

HOUSE BILL No. 6154

June 7, 2006, Introduced by Reps. Dillon, Waters, Acciavatti, Hunter, Adamini, Espinoza, Mayes, Farrah, Accavitti, Miller, Condino, Polidori, Sak, Lemmons, Jr., Gonzales, Leland and Lemmons, III and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending sections 27a and 34d (MCL 211.27a and 211.34d), section 27a as amended by 2005 PA 23 and section 34d as amended by 2005 PA 12.

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

1 year minus any losses, multiplied by the lesser of 1.05 or the
2 inflation rate, plus all additions. For taxes levied in 1995, the
3 property's taxable value in the immediately preceding year is the
4 property's state equalized valuation in 1994.

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

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

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

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

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

19 (a) A conveyance by deed.

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

27 (c) A conveyance to a trust after December 31, 1994, except if

1 the settlor or the settlor's spouse, or both, conveys the property
2 to the trust and the sole present beneficiary or beneficiaries are
3 the settlor or the settlor's spouse, or both.

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

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

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

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

27 (h) A conveyance of an ownership interest in a corporation,

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

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

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

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

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

22 (b) A transfer from a husband, a wife, or a husband and wife
23 creating or disjoining a tenancy by the entirety in the grantors
24 or the grantor and his or her spouse.

25 (c) A transfer of that portion of property subject to a life
26 estate or life lease retained by the transferor, until expiration
27 or termination of the life estate or life lease. That portion of

1 property transferred that is not subject to a life lease shall be
2 adjusted under subsection (3).

3 (d) A transfer through foreclosure or forfeiture of a recorded
4 instrument under chapter 31, 32, or 57 of the revised judicature
5 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3280 and MCL 600.5701
6 to ~~600.5785~~ **600.5759**, or through deed or conveyance in lieu of a
7 foreclosure or forfeiture, until the mortgagee or land contract
8 vendor subsequently transfers the property. If a mortgagee does not
9 transfer the property within 1 year of the expiration of any
10 applicable redemption period, the property shall be adjusted under
11 subsection (3).

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

14 (f) A conveyance to a trust if the settlor or the settlor's
15 spouse, or both, conveys the property to the trust and the sole
16 present beneficiary of the trust is the settlor or the settlor's
17 spouse, or both.

18 (g) A transfer pursuant to a judgment or order of a court of
19 record making or ordering a transfer, unless a specific monetary
20 consideration is specified or ordered by the court for the
21 transfer.

22 (h) A transfer creating or terminating a joint tenancy between
23 2 or more persons if at least 1 of the persons was an original
24 owner of the property before the joint tenancy was initially
25 created and, if the property is held as a joint tenancy at the time
26 of conveyance, at least 1 of the persons was a joint tenant when
27 the joint tenancy was initially created and that person has

1 remained a joint tenant since the joint tenancy was initially
2 created. A joint owner at the time of the last transfer of
3 ownership of the property is an original owner of the property. For
4 purposes of this subdivision, a person is an original owner of
5 property owned by that person's spouse.

6 (i) A transfer for security or an assignment or discharge of a
7 security interest.

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

16 (k) Normal public trading of shares of stock or other
17 ownership interests that, over any period of time, cumulatively
18 represent more than 50% of the total ownership interest in a
19 corporation or other legal entity and are traded in multiple
20 transactions involving unrelated individuals, institutions, or
21 other legal entities.

22 (l) A transfer of real property or other ownership interests
23 among corporations, partnerships, limited liability companies,
24 limited liability partnerships, or other legal entities if the
25 entities involved are commonly controlled. Upon request by the
26 state tax commission, a corporation, partnership, limited liability
27 company, limited liability partnership, or other legal entity shall

1 furnish proof within 45 days that a transfer meets the requirements
2 of this subdivision. A corporation, partnership, limited liability
3 company, limited liability partnership, or other legal entity that
4 fails to comply with a request by the state tax commission under
5 this subdivision is subject to a fine of \$200.00.

6 (m) A direct or indirect transfer of real property or other
7 ownership interests resulting from a transaction that qualifies as
8 a tax-free reorganization under section 368 of the internal revenue
9 code, ~~of 1986~~ **26 USC 368**. Upon request by the state tax
10 commission, a property owner shall furnish proof within 45 days
11 that a transfer meets the requirements of this subdivision. A
12 property owner who fails to comply with a request by the state tax
13 commission under this subdivision is subject to a fine of \$200.00.

14 (n) A transfer of qualified agricultural property, if the
15 person to whom the qualified agricultural property is transferred
16 files an affidavit with the assessor of the local tax collecting
17 unit in which the qualified agricultural property is located and
18 with the register of deeds for the county in which the qualified
19 agricultural property is located attesting that the qualified
20 agricultural property shall remain qualified agricultural property.
21 The affidavit under this subdivision shall be in a form prescribed
22 by the department of treasury. An owner of qualified agricultural
23 property shall inform a prospective buyer of that qualified
24 agricultural property that the qualified agricultural property is
25 subject to the recapture tax provided in the agricultural property
26 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
27 qualified agricultural property is converted by a change in use. If

1 property ceases to be qualified agricultural property at any time
2 after being transferred, all of the following shall occur:

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

6 (ii) The property is subject to the recapture tax provided for
7 under the agricultural property recapture act, 2000 PA 261, MCL
8 211.1001 to 211.1007.

9 (O) AFTER APRIL 30, 2006 AND BEFORE JANUARY 1, 2008, THE
10 TRANSFER OF PROPERTY EXEMPT UNDER SECTION 7CC AS A PRINCIPAL
11 RESIDENCE IF THE PERSON TO WHOM THE PROPERTY IS TRANSFERRED CLAIMS
12 AN EXEMPTION FOR THE PROPERTY UNDER SECTION 7CC AS A PRINCIPAL
13 RESIDENCE.

14 (8) If all of the following conditions are satisfied, the
15 local tax collecting unit shall revise the taxable value of
16 qualified agricultural property taxable on the tax roll in the
17 possession of that local tax collecting unit to the taxable value
18 that qualified agricultural property would have had if there had
19 been no transfer of ownership of that qualified agricultural
20 property since December 31, 1999 and there had been no adjustment
21 of that qualified agricultural property's taxable value under
22 subsection (3) since December 31, 1999:

23 (a) The qualified agricultural property was qualified
24 agricultural property for taxes levied in 1999 and each year after
25 1999.

26 (b) The owner of the qualified agricultural property files an
27 affidavit with the assessor of the local tax collecting unit under

1 subsection (7)(n).

2 (9) If the taxable value of qualified agricultural property is
3 adjusted under subsection (8), the owner of that qualified
4 agricultural property shall not be entitled to a refund for any
5 property taxes collected under this act on that qualified
6 agricultural property before the adjustment under subsection (8).

7 (10) The register of deeds of the county where deeds or other
8 title documents are recorded shall notify the assessing officer of
9 the appropriate local taxing unit not less than once each month of
10 any recorded transaction involving the ownership of property and
11 shall make any recorded deeds or other title documents available to
12 that county's tax or equalization department. Unless notification
13 is provided under subsection (6), the buyer, grantee, or other
14 transferee of the property shall notify the appropriate assessing
15 office in the local unit of government in which the property is
16 located of the transfer of ownership of the property within 45 days
17 of the transfer of ownership, on a form prescribed by the state tax
18 commission that states the parties to the transfer, the date of the
19 transfer, the actual consideration for the transfer, and the
20 property's parcel identification number or legal description. Forms
21 filed in the assessing office of a local unit of government under
22 this subsection shall be made available to the county tax or
23 equalization department for the county in which that local unit of
24 government is located. This subsection does not apply to personal
25 property except buildings described in section 14(6) and personal
26 property described in section 8(h), (i), and (j).

27 (11) As used in this section:

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

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

5 (c) "Converted by a change in use" means that term as defined
6 in the agricultural property recapture act, 2000 PA 261, MCL
7 211.1001 to 211.1007.

8 (d) "Inflation rate" means that term as defined in section
9 34d.

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

11 (f) "Qualified agricultural property" means that term as
12 defined in section 7dd.

13 Sec. 34d. (1) As used in this section or section 27a, or
14 section 3 or 31 of article IX of the state constitution of 1963:

15 (a) For taxes levied before 1995, "additions" means all
16 increases in value caused by new construction or a physical
17 addition of equipment or furnishings, and the value of property
18 that was exempt from taxes or not included on the assessment unit's
19 immediately preceding year's assessment roll.

20 (b) For taxes levied after 1994, "additions" means, except as
21 provided in subdivision (c), all of the following:

22 (i) Omitted real property. As used in this subparagraph,
23 "omitted real property" means previously existing tangible real
24 property not included in the assessment. Omitted real property
25 shall not increase taxable value as an addition unless the
26 assessing jurisdiction has a property record card or other
27 documentation showing that the omitted real property was not

1 previously included in the assessment. The assessing jurisdiction
2 has the burden of proof in establishing whether the omitted real
3 property is included in the assessment. Omitted real property for
4 the current and the 2 immediately preceding years, discovered after
5 the assessment roll has been completed, shall be added to the tax
6 roll pursuant to the procedures established in section 154. For
7 purposes of determining the taxable value of real property under
8 section 27a, the value of omitted real property is based on the
9 value and the ratio of taxable value to true cash value the omitted
10 real property would have had if the property had not been omitted.

11 (ii) Omitted personal property. As used in this subparagraph,
12 "omitted personal property" means previously existing tangible
13 personal property not included in the assessment. Omitted personal
14 property shall be added to the tax roll pursuant to section 154.

15 (iii) New construction. As used in this subparagraph, "new
16 construction" means property not in existence on the immediately
17 preceding tax day and not replacement construction. New
18 construction includes the physical addition of equipment or
19 furnishings, subject to the provisions set forth in section
20 27(2)(a) to (o). For purposes of determining the taxable value of
21 property under section 27a, the value of new construction is the
22 true cash value of the new construction multiplied by 0.50.

23 (iv) Previously exempt property. As used in this subparagraph,
24 "previously exempt property" means property that was exempt from ad
25 valorem taxation under this act on the immediately preceding tax
26 day but is subject to ad valorem taxation on the current tax day
27 under this act. For purposes of determining the taxable value of

1 real property under section 27a:

2 (A) The value of property previously exempt under section 7u
3 is the taxable value the entire parcel of property would have had
4 if that property had not been exempt, minus the product of the
5 entire parcel's taxable value in the immediately preceding year and
6 the lesser of 1.05 or the inflation rate.

7 (B) The taxable value of property that is a facility as that
8 term is defined in section 2 of 1974 PA 198, MCL 207.552, that was
9 previously exempt under section 7k is the taxable value that
10 property would have had under this act if it had not been exempt.

11 (C) The value of property previously exempt under any other
12 section of law is the true cash value of the previously exempt
13 property multiplied by 0.50.

14 (v) Replacement construction. As used in this subparagraph,
15 "replacement construction" means construction that replaced
16 property damaged or destroyed by accident or act of God and that
17 occurred after the immediately preceding tax day to the extent the
18 construction's true cash value does not exceed the true cash value
19 of property that was damaged or destroyed by accident or act of God
20 in the immediately preceding 3 years. For purposes of determining
21 the taxable value of property under section 27a, the value of the
22 replacement construction is the true cash value of the replacement
23 construction multiplied by a fraction the numerator of which is the
24 taxable value of the property to which the construction was added
25 in the immediately preceding year and the denominator of which is
26 the true cash value of the property to which the construction was
27 added in the immediately preceding year, and then multiplied by the

1 lesser of 1.05 or the inflation rate.

2 (vi) An increase in taxable value attributable to the complete
3 or partial remediation of environmental contamination existing on
4 the immediately preceding tax day. The department of environmental
5 quality shall determine the degree of remediation based on
6 information available in existing department of environmental
7 quality records or information made available to the department of
8 environmental quality if the appropriate assessing officer for a
9 local tax collecting unit requests that determination. The increase
10 in taxable value attributable to the remediation is the increase in
11 true cash value attributable to the remediation multiplied by a
12 fraction the numerator of which is the taxable value of the
13 property had it not been contaminated and the denominator of which
14 is the true cash value of the property had it not been
15 contaminated.

16 (vii) An increase in the value attributable to the property's
17 occupancy rate if either a loss, as that term is defined in this
18 section, had been previously allowed because of a decrease in the
19 property's occupancy rate or if the value of new construction was
20 reduced because of a below-market occupancy rate. For purposes of
21 determining the taxable value of property under section 27a, the
22 value of an addition for the increased occupancy rate is the
23 product of the increase in the true cash value of the property
24 attributable to the increased occupancy rate multiplied by a
25 fraction the numerator of which is the taxable value of the
26 property in the immediately preceding year and the denominator of
27 which is the true cash value of the property in the immediately

1 preceding year, and then multiplied by the lesser of 1.05 or the
2 inflation rate.

3 (viii) Public services. As used in this subparagraph, "public
4 services" means water service, sewer service, a primary access
5 road, natural gas service, electrical service, telephone service,
6 sidewalks, or street lighting. For purposes of determining the
7 taxable value of real property under section 27a, the value of
8 public services is the amount of increase in true cash value of the
9 property attributable to the available public services multiplied
10 by 0.50 and shall be added in the calendar year following the
11 calendar year when those public services are initially available.

12 (c) For taxes levied after 1994, additions do not include
13 increased value attributable to any of the following:

14 (i) Platting, splits, or combinations of property.

15 (ii) A change in the zoning of property.

16 (iii) For the purposes of the calculation of the millage
17 reduction fraction under subsection (7) only, increased taxable
18 value under section 27a(3) after a transfer of ownership of
19 property.

20 (d) "Assessed valuation of property as finally equalized"
21 means taxable value under section 27a.

22 (e) "Financial officer" means the officer responsible for
23 preparing the budget of a unit of local government.

24 (f) "General price level" means the annual average of the 12
25 monthly values for the United States consumer price index for all
26 urban consumers as defined and officially reported by the United
27 States department of labor, bureau of labor statistics.

1 (g) For taxes levied before 1995, "losses" means a decrease in
2 value caused by the removal or destruction of real or personal
3 property and the value of property taxed in the immediately
4 preceding year that has been exempted or removed from the
5 assessment unit's assessment roll.

6 (h) For taxes levied after 1994, "losses" means, except as
7 provided in subdivision (i), all of the following:

8 (i) Property that has been destroyed or removed. For purposes
9 of determining the taxable value of property under section 27a, the
10 value of property destroyed or removed is the product of the true
11 cash value of that property multiplied by a fraction the numerator
12 of which is the taxable value of that property in the immediately
13 preceding year and the denominator of which is the true cash value
14 of that property in the immediately preceding year.

15 (ii) Property that was subject to ad valorem taxation under
16 this act in the immediately preceding year that is now exempt from
17 ad valorem taxation under this act. For purposes of determining the
18 taxable value of property under section 27a, the value of property
19 exempted from ad valorem taxation under this act is the amount
20 exempted.

21 (iii) An adjustment in value, if any, because of a decrease in
22 the property's occupancy rate, to the extent provided by law. For
23 purposes of determining the taxable value of real property under
24 section 27a, the value of a loss for a decrease in the property's
25 occupancy rate is the product of the decrease in the true cash
26 value of the property attributable to the decreased occupancy rate
27 multiplied by a fraction the numerator of which is the taxable

1 value of the property in the immediately preceding year and the
2 denominator of which is the true cash value of the property in the
3 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

1 losses.

2 (k) "Current year" means the year for which the millage
3 limitation is being calculated.

4 (l) "Inflation rate" means the ratio of the general price level
5 for the state fiscal year ending in the calendar year immediately
6 preceding the current year divided by the general price level for
7 the state fiscal year ending in the calendar year before the year
8 immediately preceding the current year.

9 (2) On or before the first Monday in May of each year, the
10 assessing officer of each township or city shall tabulate the
11 tentative taxable value as approved by the local board of review
12 and as modified by county equalization for each classification of
13 property that is separately equalized for each unit of local
14 government and provide the tabulated tentative taxable values to
15 the county equalization director. The tabulation by the assessing
16 officer shall contain additions and losses for each classification
17 of property that is separately equalized for each unit of local
18 government or part of a unit of local government in the township or
19 city. If as a result of state equalization the taxable value of
20 property changes, the assessing officer of each township or city
21 shall revise the calculations required by this subsection on or
22 before the Friday following the fourth Monday in May. The county
23 equalization director shall compute these amounts and the current
24 and immediately preceding year's taxable values for each
25 classification of property that is separately equalized for each
26 unit of local government that levies taxes under this act within
27 the boundary of the county. The county equalization director shall

1 cooperate with equalization directors of neighboring counties, as
2 necessary, to make the computation for units of local government
3 located in more than 1 county. The county equalization director
4 shall calculate the millage reduction fraction for each unit of
5 local government in the county for the current year. The financial
6 officer for each taxing jurisdiction shall calculate the compounded
7 millage reduction fractions beginning in 1980 resulting from the
8 multiplication of successive millage reduction fractions and shall
9 recognize a local voter action to increase the compounded millage
10 reduction fraction to a maximum of 1 as a new beginning fraction.
11 Upon request of the superintendent of the intermediate school
12 district, the county equalization director shall transmit the
13 complete computations of the taxable values to the superintendent
14 of the intermediate school district within that county. At the
15 request of the presidents of community colleges, the county
16 equalization director shall transmit the complete computations of
17 the taxable values to the presidents of community colleges within
18 the county.

19 (3) On or before the first Monday in June of each year, the
20 county equalization director shall deliver the statement of the
21 computations signed by the county equalization director to the
22 county treasurer.

23 (4) On or before the second Monday in June of each year, the
24 treasurer of each county shall certify the immediately preceding
25 year's taxable values, the current year's taxable values, the
26 amount of additions and losses for the current year, and the
27 current year's millage reduction fraction for each unit of local

1 government that levies a property tax in the county.

2 (5) The financial officer of each unit of local government
3 shall make the computation of the tax rate using the data certified
4 by the county treasurer and the state tax commission. At the annual
5 session in October, the county board of commissioners shall not
6 authorize the levy of a tax unless the governing body of the taxing
7 jurisdiction has certified that the requested millage has been
8 reduced, if necessary, in compliance with section 31 of article IX
9 of the state constitution of 1963.

10 (6) The number of mills permitted to be levied in a tax year
11 is limited as provided in this section pursuant to section 31 of
12 article IX of the state constitution of 1963. A unit of local
13 government shall not levy a tax rate greater than the rate
14 determined ~~by reducing~~ **TO BE** its maximum rate or rates authorized
15 by law or charter by a millage reduction fraction as provided in
16 this section without voter approval.

17 (7) A millage reduction fraction shall be determined for each
18 year for each local unit of government. For ad valorem property
19 taxes that became a lien before January 1, 1983, the numerator of
20 the fraction shall be the total state equalized valuation for the
21 immediately preceding year multiplied by the inflation rate and the
22 denominator of the fraction shall be the total state equalized
23 valuation for the current year minus new construction and
24 improvements. For ad valorem property taxes that become a lien
25 after December 31, 1982 and through December 31, 1994, the
26 numerator of the fraction shall be the product of the difference
27 between the total state equalized valuation for the immediately

1 preceding year minus losses multiplied by the inflation rate and
2 the denominator of the fraction shall be the total state equalized
3 valuation for the current year minus additions. For ad valorem
4 property taxes that are levied after December 31, 1994, the
5 numerator of the fraction shall be the product of the difference
6 between the total taxable value for the immediately preceding year
7 minus losses multiplied by the inflation rate and the denominator
8 of the fraction shall be the total taxable value for the current
9 year minus additions. For each year after 1993 **THROUGH 1996**, a
10 millage reduction fraction shall not exceed 1. **FOR EACH YEAR AFTER**
11 **1996, A MILLAGE REDUCTION FRACTION MAY EXCEED 1.**

12 (8) The compounded millage reduction fraction for each year
13 after 1980 shall be calculated by multiplying the local unit's
14 previous year's compounded millage reduction fraction by the
15 current year's millage reduction fraction. Beginning with 1980 tax
16 levies, the compounded millage reduction fraction for the year
17 shall be multiplied by the maximum millage rate authorized by law
18 or charter for the unit of local government for the year, except as
19 provided by subsection (9). ~~A~~ **FOR EACH YEAR AFTER 1980 THROUGH**
20 **1996, A** compounded millage reduction fraction shall not exceed 1.
21 **FOR EACH YEAR AFTER 1996, A COMPOUNDED MILLAGE REDUCTION FRACTION**
22 **MAY EXCEED 1.**

23 (9) The millage reduction shall be determined separately for
24 authorized millage approved by the voters. The limitation on
25 millage authorized by the voters on or before April 30 of a year
26 shall be calculated beginning with the millage reduction fraction
27 for that year. Millage authorized by the voters after April 30

1 shall not be subject to a millage reduction until the year
2 following the voter authorization which shall be calculated
3 beginning with the millage reduction fraction for the year
4 following the authorization. The first millage reduction fraction
5 used in calculating the limitation on millage approved by the
6 voters after January 1, 1979 shall not exceed 1. **IN 2007 AND EACH**
7 **YEAR AFTER 2007, APPLICATION OF THE MILLAGE REDUCTION FRACTION**
8 **SHALL NOT INCREASE THE MAXIMUM MILLAGE RATE PREVIOUSLY APPROVED BY**
9 **VOTER AUTHORIZATION.**

10 (10) A millage reduction fraction shall be applied separately
11 to the aggregate maximum millage rate authorized by a charter and
12 to each maximum millage rate authorized by state law for a specific
13 purpose. **IN 2007 AND EACH YEAR AFTER 2007, APPLICATION OF THE**
14 **MILLAGE REDUCTION FRACTION SHALL NOT INCREASE THE MAXIMUM MILLAGE**
15 **RATE AUTHORIZED BY CHARTER OR THE MAXIMUM MILLAGE RATE AUTHORIZED**
16 **BY STATE LAW FOR A SPECIFIC PURPOSE.**

17 (11) A unit of local government may submit to the voters for
18 their approval the levy in that year of a tax rate in excess of the
19 limit set by this section. The ballot question shall ask the voters
20 to approve the levy of a specific number of mills in excess of the
21 limit. The provisions of this section do not allow the levy of a
22 millage rate in excess of the maximum rate authorized by law or
23 charter. If the authorization to levy millage expires after 1993
24 and a local governmental unit is asking voters to renew the
25 authorization to levy the millage, the ballot question shall ask
26 for renewed authorization for the number of expiring mills as
27 ~~reduced~~ **DETERMINED** by the millage reduction required by this

1 section. If the election occurs before June 1 of a year, the
2 millage reduction is based on the immediately preceding year's
3 millage reduction applicable to that millage. If the election
4 occurs after May 31 of a year, the millage reduction shall be based
5 on that year's millage reduction applicable to that millage had it
6 not expired.

7 (12) A reduction or limitation under this section shall not be
8 applied to taxes imposed for the payment of principal and interest
9 on bonds or other evidence of indebtedness or for the payment of
10 assessments or contract obligations in anticipation of which bonds
11 are issued that were authorized before December 23, 1978, as
12 provided by section 4 of chapter I of former 1943 PA 202, or to
13 taxes imposed for the payment of principal and interest on bonds or
14 other evidence of indebtedness or for the payment of assessments or
15 contract obligations in anticipation of which bonds are issued that
16 are approved by the voters after December 22, 1978.

17 (13) If it is determined subsequent to the levy of a tax that
18 an incorrect millage reduction fraction has been applied, the
19 amount of additional tax revenue or the shortage of tax revenue
20 shall be deducted from or added to the next regular tax levy for
21 that unit of local government after the determination of the
22 authorized rate pursuant to this section.

23 (14) If as a result of an appeal of county equalization or
24 state equalization the taxable value of a unit of local government
25 changes, the millage reduction fraction for the year shall be
26 recalculated. The financial officer shall effectuate an addition or
27 reduction of tax revenue in the same manner as prescribed in

1 subsection (13).

2 (15) The fractions calculated pursuant to this section shall
3 be rounded to 4 decimal places, except that the inflation rate
4 shall be computed by the state tax commission and shall be rounded
5 to 3 decimal places. The state tax commission shall publish the
6 inflation rate before March 1 of each year.

7 (16) Beginning with taxes levied in 1994, the millage
8 reduction required by section 31 of article IX of the state
9 constitution of 1963 shall permanently reduce the maximum rate or
10 rates authorized by law or charter. The reduced maximum authorized
11 rate or rates for 1994 shall equal the product of the maximum rate
12 or rates authorized by law or charter before application of this
13 section multiplied by the compounded millage reduction applicable
14 to that millage in 1994 pursuant to subsections (8) to (12). The
15 ~~reduced~~ maximum authorized rate or rates for 1995 and each year
16 after 1995 shall equal the product of the immediately preceding
17 year's ~~reduced~~ maximum authorized rate or rates multiplied by the
18 current year's millage reduction fraction and shall be adjusted for
19 millage for which authorization has expired and new authorized
20 millage approved by the voters pursuant to subsections (8) to (12).