



# SENATE BILL No. 255

February 8, 1995, Introduced by Senators STILLE, SCHUETTE, GAST, SHUGARS, ROGERS, MC MANUS, NORTH, DE GROW and STEIL and referred to the Committee on Finance.

A bill to amend section 27 of Act No. 206 of the Public Acts of 1893, entitled as amended

"The general property tax act,"

as amended by Act No. 415 of the Public Acts of 1994, being section 211.27 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 27 of Act No. 206 of the Public Acts of  
2 1893, as amended by Act No. 415 of the Public Acts of 1994, being  
3 section 211.27 of the Michigan Compiled Laws, is amended to read  
4 as follows:

5 Sec. 27. (1) As used in this act, "cash value" means the  
6 usual selling price at the place where the property to which the  
7 term is applied is at the time of assessment AND FOR THE EXISTING  
8 USE OF THE PROPERTY AT THE TIME OF THE ASSESSMENT, being the  
9 price that could be obtained for the property at private sale,

1 and not at auction sale except as otherwise provided in this  
2 section, or at forced sale. The usual selling price may include  
3 sales at public auction held by a nongovernmental agency or  
4 person when those sales have become a common method of acquisi-  
5 tion in the jurisdiction for the class of property being valued.  
6 The usual selling price does not include sales at public auction  
7 ~~where~~ IF the sale is part of a liquidation of the seller's  
8 assets in a bankruptcy proceeding or ~~where~~ IF the seller is  
9 unable to use common marketing techniques to obtain the usual  
10 selling price for the property. A sale or other disposition by  
11 the state or an agency or political subdivision of the state of  
12 land acquired for delinquent taxes or an appraisal made in con-  
13 nection with the sale or other disposition or the value  
14 attributed to the property of regulated public utilities by a  
15 governmental regulatory agency for rate-making purposes shall not  
16 be considered controlling evidence of true cash value for assess-  
17 ment purposes. In determining the value, the assessor shall also  
18 consider the advantages and disadvantages of location; quality of  
19 soil; zoning; existing use; present economic income of struc-  
20 tures, including farm structures; present economic income of land  
21 if the land is being farmed or otherwise put to income producing  
22 use; quantity and value of standing timber; water power and priv-  
23 ileges; and mines, minerals, quarries, or other valuable deposits  
24 known to be available in the land and their value. IN DETERMIN-  
25 ING THE VALUE, THE ASSESSOR SHALL CONSIDER ONLY THE EXISTING USE  
26 OF THE PROPERTY AT THE TIME OF THE DETERMINATION WITHOUT REGARD  
27 TO THE HIGHEST AND BEST USE OF THE PROPERTY.

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

19           (a) Outside painting.

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

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

23           (d) Replacement of awnings.

24           (e) Adding or replacing gutters and downspouts.

25           (f) Replacing storm windows or doors.

26           (g) Insulation or weatherstripping.

- 1 (h) Complete rewiring.
- 2 (i) Replacing plumbing and light fixtures.
- 3 (j) New furnace replacing a furnace of the same type or  
4 replacing oil or gas burner.
- 5 (k) Plaster repairs, inside painting, or other  
6 redecorating.
- 7 (l) New ceiling, wall, or floor surfacing.
- 8 (m) Removing partitions to enlarge rooms.
- 9 (n) Replacing automatic hot water heater.
- 10 (o) Replacing dated interior woodwork.
- 11 (3) A city or township assessor, a county equalization  
12 department, or the state tax commission before utilizing real  
13 estate sales data on real property purchases, including purchases  
14 by land contract, for the purpose of determining assessments or  
15 in making sales ratio studies for the purpose of assessing or  
16 equalizing assessments shall exclude from the sales data the fol-  
17 lowing amounts allowed by subdivisions (a), (b), and (c) to the  
18 extent that the amounts are included in the real property pur-  
19 chase price and are so identified in the real estate sales data  
20 or certified to the assessor as provided in subdivision (d):
- 21 (a) Amounts paid for obtaining financing of the purchase  
22 price of the property or the last conveyance of the property.
- 23 (b) Amounts attributable to personal property that were  
24 included in the purchase price of the property in the last con-  
25 veyance of the property.
- 26 (c) Amounts paid for surveying the property pursuant to the  
27 last conveyance of the property. The legislature may require

1 local units of government, including school districts, to submit  
2 reports of revenue lost under subdivisions (a) and (b) and this  
3 subdivision so that the state may reimburse those units for that  
4 lost revenue.

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

13 (4) As used in subsection (1), "present economic income"  
14 means for leased or rented property the ordinary, general, and  
15 usual economic return realized from the lease or rental of prop-  
16 erty negotiated under current, contemporary conditions between  
17 parties equally knowledgeable and familiar with real estate  
18 values. The actual income generated by the lease or rental of  
19 property is not the controlling indicator of its cash value in  
20 all cases. This subsection does not apply to property subject to  
21 a lease entered into before January 1, 1984 for which the terms  
22 of the lease governing the rental rate or tax liability have not  
23 been renegotiated after December 31, 1983. This subsection does  
24 not apply to a nonprofit housing cooperative subject to regula-  
25 tory agreements between the state or federal government entered  
26 into before January 1, 1984. As used in this subsection,  
27 "nonprofit cooperative housing corporation" means a nonprofit

1 cooperative housing corporation that is engaged in providing  
2 housing services to its stockholders and members and that does  
3 not pay dividends or interest upon stock or membership investment  
4 but that does distribute all earnings to its stockholders or  
5 members.

6 (5) Beginning December 31, 1994, the purchase price paid in  
7 a transfer of property is not the presumptive true cash value of  
8 the property transferred. In determining the true cash value of  
9 transferred property, an assessing officer shall assess that  
10 property using the same valuation method used to value all other  
11 property of that same classification in the assessing  
12 jurisdiction. As used in this subsection, "purchase price" means  
13 the total consideration agreed to in an arms-length transaction  
14 and not at a forced sale paid by the purchaser of the property,  
15 stated in dollars, whether or not paid in dollars.