

SENATE BILL No. 811

October 30, 2003, Introduced by Senators CASSIS, KUIPERS, BIRKHOLZ, GOSCHKA, BISHOP, SIKKEMA, HAMMERSTROM, CROUSEY, GEORGE, GILBERT, PATTERSON, BROWN, VAN WOERKOM, SANBORN, JELINEK, McMANUS, HARDIMAN, STAMAS, JOHNSON and GARCIA and referred to the Committee on Commerce and Labor.

A bill to amend 1893 PA 206, entitled "The general property tax act," by amending section 9b and 27 (MCL 211.9b and 211.27), section 9b as amended by 1994 PA 189 and section 27 as amended by 2002 PA 744.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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1 Sec. 9b. (1) ~~All special tools are~~ **Except as otherwise**
2 **provided in subsection (2), a special tool is** exempt from
3 ~~taxation~~ **the collection of taxes under this act.**

4 ~~(2) As used in this section, "special tools" means those~~
5 ~~manufacturing requisites, such as dies, jigs, fixtures, molds,~~
6 ~~patterns, gauges, or other tools, as defined by the state tax~~
7 ~~commission, that are held for use and not for sale in the~~
8 ~~ordinary course of business.~~

9 (2) ~~(3) Special tools are~~ **A special tool is** not exempt from

1 ~~taxation~~ the collection of taxes under this act if the value of
2 the special ~~tools~~ tool is included in the valuation of
3 inventory produced for sale.

4 (3) As used in this section:

5 (a) "Special tool" means a finished or unfinished device that
6 is used or is being prepared for use to produce a product or
7 model for which that device is designed, and that is of such a
8 specialized nature that the device's utility will cease to the
9 owner or user if the product or model is discontinued. Whether
10 or not a device is a special tool shall be determined without
11 regard to the device's actual economic life or useful life or the
12 product's or model's life in the marketplace. Special tool
13 includes, but is not limited to, a die, jig, fixture, mold,
14 pattern, or special gauge. Special tool does not include a
15 standard tool.

16 (b) "Standard tool" means a die, jig, fixture, mold, pattern,
17 gauge, or other tool that is not a special tool.

18 (c) "Utility will cease" means that if a product or model is
19 discontinued, a special tool cannot be used without modification
20 to produce a different product or model, notwithstanding any
21 benefit from incidental use, such as the production of
22 replacement parts for the original product or model.

23 Sec. 27. (1) As used in this act, "true cash value" means
24 the usual selling price at the place where the property to which
25 the term is applied is at the time of assessment, being the price
26 that could be obtained for the property at private sale, and not
27 at auction sale except as otherwise provided in this section, or

1 at forced sale. The usual selling price may include sales at
2 public auction held by a nongovernmental agency or person if
3 those sales have become a common method of acquisition in the
4 jurisdiction for the class of property being valued. The usual
5 selling price does not include sales at public auction if the
6 sale is part of a liquidation of the seller's assets in a
7 bankruptcy proceeding or if the seller is unable to use common
8 marketing techniques to obtain the usual selling price for the
9 property. A sale or other disposition by this state or an agency
10 or political subdivision of this state of land acquired for
11 delinquent taxes or an appraisal made in connection with the sale
12 or other disposition or the value attributed to the property of
13 regulated public utilities by a governmental regulatory agency
14 for rate-making purposes is not controlling evidence of true cash
15 value for assessment purposes. In determining the true cash
16 value, the assessor shall also consider the advantages and
17 disadvantages of location; quality of soil; zoning; existing use;
18 present economic income of structures, including farm structures;
19 present economic income of land if the land is being farmed or
20 otherwise put to income producing use; quantity and value of
21 standing timber; water power and privileges; and mines, minerals,
22 quarries, or other valuable deposits known to be available in the
23 land and their value. In determining the true cash value of
24 personal property owned by an electric utility cooperative, the
25 assessor shall consider the number of kilowatt hours of
26 electricity sold per mile of distribution line compared to the
27 average number of kilowatt hours of electricity sold per mile of

1 distribution line for all electric utilities.

2 (2) The assessor shall not consider the increase in true cash
3 value that is a result of expenditures for normal repairs,
4 replacement, and maintenance in determining the true cash value
5 of property for assessment purposes until the property is sold.
6 For the purpose of implementing this subsection, the assessor
7 shall not increase the construction quality classification or
8 reduce the effective age for depreciation purposes, except if the
9 appraisal of the property was erroneous before nonconsideration
10 of the normal repair, replacement, or maintenance, and shall not
11 assign an economic condition factor to the property that differs
12 from the economic condition factor assigned to similar properties
13 as defined by appraisal procedures applied in the jurisdiction.
14 The increase in value attributable to the items included in
15 subdivisions (a) to (o) that is known to the assessor and
16 excluded from true cash value shall be indicated on the
17 assessment roll. This subsection applies only to residential
18 property. The following repairs are considered normal
19 maintenance if they are not part of a structural addition or
20 completion:

21 (a) Outside painting.

22 (b) Repairing or replacing siding, roof, porches, steps,
23 sidewalks, or drives.

24 (c) Repainting, repairing, or replacing existing masonry.

25 (d) Replacing awnings.

26 (e) Adding or replacing gutters and downspouts.

27 (f) Replacing storm windows or doors.

1 (g) Insulating or weatherstripping.

2 (h) Complete rewiring.

3 (i) Replacing plumbing and light fixtures.

4 (j) Replacing a furnace with a new furnace of the same type
5 or replacing an oil or gas burner.

6 (k) Repairing plaster, inside painting, or other
7 redecorating.

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

9 (m) Removing partitions to enlarge rooms.

10 (n) Replacing an automatic hot water heater.

11 (o) Replacing dated interior woodwork.

12 (3) A city or township assessor, a county equalization
13 department, or the state tax commission before utilizing real
14 estate sales data on real property purchases, including purchases
15 by land contract, to determine assessments or in making sales
16 ratio studies to assess property or equalize assessments shall
17 exclude from the sales data the following amounts allowed by
18 subdivisions (a), (b), and (c) to the extent that the amounts are
19 included in the real property purchase price and are so
20 identified in the real estate sales data or certified to the
21 assessor as provided in subdivision (d):

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

24 (b) Amounts attributable to personal property that were
25 included in the purchase price of the property in the last
26 conveyance of the property.

27 (c) Amounts paid for surveying the property pursuant to the

1 last conveyance of the property. The legislature may require
2 local units of government, including school districts, to submit
3 reports of revenue lost under subdivisions (a) and (b) and this
4 subdivision so that the state may reimburse those units for that
5 lost revenue.

6 (d) The purchaser of real property, including a purchaser by
7 land contract, may file with the assessor of the city or township
8 in which the property is located 2 copies of the purchase
9 agreement or of an affidavit that identifies the amount, if any,
10 for each item listed in subdivisions (a) to (c). One copy shall
11 be forwarded by the assessor to the county equalization
12 department. The affidavit shall be prescribed by the state tax
13 commission.

14 (4) As used in subsection (1), "present economic income"
15 means for leased or rented property the ordinary, general, and
16 usual economic return realized from the lease or rental of
17 property negotiated under current, contemporary conditions
18 between parties equally knowledgeable and familiar with real
19 estate values. The actual income generated by the lease or
20 rental of property is not the controlling indicator of its true
21 cash value in all cases. This subsection does not apply to
22 property subject to a lease entered into before January 1, 1984
23 for which the terms of the lease governing the rental rate or tax
24 liability have not been renegotiated after December 31, 1983.
25 This subsection does not apply to a nonprofit housing cooperative
26 subject to regulatory agreements between the state or federal
27 government entered into before January 1, 1984. As used in this

1 subsection, "nonprofit cooperative housing corporation" means a
2 nonprofit cooperative housing corporation that is engaged in
3 providing housing services to its stockholders and members and
4 that does not pay dividends or interest upon stock or membership
5 investment but that does distribute all earnings to its
6 stockholders or members.

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

17 (6) For purposes of a statement submitted under section 19,
18 the true cash value of a standard tool is the net book value of
19 that standard tool as of December 31 in each tax year as
20 determined using generally accepted accounting principles in a
21 manner consistent with the established depreciation method used
22 by the person submitting that statement. The net book value of a
23 standard tool for federal income tax purposes is not the
24 presumptive true cash value of that standard tool. As used in
25 this subsection, "standard tool" means that term as defined in
26 section 9b.