

HOUSE BILL No. 4072

January 28, 1997, Introduced by Rep. Voorhees 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 1994 PA 415.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27. (1) As used in this act, "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
4 that could be obtained for the property at private sale, and not
5 at auction sale except as otherwise provided in this section, or
6 at forced sale. The usual selling price may include sales at
7 public auction held by a nongovernmental agency or person ~~when~~
8 IF those sales have become a common method of acquisition in the
9 jurisdiction for the class of property being valued. The usual
10 selling price does not include sales at public auction ~~where~~ IF
11 the sale is part of a liquidation of the seller's assets in a

1 bankruptcy proceeding or ~~where~~ IF the seller is unable to use
2 common marketing techniques to obtain the usual selling price for
3 the property. A sale or other disposition by the state or an
4 agency or political subdivision of the state of land acquired for
5 delinquent taxes or an appraisal made in connection with the sale
6 or other disposition or the value attributed to the property of
7 regulated public utilities by a governmental regulatory agency
8 for rate-making purposes ~~shall~~ IS not ~~be considered~~ control-
9 ling evidence of true cash value for assessment purposes. In
10 determining the value, the assessor shall also consider the
11 advantages and disadvantages of location; quality of soil;
12 zoning; existing use; present economic income of structures,
13 including farm structures; present economic income of land if the
14 land is being farmed or otherwise put to income producing use;
15 quantity and value of standing timber; water power and privi-
16 leges; and mines, minerals, quarries, or other valuable deposits
17 known to be available in the land and their value. HOWEVER, IN
18 DETERMINING THE VALUE OF UNIMPROVED REAL PROPERTY, THE ASSESSOR
19 SHALL NOT CONSIDER THE INCREASE IN TRUE CASH VALUE THAT IS A
20 RESULT OF IMPROVEMENTS THAT ARE DEEDED TO THE LOCAL UNIT OF GOV-
21 ERNMENT IN WHICH THE PROPERTY IS LOCATED UNTIL THE PROPERTY IS
22 SOLD.

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

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

- 14 (a) Outside painting.
- 15 (b) Repairing or replacing siding, roof, porches, steps,
16 sidewalks, ~~and~~ OR drives.
- 17 (c) Repainting, repairing, or replacing existing masonry.
- 18 (d) ~~Replacement of~~ REPLACING awnings.
- 19 (e) Adding or replacing gutters and downspouts.
- 20 (f) Replacing storm windows or doors.
- 21 (g) ~~Insulation~~ INSULATING or weatherstripping.
- 22 (h) Complete rewiring.
- 23 (i) Replacing plumbing and light fixtures.
- 24 (j) ~~New furnace replacing~~ REPLACING a furnace WITH A NEW
25 FURNACE of the same type or replacing AN oil or gas burner.
- 26 (k) Plaster repairs, inside painting, or other
27 redecorating.

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

2 (m) Removing partitions to enlarge rooms.

3 (n) Replacing AN automatic hot water heater.

4 (o) Replacing dated interior woodwork.

5 (3) A city or township assessor, a county equalization
6 department, or the state tax commission before utilizing real
7 estate sales data on real property purchases, including purchases
8 by land contract, ~~for the purpose of determining~~ TO DETERMINE
9 assessments or in making sales ratio studies ~~for the purpose of~~
10 ~~assessing or equalizing~~ TO ASSESS PROPERTY OR EQUALIZE assess-
11 ments shall exclude from the sales data the following amounts
12 allowed by subdivisions (a), (b), and (c) to the extent that the
13 amounts are included in the real property purchase price and are
14 so identified in the real estate sales data or certified to the
15 assessor as provided in subdivision (d):

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

18 (b) Amounts attributable to personal property that were
19 included in the purchase price of the property in the last con-
20 veyance of the property.

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

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

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

1 but that does distribute all earnings to its stockholders or
2 members.

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