

Legislative Analysis



CONDEMNATION PROCEDURES: PRINCIPAL RESIDENCE

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House Bill 6223 without amendment

Sponsor: Rep. Douglas Geiss

Committee: Urban Policy

Complete to 6-7-10

A SUMMARY OF HOUSE BILL 6223 AS REPORTED FROM COMMITTEE

The bill would amend the Uniform Condemnation Procedures Act, which provides standards for the acquisition (taking) of property by a public or private agency, for the conduct of condemnation actions, and for the determination of just compensation.

Currently, under the act, if the property being taken is a principal residence -- an owner-occupied residence -- the compensation for the property owner must include an additional amount that takes into account the cap on valuations that such properties enjoy for property tax purposes.* Specifically, this additional amount is determined by subtracting the taxable value of the property from the state equalized value, multiplying that by the appropriate property tax millage rate, and multiplying that by the number of years the owner or owners have owned the residence, up to five years. (Essentially this is intended as compensation to a homeowner for the loss of favorable property tax treatment.)

House Bill 6223 would instead allow in certain cases up to ten years of ownership to be used in calculating the additional amount that would be due to the owner of a principal residence taken under act. This would only apply if the owner purchases a replacement dwelling to be used as a principal residence that is located in the same city, village, or township as the property being taken. The new property would have to be purchased within 180 days after title to the first property vests in the agency acquiring property.

[*Generally speaking, under state property tax law, the increase in the assessment of a parcel of real property cannot increase from one year to the next by more than the rate of inflation or five percent, whichever is less. However, when property is sold or transferred, its valuation returns (or "pops up") to 50 percent of the market value. At that point, the assessment cap once again begins to apply, this time to the readjusted assessment. The "taxable value" of a property is the amount on which property taxes are based and reflects the capped value. The "state equalized value" is the value that reflects market value.]

FISCAL IMPACT:

In cases where the bill's criteria apply, there could be increased costs to the agencies engaged in acquiring property using the Uniform Condemnation Procedures Act.

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