

**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.

