



HOUSE BILL No. 5360

November 7, 1995, Introduced by Rep. Bobier and referred to the Committee on Tax Policy.

A bill to amend section 27a 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 211.27a of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 27a 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 211.27a of the Michigan Compiled Laws, is amended to read
4 as follows:

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

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

4 (a) The property's taxable value in the immediately preced-
5 ing year minus any losses, multiplied by the lesser of 1.05 or
6 the inflation rate, plus all additions. However, if a fraction
7 the numerator of which is the PROPERTY'S state equalized value
8 for the current year minus ~~additions~~ NEW PROPERTY and the
9 denominator of which is the PROPERTY'S state equalized value for
10 the immediately preceding year minus ~~losses~~ ANY LOSS is less
11 than both 1.05 and the inflation rate, for purposes of this sub-
12 division the taxable value is the product of the property's tax-
13 able value in the immediately preceding year minus losses, multi-
14 plied by that fraction, plus additions. For taxes levied in
15 1995, the property's taxable value in the immediately preceding
16 year is the property's state equalized valuation in 1994. AS
17 USED IN THIS SUBDIVISION, "NEW PROPERTY" AND "LOSS" MEAN THOSE
18 TERMS AS DEFINED BY THE STATE TAX COMMISSION AND USED IN THE
19 EQUALIZATION PROCESS UNDER SECTION 34.

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

21 (3) Upon a transfer of ownership of property after 1994, the
22 property's taxable value for the calendar year following the year
23 of the transfer is the property's state equalized valuation for
24 the calendar year following the transfer.

25 (4) If the taxable value of property is adjusted under sub-
26 section (3), a subsequent increase in the property's taxable

1 value is subject to the limitation set forth in subsection (2)
2 until a subsequent transfer of ownership occurs.

3 (5) Assessment of property, as required in this section and
4 section 27, is inapplicable to the assessment of property subject
5 to the levy of ad valorem taxes within voted tax limitation
6 increases to pay principal and interest on limited tax bonds
7 issued by any governmental unit, including a county, township,
8 community college district, or school district, before January 1,
9 1964, if the assessment required to be made under this act would
10 be less than the assessment as state equalized prevailing on the
11 property at the time of the issuance of the bonds. This inappli-
12 cability shall continue until levy of taxes to pay principal and
13 interest on the bonds is no longer required. The assessment of
14 property required by this act shall be applicable for all other
15 purposes.

16 (6) As used in this act, "transfer of ownership" means the
17 conveyance of title to or a present interest in property, includ-
18 ing the beneficial use of the property, the value of which is
19 substantially equal to the value of the fee interest. Transfer
20 of ownership of property includes, but is not limited to, the
21 following:

22 (a) A conveyance by deed.

23 (b) A conveyance by land contract. The taxable value of
24 property conveyed by a land contract executed after December 31,
25 1994 shall be adjusted under subsection (3) for the calendar year
26 following the year in which the contract is entered into and
27 shall not be subsequently adjusted under subsection (3) when the

1 deed conveying title to the property is recorded in the office of
2 the register of deeds in the county in which the property is
3 located.

4 (c) A conveyance to a trust after December 31, 1994, except
5 if the sole present beneficiary or beneficiaries are the settlor
6 or the settlor's spouse, or both.

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

10 (e) A change in the sole present beneficiary or beneficia-
11 ries of a trust, except a change that adds or substitutes the
12 spouse of the sole present beneficiary.

13 (f) A conveyance by distribution under a will or by intes-
14 tate succession, except if the distributee is the decedent's
15 spouse.

16 (g) A conveyance by lease if the total duration of the
17 lease, including the initial term and all options for renewal, is
18 more than 35 years or the lease grants the leasee a bargain pur-
19 chase option. As used in this subdivision, "bargain purchase
20 option" means the right to purchase the property at the termina-
21 tion of the lease for not more than 80% of the property's
22 projected true cash value at the termination of the lease. After
23 December 31, 1994, the taxable value of property conveyed by a
24 lease with a total duration of more than 35 years or with a bar-
25 gain purchase option shall be adjusted under subsection (3) for
26 the calendar year following the year in which the lease is
27 entered into. This subdivision does not apply to personal

1 property except buildings described in section 14(6) and personal
2 property described in section 8(h), (i), and (j). THIS SUBDIVI-
3 SION DOES NOT APPLY TO THAT PORTION OF THE PROPERTY NOT SUBJECT
4 TO THE LEASEHOLD INTEREST CONVEYED.

5 (h) A conveyance of an ownership interest in a corporation,
6 partnership, sole proprietorship, limited liability company,
7 limited liability partnership, or other legal entity if the
8 ownership interest conveyed is more than 50% of the corporation,
9 partnership, sole proprietorship, limited liability company,
10 limited liability partnership, or other legal entity. Unless
11 notification is provided under subsection (8), the corporation,
12 partnership, sole proprietorship, limited liability company,
13 limited liability partnership, or other legal entity shall notify
14 the assessing officer on a form provided by the state tax commis-
15 sion not more than 45 days after a conveyance of an ownership
16 interest that constitutes a transfer of ownership under this
17 subdivision.

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

21 (J) A CONVEYANCE OF AN OWNERSHIP INTEREST IN A COOPERATIVE
22 HOUSING CORPORATION, EXCEPT THAT PORTION OF THE PROPERTY NOT
23 SUBJECT TO THE OWNERSHIP INTEREST CONVEYED.

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

25 (a) The transfer of property from 1 spouse to the other
26 spouse 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 entirety in the
3 grantors 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
10 recorded instrument under chapter 31, 32, or 57 of the revised
11 judicature act of 1961, Act No. 236 of the Public Acts of 1961,
12 being sections 600.3101 to 600.3280 and 600.5701 to 600.5785 of
13 the Michigan Compiled Laws, or through deed or conveyance in lieu
14 of a foreclosure or forfeiture, until the mortgagee or land con-
15 tract vendor subsequently transfers the property. If a mortgagee
16 does not transfer the property within 1 year of the expiration of
17 any applicable redemption period, the property shall be adjusted
18 under subsection (3).

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

21 (f) A conveyance to a trust if the sole present beneficiary
22 of the trust is the settlor or the settlor's spouse.

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

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

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

14 (j) A transfer of real property or other ownership interests
15 among members of an affiliated group. As used in this subsec-
16 tion, "affiliated group" means 1 or more corporations connected
17 by stock ownership to a common parent corporation. Upon request
18 by the state tax commission, a corporation shall furnish proof
19 WITHIN 45 DAYS that a transfer meets the requirements of this
20 subdivision. A corporation that fails to comply with a request
21 by the state tax commission under this subdivision is subject to
22 ~~the penalties set forth in section 27b~~ A FINE OF \$200.00.

23 (k) Normal public trading of shares of stock or other owner-
24 ship interests that, over any period of time, cumulatively repre-
25 sent more than 50% of the total ownership interest in a corpora-
26 tion or other legal entity and are traded in multiple

1 transactions involving unrelated individuals, institutions, or
2 other legal entities.

3 (1) A transfer of real property or other ownership interests
4 among corporations, partnerships, limited liability companies,
5 limited liability partnerships, or other legal entities if the
6 entities involved are commonly controlled. Upon request by the
7 state tax commission, a corporation, partnership, limited liabil-
8 ity company, limited liability partnership, or other legal entity
9 shall furnish proof WITHIN 45 DAYS that a transfer meets the
10 requirements of this subdivision. A corporation, partnership,
11 limited liability company, limited liability partnership, or
12 other legal entity that fails to comply with a request by the
13 state tax commission under this subdivision is subject to ~~the~~
14 ~~penalties set forth in section 27b~~ A FINE OF \$200.00.

15 (m) A direct or indirect transfer of real property or other
16 ownership interests resulting from a transaction that qualifies
17 as a tax-free reorganization under section 368 of the internal
18 revenue code of 1986, 26 U.S.C. 368. Upon request by the state
19 tax commission, a property owner shall furnish proof WITHIN 45
20 DAYS that a transfer meets the requirements of this subdivision.
21 A property owner who fails to comply with a request by the state
22 tax commission under this subdivision is subject to ~~the penal-~~
23 ~~ties set forth in section 27b~~ A FINE OF \$200.00.

24 (8) The register of deeds of the county where deeds or other
25 title documents are recorded shall notify the assessing officer
26 of the appropriate local taxing unit not less than once each
27 month of any recorded transaction involving the ownership of

1 property AND SHALL MAKE ANY RECORDED DEEDS OR OTHER TITLE
2 DOCUMENTS AVAILABLE TO THAT COUNTY'S TAX OR EQUALIZATION
3 DEPARTMENT. Unless notification is provided under subsection
4 (6), ~~or (7)~~, the buyer, grantee, or other transferee of the
5 property shall notify the appropriate assessing office in the
6 local unit of government in which the property is located of the
7 transfer of ownership of the property within 45 days of the
8 transfer of ownership, on a form prescribed by the state tax com-
9 mission that states the parties to the transfer, the date of the
10 transfer, the actual consideration for the transfer, and the
11 property's parcel identification number or legal description.
12 FORMS FILED IN THE ASSESSING OFFICE OF A LOCAL UNIT OF GOVERNMENT
13 UNDER THIS SUBSECTION SHALL BE MADE AVAILABLE TO THE COUNTY TAX
14 OR EQUALIZATION DEPARTMENT FOR THE COUNTY IN WHICH THAT LOCAL
15 UNIT OF GOVERNMENT IS LOCATED. This subsection does not apply to
16 personal property except buildings described in section 14(6) and
17 personal property described in section 8(h), (i), and (j).

18 (9) As used in this section:

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

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

23 (c) "Inflation rate" means that term as defined in section
24 34d.

25 (d) "Losses" means that term as defined in section 34d.