

**SUBSTITUTE FOR
HOUSE BILL NO. 4244**

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 2012 PA 497.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27a. (1) Except as otherwise provided in this section,
2 property shall be assessed at 50% of its true cash value under
3 section 3 of article IX of the state constitution of 1963.

4 (2) Except as otherwise provided in subsection (3), for taxes
5 levied in 1995 and for each year after 1995, the taxable value of
6 each parcel of property is the lesser of the following:

7 (a) The property's taxable value in the immediately preceding
8 year minus any losses, multiplied by the lesser of 1.05 or the
9 inflation rate, plus all additions. For taxes levied in 1995, the

1 property's taxable value in the immediately preceding year is the
2 property's state equalized valuation in 1994.

3 (b) The property's current state equalized valuation.

4 (3) Upon a transfer of ownership of property after 1994, the
5 property's taxable value for the calendar year following the year
6 of the transfer is the property's state equalized valuation for the
7 calendar year following the transfer.

8 (4) If the taxable value of property is adjusted under
9 subsection (3), a subsequent increase in the property's taxable
10 value is subject to the limitation set forth in subsection (2)
11 until a subsequent transfer of ownership occurs. If the taxable
12 value of property is adjusted under subsection (3) and the assessor
13 determines that there had not been a transfer of ownership, the
14 taxable value of the property shall be adjusted at the July or
15 December board of review. Notwithstanding the limitation provided
16 in section 53b(1) on the number of years for which a correction may
17 be made, the July or December board of review may adjust the
18 taxable value of property under this subsection for the current
19 year and for the 3 immediately preceding calendar years. A
20 corrected tax bill shall be issued for each tax year for which the
21 taxable value is adjusted by the local tax collecting unit if the
22 local tax collecting unit has possession of the tax roll or by the
23 county treasurer if the county has possession of the tax roll. For
24 purposes of section 53b, an adjustment under this subsection shall
25 be considered the correction of a clerical error.

26 (5) Assessment of property, as required in this section and
27 section 27, is inapplicable to the assessment of property subject

1 to the levy of ad valorem taxes within voted tax limitation
2 increases to pay principal and interest on limited tax bonds issued
3 by any governmental unit, including a county, township, community
4 college district, or school district, before January 1, 1964, if
5 the assessment required to be made under this act would be less
6 than the assessment as state equalized prevailing on the property
7 at the time of the issuance of the bonds. This inapplicability
8 shall continue until levy of taxes to pay principal and interest on
9 the bonds is no longer required. The assessment of property
10 required by this act shall be applicable for all other purposes.

11 (6) As used in this act, "transfer of ownership" means the
12 conveyance of title to or a present interest in property, including
13 the beneficial use of the property, the value of which is
14 substantially equal to the value of the fee interest. Transfer of
15 ownership of property includes, but is not limited to, the
16 following:

17 (a) A conveyance by deed.

18 (b) A conveyance by land contract. The taxable value of
19 property conveyed by a land contract executed after December 31,
20 1994 shall be adjusted under subsection (3) for the calendar year
21 following the year in which the contract is entered into and shall
22 not be subsequently adjusted under subsection (3) when the deed
23 conveying title to the property is recorded in the office of the
24 register of deeds in the county in which the property is located.

25 (c) A conveyance to a trust after December 31, 1994, except if
26 the settlor or the settlor's spouse, or both, conveys the property
27 to the trust and the sole present beneficiary or beneficiaries are

1 the settlor or the settlor's spouse, or both.

2 (d) A conveyance by distribution from a trust, except if the
3 distributee is the sole present beneficiary or the spouse of the
4 sole present beneficiary, or both.

5 (e) A change in the sole present beneficiary or beneficiaries
6 of a trust, except a change that adds or substitutes the spouse of
7 the sole present beneficiary.

8 (f) A conveyance by distribution under a will or by intestate
9 succession, except if the distributee is the decedent's spouse.

10 (g) A conveyance by lease if the total duration of the lease,
11 including the initial term and all options for renewal, is more
12 than 35 years or the lease grants the lessee a bargain purchase
13 option. As used in this subdivision, "bargain purchase option"
14 means the right to purchase the property at the termination of the
15 lease for not more than 80% of the property's projected true cash
16 value at the termination of the lease. After December 31, 1994, the
17 taxable value of property conveyed by a lease with a total duration
18 of more than 35 years or with a bargain purchase option shall be
19 adjusted under subsection (3) for the calendar year following the
20 year in which the lease is entered into. This subdivision does not
21 apply to personal property except buildings described in section
22 14(6) and personal property described in section 8(h), (i), and
23 (j). This subdivision does not apply to that portion of the
24 property not subject to the leasehold interest conveyed.

25 (h) Except as otherwise provided in this subdivision, a
26 conveyance of an ownership interest in a corporation, partnership,
27 sole proprietorship, limited liability company, limited liability

1 partnership, or other legal entity if the ownership interest
2 conveyed is more than 50% of the corporation, partnership, sole
3 proprietorship, limited liability company, limited liability
4 partnership, or other legal entity. Unless notification is provided
5 under subsection (10), the corporation, partnership, sole
6 proprietorship, limited liability company, limited liability
7 partnership, or other legal entity shall notify the assessing
8 officer on a form provided by the state tax commission not more
9 than 45 days after a conveyance of an ownership interest that
10 constitutes a transfer of ownership under this subdivision. Both of
11 the following apply to a corporation subject to 1897 PA 230, MCL
12 455.1 to 455.24:

13 (i) A transfer of stock of the corporation is a transfer of
14 ownership only with respect to the real property that is assessed
15 to the transferor lessee stockholder.

16 (ii) A cumulative conveyance of more than 50% of the
17 corporation's stock does not constitute a transfer of ownership of
18 the corporation's real property.

19 (i) A transfer of property held as a tenancy in common, except
20 that portion of the property not subject to the ownership interest
21 conveyed.

22 (j) A conveyance of an ownership interest in a cooperative
23 housing corporation, except that portion of the property not
24 subject to the ownership interest conveyed.

25 (7) Transfer of ownership does not include the following:

26 (a) The transfer of property from 1 spouse to the other spouse
27 or from a decedent to a surviving spouse.

1 (b) A transfer from a husband, a wife, or a husband and wife
2 creating or disjoining a tenancy by the entireties in the grantors
3 or the grantor and his or her spouse.

4 (c) A transfer of that portion of property subject to a life
5 estate or life lease retained by the transferor, until expiration
6 or termination of the life estate or life lease. That portion of
7 property transferred that is not subject to a life lease shall be
8 adjusted under subsection (3).

9 (d) A transfer through foreclosure or forfeiture of a recorded
10 instrument under chapter 31, 32, or 57 of the revised judicature
11 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
12 to 600.5759, or through deed or conveyance in lieu of a foreclosure
13 or forfeiture, until the mortgagee or land contract vendor
14 subsequently transfers the property. If a mortgagee does not
15 transfer the property within 1 year of the expiration of any
16 applicable redemption period, the property shall be adjusted under
17 subsection (3).

18 (e) A transfer by redemption by the person to whom taxes are
19 assessed of property previously sold for delinquent taxes.

20 (f) A conveyance to a trust if the settlor or the settlor's
21 spouse, or both, conveys the property to the trust and the sole
22 present beneficiary of the trust is the settlor or the settlor's
23 spouse, or both.

24 (g) A transfer pursuant to a judgment or order of a court of
25 record making or ordering a transfer, unless a specific monetary
26 consideration is specified or ordered by the court for the
27 transfer.

1 (h) A transfer creating or terminating a joint tenancy between
2 2 or more persons if at least 1 of the persons was an original
3 owner of the property before the joint tenancy was initially
4 created and, if the property is held as a joint tenancy at the time
5 of conveyance, at least 1 of the persons was a joint tenant when
6 the joint tenancy was initially created and that person has
7 remained a joint tenant since the joint tenancy was initially
8 created. A joint owner at the time of the last transfer of
9 ownership of the property is an original owner of the property. For
10 purposes of this subdivision, a person is an original owner of
11 property owned by that person's spouse.

12 (i) A transfer for security or an assignment or discharge of a
13 security interest.

14 (j) A transfer of real property or other ownership interests
15 among members of an affiliated group. As used in this subsection,
16 "affiliated group" means 1 or more corporations connected by stock
17 ownership to a common parent corporation. Upon request by the state
18 tax commission, a corporation shall furnish proof within 45 days
19 that a transfer meets the requirements of this subdivision. A
20 corporation that fails to comply with a request by the state tax
21 commission under this subdivision is subject to a fine of \$200.00.

22 (k) Normal public trading of shares of stock or other
23 ownership interests that, over any period of time, cumulatively
24 represent more than 50% of the total ownership interest in a
25 corporation or other legal entity and are traded in multiple
26 transactions involving unrelated individuals, institutions, or
27 other legal entities.

1 (l) A transfer of real property or other ownership interests
2 among corporations, partnerships, limited liability companies,
3 limited liability partnerships, or other legal entities if the
4 entities involved are commonly controlled. Upon request by the
5 state tax commission, a corporation, partnership, limited liability
6 company, limited liability partnership, or other legal entity shall
7 furnish proof within 45 days that a transfer meets the requirements
8 of this subdivision. A corporation, partnership, limited liability
9 company, limited liability partnership, or other legal entity that
10 fails to comply with a request by the state tax commission under
11 this subdivision is subject to a fine of \$200.00.

12 (m) A direct or indirect transfer of real property or other
13 ownership interests resulting from a transaction that qualifies as
14 a tax-free reorganization under section 368 of the internal revenue
15 code, 26 USC 368. Upon request by the state tax commission, a
16 property owner shall furnish proof within 45 days that a transfer
17 meets the requirements of this subdivision. A property owner who
18 fails to comply with a request by the state tax commission under
19 this subdivision is subject to a fine of \$200.00.

20 (n) A transfer of qualified agricultural property, if the
21 person to whom the qualified agricultural property is transferred
22 files an affidavit with the assessor of the local tax collecting
23 unit in which the qualified agricultural property is located and
24 with the register of deeds for the county in which the qualified
25 agricultural property is located attesting that the qualified
26 agricultural property shall remain qualified agricultural property.
27 The affidavit under this subdivision shall be in a form prescribed

1 by the department of treasury. An owner of qualified agricultural
 2 property shall inform a prospective buyer of that qualified
 3 agricultural property that the qualified agricultural property is
 4 subject to the recapture tax provided in the agricultural property
 5 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
 6 qualified agricultural property is converted by a change in use, **AS**
 7 **THAT TERM IS DEFINED IN SECTION 2 OF THE AGRICULTURAL PROPERTY**
 8 **RECAPTURE ACT, 2000 PA 261, MCL 211.1002.** If property ceases to be
 9 qualified agricultural property at any time after being
 10 transferred, all of the following shall occur:

11 (i) The taxable value of that property shall be adjusted under
 12 subsection (3) as of the December 31 in the year that the property
 13 ceases to be qualified agricultural property.

14 (ii) The property is subject to the recapture tax provided for
 15 under the agricultural property recapture act, 2000 PA 261, MCL
 16 211.1001 to 211.1007.

17 (o) A transfer of qualified forest property, if the person to
 18 whom the qualified forest property is transferred files ~~an~~**A**
 19 **QUALIFIED FOREST TAXABLE VALUE** affidavit with the assessor of the
 20 local tax collecting unit in which the qualified forest property is
 21 located and with the register of deeds for the county in which the
 22 qualified forest property is located attesting that the qualified
 23 forest property shall remain qualified forest property. The
 24 **QUALIFIED FOREST TAXABLE VALUE** affidavit under this subdivision
 25 shall be in a form prescribed by the department of ~~treasury~~
 26 **AGRICULTURE AND RURAL DEVELOPMENT. THE QUALIFIED FOREST TAXABLE**
 27 **VALUE AFFIDAVIT SHALL INCLUDE A LEGAL DESCRIPTION OF THE QUALIFIED**

1 FOREST PROPERTY, THE NAME OF THE NEW PROPERTY OWNER, THE YEAR THE
2 TRANSFER OF THE PROPERTY OCCURRED, A STATEMENT INDICATING THAT THE
3 PROPERTY OWNER IS ATTESTING THAT THE PROPERTY FOR WHICH THE
4 EXEMPTION IS CLAIMED IS QUALIFIED FOREST PROPERTY AND WILL BE
5 MANAGED ACCORDING TO THE APPROVED FOREST MANAGEMENT PLAN, AND ANY
6 OTHER INFORMATION PERTINENT TO THE PARCEL AND THE PROPERTY OWNER.
7 THE PROPERTY OWNER SHALL PROVIDE A COPY OF THE QUALIFIED FOREST
8 TAXABLE VALUE AFFIDAVIT TO THE DEPARTMENT. THE DEPARTMENT SHALL
9 PROVIDE 1 COPY OF THE QUALIFIED FOREST TAXABLE VALUE AFFIDAVIT TO
10 THE LOCAL TAX COLLECTING UNIT, 1 COPY TO THE CONSERVATION DISTRICT,
11 AND 1 COPY TO THE DEPARTMENT OF TREASURY. THESE COPIES MAY BE SENT
12 ELECTRONICALLY. THE EXCEPTION TO THE RECOGNITION OF A TRANSFER OF
13 OWNERSHIP, AS HEREIN STATED, SHALL EXTEND TO THE LAND ONLY OF THE
14 QUALIFIED FOREST PROPERTY. IF QUALIFIED FOREST PROPERTY IS IMPROVED
15 BY BUILDINGS, STRUCTURES, OR LAND IMPROVEMENTS, THEN THOSE
16 IMPROVEMENTS SHALL BE RECOGNIZED AS A TRANSFER OF OWNERSHIP, IN
17 ACCORDANCE WITH THE PROVISIONS OF SECTION 7JJ. An owner of
18 qualified forest property shall inform a prospective buyer of that
19 qualified forest property that the qualified forest property is
20 subject to the recapture tax provided in the qualified forest
21 property recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036,
22 if the qualified forest property is converted by a change in use,
23 AS THAT TERM IS DEFINED IN SECTION 2 OF THE QUALIFIED FOREST
24 PROPERTY RECAPTURE TAX ACT, 2006 PA 379, MCL 211.1032. If property
25 ceases to be qualified forest property at any time after being
26 transferred, all of the following shall occur:

27 (i) The taxable value of that property shall be adjusted under

1 subsection (3) as of the December 31 in the year that the property
2 ceases to be qualified forest property, **EXCEPT TO THE EXTENT THAT**
3 **THE TRANSFER OF THE QUALIFIED FOREST PROPERTY WOULD NOT HAVE BEEN**
4 **CONSIDERED A TRANSFER OF OWNERSHIP UNDER THIS SUBSECTION.**

5 (ii) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBPARAGRAPH (iii),** THE
6 property is subject to the recapture tax provided for under the
7 qualified forest property recapture tax act, 2006 PA 379, MCL
8 211.1031 to 211.1036.

9 (iii) **BEGINNING JUNE 1, 2013 AND ENDING NOVEMBER 30, 2013,**
10 **OWNERS OF PROPERTY ENROLLED AS QUALIFIED FOREST PROPERTY PRIOR TO**
11 **JANUARY 1, 2013 MAY EXECUTE A NEW QUALIFIED FOREST TAXABLE VALUE**
12 **AFFIDAVIT WITH THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT.**
13 **IF A LANDOWNER ELECTS TO EXECUTE A QUALIFIED FOREST TAXABLE VALUE**
14 **AFFIDAVIT, THAT OWNER IS NOT REQUIRED TO PAY THE \$50.00 FEE**
15 **REQUIRED UNDER SECTION 7JJ(2). IF A LANDOWNER ELECTS NOT TO EXECUTE**
16 **A QUALIFIED FOREST TAXABLE VALUE AFFIDAVIT, THE EXISTING AFFIDAVIT**
17 **SHALL BE RESCINDED, WITHOUT SUBJECTING THE PROPERTY TO THE**
18 **RECAPTURE TAX PROVIDED FOR UNDER THE QUALIFIED FOREST PROPERTY**
19 **RECAPTURE TAX ACT, 2006 PA 379, MCL 211.1031 TO 211.1036, AND THE**
20 **TAXABLE VALUE OF THAT PROPERTY SHALL BE ADJUSTED UNDER SUBSECTION**
21 **(3).**

22 (p) Beginning on December 8, 2006, a transfer of land, but not
23 buildings or structures located on the land, which meets 1 or more
24 of the following requirements:

25 (i) The land is subject to a conservation easement under
26 subpart 11 of part 21 of the natural resources and environmental
27 protection act, 1994 PA 451, MCL 324.2140 to 324.2144. As used in

1 this subparagraph, "conservation easement" means that term as
2 defined in section 2140 of the natural resources and environmental
3 protection act, 1994 PA 451, MCL 324.2140.

4 (ii) A transfer of ownership of the land or a transfer of an
5 interest in the land is eligible for a deduction as a qualified
6 conservation contribution under section 170(h) of the internal
7 revenue code, 26 USC 170.

8 (q) A transfer of real property or other ownership interests
9 resulting from a consolidation or merger of a domestic nonprofit
10 corporation that is a boy or girl scout or camp fire girls
11 organization, a 4-H club or foundation, a young men's Christian
12 association, or a young women's Christian association and at least
13 50% of the members of that organization or association are
14 residents of this state.

15 (r) A change to the assessment roll or tax roll resulting from
16 the application of section 16a of 1897 PA 230, MCL 455.16a.

17 (s) Beginning December 31, 2013, a transfer of residential
18 real property if the transferee is related to the transferor by
19 blood or affinity to the first degree and the use of the
20 residential real property does not change following the transfer.
21 As used in this subdivision, "residential real property" means real
22 property classified as residential real property under section 34c.

23 (8) If all of the following conditions are satisfied, the
24 local tax collecting unit shall revise the taxable value of
25 qualified agricultural property taxable on the tax roll in the
26 possession of that local tax collecting unit to the taxable value
27 that qualified agricultural property would have had if there had

1 been no transfer of ownership of that qualified agricultural
2 property since December 31, 1999 and there had been no adjustment
3 of that qualified agricultural property's taxable value under
4 subsection (3) since December 31, 1999:

5 (a) The qualified agricultural property was qualified
6 agricultural property for taxes levied in 1999 and each year after
7 1999.

8 (b) The owner of the qualified agricultural property files an
9 affidavit with the assessor of the local tax collecting unit under
10 subsection (7)(n).

11 (9) If the taxable value of qualified agricultural property is
12 adjusted under subsection (8), the owner of that qualified
13 agricultural property shall not be entitled to a refund for any
14 property taxes collected under this act on that qualified
15 agricultural property before the adjustment under subsection (8).

16 (10) The register of deeds of the county where deeds or other
17 title documents are recorded shall notify the assessing officer of
18 the appropriate local taxing unit not less than once each month of
19 any recorded transaction involving the ownership of property and
20 shall make any recorded deeds or other title documents available to
21 that county's tax or equalization department. Unless notification
22 is provided under subsection (6), the buyer, grantee, or other
23 transferee of the property shall notify the appropriate assessing
24 office in the local unit of government in which the property is
25 located of the transfer of ownership of the property within 45 days
26 of the transfer of ownership, on a form prescribed by the state tax
27 commission that states the parties to the transfer, the date of the

1 transfer, the actual consideration for the transfer, and the
2 property's parcel identification number or legal description. Forms
3 filed in the assessing office of a local unit of government under
4 this subsection shall be made available to the county tax or
5 equalization department for the county in which that local unit of
6 government is located. This subsection does not apply to personal
7 property except buildings described in section 14(6) and personal
8 property described in section 8(h), (i), and (j).

9 (11) As used in this section:

10 (a) "Additions" means that term as defined in section 34d.

11 (b) "Beneficial use" means the right to possession, use, and
12 enjoyment of property, limited only by encumbrances, easements, and
13 restrictions of record.

14 ~~—— (c) "Converted by a change in use" means that term as defined~~
15 ~~in the agricultural property recapture act, 2000 PA 261, MCL~~
16 ~~211.1001 to 211.1007.~~

17 (C) ~~(d)~~ "Inflation rate" means that term as defined in section
18 34d.

19 (D) ~~(e)~~ "Losses" means that term as defined in section 34d.

20 (E) ~~(f)~~ "Qualified agricultural property" means that term as
21 defined in section 7dd.

22 (F) ~~(g)~~ "Qualified forest property" means that term as defined
23 in section 7jj[1].

24 Enacting section 1. This amendatory act takes effect June 1,
25 2013.