable value of a unit of local government
 7 changes, the millage reduction fraction for the year shall be
 8 recalculated. The financial officer shall effectuate an addition or
 9 reduction of tax revenue in the same manner as prescribed in
 10 subsection (13).

11 (15) The fractions calculated pursuant to this section shall
 12 be rounded to 4 decimal places, except that the inflation rate
 13 shall be computed by the state tax commission and shall be rounded
 14 to 3 decimal places. The state tax commission shall publish the
 15 inflation rate before March 1 of each year.

16 (16) Beginning with taxes levied in 1994, the millage
 17 reduction required by section 31 of article IX of the state
 18 constitution of 1963 shall permanently reduce the maximum rate or
 19 rates authorized by law or charter. The reduced maximum authorized
 20 rate or rates for 1994 shall equal the product of the maximum rate
 21 or rates authorized by law or charter before application of this
 22 section multiplied by the compounded millage reduction applicable
 23 to that millage in 1994 pursuant to subsections (8) to (12). The
 24 reduced maximum authorized rate or rates for 1995 and each year
 25 after 1995 shall equal the product of the immediately preceding
 26 year's reduced maximum authorized rate or rates multiplied by the
 27 current year's millage reduction fraction and shall be adjusted for
 28 millage for which authorization has expired and new authorized
 29 millage approved by the voters pursuant to subsections (8) to (12).



1 Enacting section 1. This amendatory act does not take effect
2 unless Senate Bill No. 47 of the 100th Legislature is enacted into
3 law.

