

# HOUSE BILL No. 6286

June 29, 2006, Introduced by Rep. Gosselin and referred to the Committee on Tax Policy.

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

**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~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,**  
9 **FOR** taxes levied after 1994, "additions" means, except as provided

1 in subdivision (c), all of the following:

2 (i) Omitted real property. As used in this subparagraph,  
3 "omitted real property" means previously existing tangible real  
4 property not included in the assessment. Omitted real property  
5 shall not increase taxable value as an addition unless the  
6 assessing jurisdiction has a property record card or other  
7 documentation showing that the omitted real property was not  
8 previously included in the assessment. The assessing jurisdiction  
9 has the burden of proof in establishing whether the omitted real  
10 property is included in the assessment. Omitted real property for  
11 the current and the 2 immediately preceding years, discovered after  
12 the assessment roll has been completed, shall be added to the tax  
13 roll pursuant to the procedures established in section 154. For  
14 purposes of determining the taxable value of real property under  
15 section 27a, the value of omitted real property is based on the  
16 value and the ratio of taxable value to true cash value the omitted  
17 real property would have had if the property had not been omitted.

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

22 (iii) New construction. As used in this subparagraph,  
23 **SUBPARAGRAPH (ix), AND SUBDIVISION (C)(iv),** "new construction" means  
24 property not in existence on the immediately preceding tax day and  
25 not replacement construction. New construction includes the  
26 physical addition of equipment or furnishings, subject to the  
27 provisions set forth in section 27(2)(a) to (o). For purposes of

1 determining the taxable value of property under section 27a, the  
2 value of new construction is the true cash value of the new  
3 construction multiplied by 0.50.

4 (iv) Previously exempt property. As used in this subparagraph,  
5 "previously exempt property" means property that was exempt from ad  
6 valorem taxation under this act on the immediately preceding tax  
7 day but is subject to ad valorem taxation on the current tax day  
8 under this act. For purposes of determining the taxable value of  
9 real property under section 27a:

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

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

19 (C) The value of property previously exempt under any other  
20 section of law is the true cash value of the previously exempt  
21 property multiplied by 0.50.

22 (v) Replacement construction. As used in this subparagraph,  
23 "replacement construction" means construction that replaced  
24 property damaged or destroyed by accident or act of God and that  
25 occurred after the immediately preceding tax day to the extent the  
26 construction's true cash value does not exceed the true cash value  
27 of property that was damaged or destroyed by accident or act of God

1 in the immediately preceding 3 years. For purposes of determining  
2 the taxable value of property under section 27a, the value of the  
3 replacement construction is the true cash value of the replacement  
4 construction multiplied by a fraction the numerator of which is the  
5 taxable value of the property to which the construction was added  
6 in the immediately preceding year and the denominator of which is  
7 the true cash value of the property to which the construction was  
8 added in the immediately preceding year, and then multiplied by the  
9 lesser of 1.05 or the inflation rate.

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

24 (vii) An increase in the value attributable to the property's  
25 occupancy rate if either a loss, as that term is defined in this  
26 section, had been previously allowed because of a decrease in the  
27 property's occupancy rate or if the value of new construction was

1 reduced because of a below-market occupancy rate. For purposes of  
2 determining the taxable value of property under section 27a, the  
3 value of an addition for the increased occupancy rate is the  
4 product of the increase in the true cash value of the property  
5 attributable to the increased occupancy rate multiplied by a  
6 fraction the numerator of which is the taxable value of the  
7 property in the immediately preceding year and the denominator of  
8 which is the true cash value of the property in the immediately  
9 preceding year, and then multiplied by the lesser of 1.05 or the  
10 inflation rate.

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

20 (ix) **FOR TAXES LEVIED AFTER DECEMBER 31, 2004, NEW**  
21 **CONSTRUCTION, A MOBILE HOME ASSESSABLE AS REAL PROPERTY UNDER**  
22 **SECTION 2A, OR A SIMILAR STRUCTURE, NOT PREVIOUSLY CONSIDERED AN**  
23 **ADDITION PURSUANT TO SUBDIVISION (C)(iv), IF THE FAMILY MEMBER WHO**  
24 **OCCUPIED THE NEW CONSTRUCTION, MOBILE HOME, OR SIMILAR STRUCTURE**  
25 **HAS NOT OCCUPIED THE NEW CONSTRUCTION, MOBILE HOME, OR SIMILAR**  
26 **STRUCTURE FOR 6 MONTHS OR MORE.**

27 (c) ~~For~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,**

1 **FOR** taxes levied after 1994, additions do not include increased  
2 value attributable to any of the following:

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

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

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

9 (iv) **FOR TAXES LEVIED AFTER DECEMBER 31, 2004, NEW**  
10 **CONSTRUCTION, A MOBILE HOME ASSESSABLE AS REAL PROPERTY UNDER**  
11 **SECTION 2A, OR A SIMILAR STRUCTURE, IF IT IS OCCUPIED OR WILL BE**  
12 **OCCUPIED BY A FAMILY MEMBER WHO IS 62 YEARS OF AGE OR OLDER.**

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

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

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

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

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

1           (i) Property that has been destroyed or removed. For purposes  
2 of determining the taxable value of property under section 27a, the  
3 value of property destroyed or removed is the product of the true  
4 cash value of that property multiplied by a fraction the numerator  
5 of which is the taxable value of that property in the immediately  
6 preceding year and the denominator of which is the true cash value  
7 of that property in the immediately preceding year.

8           (ii) Property that was subject to ad valorem taxation under  
9 this act in the immediately preceding year that is now exempt from  
10 ad valorem taxation under this act. For purposes of determining the  
11 taxable value of property under section 27a, the value of property  
12 exempted from ad valorem taxation under this act is the amount  
13 exempted.

14           (iii) An adjustment in value, if any, because of a decrease in  
15 the property's occupancy rate, to the extent provided by law. For  
16 purposes of determining the taxable value of real property under  
17 section 27a, the value of a loss for a decrease in the property's  
18 occupancy rate is the product of the decrease in the true cash  
19 value of the property attributable to the decreased occupancy rate  
20 multiplied by a fraction the numerator of which is the taxable  
21 value of the property in the immediately preceding year and the  
22 denominator of which is the true cash value of the property in the  
23 immediately preceding year.

24           (iv) A decrease in taxable value attributable to environmental  
25 contamination existing on the immediately preceding tax day. The  
26 department of environmental quality shall determine the degree to  
27 which environmental contamination limits the use of property based

1 on information available in existing department of environmental  
2 quality records or information made available to the department of  
3 environmental quality if the appropriate assessing officer for a  
4 local tax collecting unit requests that determination. The  
5 department of environmental quality's determination of the degree  
6 to which environmental contamination limits the use of property  
7 shall be based on the criteria established for the categories set  
8 forth in section 20120a(1) of the natural resources and  
9 environmental protection act, 1994 PA 451, MCL 324.20120a. The  
10 decrease in taxable value attributable to the contamination is the  
11 decrease in true cash value attributable to the contamination  
12 multiplied by a fraction the numerator of which is the taxable  
13 value of the property had it not been contaminated and the  
14 denominator of which is the true cash value of the property had it  
15 not been contaminated.

16 (i) For taxes levied after 1994, losses do not include  
17 decreased value attributable to either of the following:

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

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

20 (j) "New construction and improvements" means additions less  
21 losses.

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

24 (l) "Inflation rate" means the ratio of the general price level  
25 for the state fiscal year ending in the calendar year immediately  
26 preceding the current year divided by the general price level for  
27 the state fiscal year ending in the calendar year before the year



1 immediately preceding the current year.

2 (2) On or before the first Monday in May of each year, the  
3 assessing officer of each township or city shall tabulate the  
4 tentative taxable value as approved by the local board of review  
5 and as modified by county equalization for each classification of  
6 property that is separately equalized for each unit of local  
7 government and provide the tabulated tentative taxable values to  
8 the county equalization director. The tabulation by the assessing  
9 officer shall contain additions and losses for each classification  
10 of property that is separately equalized for each unit of local  
11 government or part of a unit of local government in the township or  
12 city. If as a result of state equalization the taxable value of  
13 property changes, the assessing officer of each township or city  
14 shall revise the calculations required by this subsection on or  
15 before the Friday following the fourth Monday in May. The county  
16 equalization director shall compute these amounts and the current  
17 and immediately preceding year's taxable values for each  
18 classification of property that is separately equalized for each  
19 unit of local government that levies taxes under this act within  
20 the boundary of the county. The county equalization director shall  
21 cooperate with equalization directors of neighboring counties, as  
22 necessary, to make the computation for units of local government  
23 located in more than 1 county. The county equalization director  
24 shall calculate the millage reduction fraction for each unit of  
25 local government in the county for the current year. The financial  
26 officer for each taxing jurisdiction shall calculate the compounded  
27 millage reduction fractions beginning in 1980 resulting from the

1 multiplication of successive millage reduction fractions and shall  
2 recognize a local voter action to increase the compounded millage  
3 reduction fraction to a maximum of 1 as a new beginning fraction.  
4 Upon request of the superintendent of the intermediate school  
5 district, the county equalization director shall transmit the  
6 complete computations of the taxable values to the superintendent  
7 of the intermediate school district within that county. At the  
8 request of the presidents of community colleges, the county  
9 equalization director shall transmit the complete computations of  
10 the taxable values to the presidents of community colleges within  
11 the county.

12 (3) On or before the first Monday in June of each year, the  
13 county equalization director shall deliver the statement of the  
14 computations signed by the county equalization director to the  
15 county treasurer.

16 (4) On or before the second Monday in June of each year, the  
17 treasurer of each county shall certify the immediately preceding  
18 year's taxable values, the current year's taxable values, the  
19 amount of additions and losses for the current year, and the  
20 current year's millage reduction fraction for each unit of local  
21 government that levies a property tax in the county.

22 (5) The financial officer of each unit of local government  
23 shall make the computation of the tax rate using the data certified  
24 by the county treasurer and the state tax commission. At the annual  
25 session in October, the county board of commissioners shall not  
26 authorize the levy of a tax unless the governing body of the taxing  
27 jurisdiction has certified that the requested millage has been

1 reduced, if necessary, in compliance with section 31 of article IX  
2 of the state constitution of 1963.

3 (6) The number of mills permitted to be levied in a tax year  
4 is limited as provided in this section pursuant to section 31 of  
5 article IX of the state constitution of 1963. A unit of local  
6 government shall not levy a tax rate greater than the rate  
7 determined by reducing its maximum rate or rates authorized by law  
8 or charter by a millage reduction fraction as provided in this  
9 section without voter approval.

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

1 of the fraction shall be the total taxable value for the current  
2 year minus additions. For each year after 1993, a millage reduction  
3 fraction shall not exceed 1.

4 (8) The compounded millage reduction fraction for each year  
5 after 1980 shall be calculated by multiplying the local unit's  
6 previous year's compounded millage reduction fraction by the  
7 current year's millage reduction fraction. Beginning with 1980 tax  
8 levies, the compounded millage reduction fraction for the year  
9 shall be multiplied by the maximum millage rate authorized by law  
10 or charter for the unit of local government for the year, except as  
11 provided by subsection (9). A compounded millage reduction fraction  
12 shall not exceed 1.

13 (9) The millage reduction shall be determined separately for  
14 authorized millage approved by the voters. The limitation on  
15 millage authorized by the voters on or before April 30 of a year  
16 shall be calculated beginning with the millage reduction fraction  
17 for that year. Millage authorized by the voters after April 30  
18 shall not be subject to a millage reduction until the year  
19 following the voter authorization which shall be calculated  
20 beginning with the millage reduction fraction for the year  
21 following the authorization. The first millage reduction fraction  
22 used in calculating the limitation on millage approved by the  
23 voters after January 1, 1979 shall not exceed 1.

24 (10) A millage reduction fraction shall be applied separately  
25 to the aggregate maximum millage rate authorized by a charter and  
26 to each maximum millage rate authorized by state law for a specific  
27 purpose.

1           (11) A unit of local government may submit to the voters for  
2 their approval the levy in that year of a tax rate in excess of the  
3 limit set by this section. The ballot question shall ask the voters  
4 to approve the levy of a specific number of mills in excess of the  
5 limit. The provisions of this section do not allow the levy of a  
6 millage rate in excess of the maximum rate authorized by law or  
7 charter. If the authorization to levy millage expires after 1993  
8 and a local governmental unit is asking voters to renew the  
9 authorization to levy the millage, the ballot question shall ask  
10 for renewed authorization for the number of expiring mills as  
11 reduced by the millage reduction required by this section. If the  
12 election occurs before June 1 of a year, the millage reduction is  
13 based on the immediately preceding year's millage reduction  
14 applicable to that millage. If the election occurs after May 31 of  
15 a year, the millage reduction shall be based on that year's millage  
16 reduction applicable to that millage had it not expired.

17           (12) A reduction or limitation under this section shall not be  
18 applied to taxes imposed for the payment of principal and interest  
19 on bonds or other evidence of indebtedness or for the payment of  
20 assessments or contract obligations in anticipation of which bonds  
21 are issued that were authorized before December 23, 1978, as  
22 provided by section 4 of chapter I of former 1943 PA 202, or to  
23 taxes imposed for the payment of principal and interest on bonds or  
24 other evidence of indebtedness or for the payment of assessments or  
25 contract obligations in anticipation of which bonds are issued that  
26 are approved by the voters after December 22, 1978.

27           (13) If it is determined subsequent to the levy of a tax that

1 an incorrect millage reduction fraction has been applied, the  
2 amount of additional tax revenue or the shortage of tax revenue  
3 shall be deducted from or added to the next regular tax levy for  
4 that unit of local government after the determination of the  
5 authorized rate pursuant to this section.

6 (14) If as a result of an appeal of county equalization or  
7 state equalization the taxable value of a unit of local government  
8 changes, the millage reduction fraction for the year shall be  
9 recalculated. The financial officer shall effectuate an addition or  
10 reduction of tax revenue in the same manner as prescribed in  
11 subsection (13).

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

17 (16) Beginning with taxes levied in 1994, the millage  
18 reduction required by section 31 of article IX of the state  
19 constitution of 1963 shall permanently reduce the maximum rate or  
20 rates authorized by law or charter. The reduced maximum authorized  
21 rate or rates for 1994 shall equal the product of the maximum rate  
22 or rates authorized by law or charter before application of this  
23 section multiplied by the compounded millage reduction applicable  
24 to that millage in 1994 pursuant to subsections (8) to (12). The  
25 reduced maximum authorized rate or rates for 1995 and each year  
26 after 1995 shall equal the product of the immediately preceding  
27 year's reduced maximum authorized rate or rates multiplied by the

1 current year's millage reduction fraction and shall be adjusted for  
2 millage for which authorization has expired and new authorized  
3 millage approved by the voters pursuant to subsections (8) to (12).