

SENATE BILL No. 313

March 1, 2007, Introduced by Senators JACOBS, SCHAUER and THOMAS and referred to the Committee on Finance.

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,
and by adding section 7*ll*.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 7*ll*. (1) BEGINNING DECEMBER 31, 2007, COMMERCIAL RENTAL
2 PROPERTY IS EXEMPT FROM THE COLLECTION OF TAXES UNDER THIS ACT IF
3 EITHER OF THE FOLLOWING CONDITIONS OCCURS:

4 (A) AN OWNER OF THAT COMMERCIAL RENTAL PROPERTY HAD CLAIMED
5 AND WAS GRANTED A LOSS ATTRIBUTABLE TO THAT COMMERCIAL RENTAL
6 PROPERTY PURSUANT TO SECTION 34D(1) (H) (iii) .

7 (B) AN OWNER OF THAT COMMERCIAL RENTAL PROPERTY CLAIMS AN
8 EXEMPTION AS PROVIDED IN THIS SECTION.

1 (2) COMMERCIAL RENTAL PROPERTY EXEMPT UNDER THIS SECTION IS
2 SUBJECT TO THE SPECIFIC TAX LEVIED UNDER THE COMMERCIAL RENTAL
3 PROPERTY SPECIFIC TAX ACT.

4 (3) AN OWNER OF COMMERCIAL RENTAL PROPERTY MAY CLAIM AN
5 EXEMPTION UNDER THIS SECTION BY FILING AN AFFIDAVIT WITH THE LOCAL
6 TAX COLLECTING UNIT IN WHICH THE COMMERCIAL RENTAL PROPERTY IS
7 LOCATED. THE AFFIDAVIT SHALL STATE THAT THE PROPERTY IS OWNED AND
8 OCCUPIED AS COMMERCIAL RENTAL PROPERTY ON THE DATE THAT THE
9 AFFIDAVIT IS SIGNED. THE AFFIDAVIT SHALL BE ON A FORM PRESCRIBED BY
10 THE DEPARTMENT OF TREASURY. ONE COPY OF THE AFFIDAVIT SHALL BE
11 RETAINED BY THE OWNER, 1 COPY SHALL BE RETAINED BY THE LOCAL TAX
12 COLLECTING UNIT, AND 1 COPY SHALL BE FORWARDED TO THE DEPARTMENT OF
13 TREASURY. THE AFFIDAVIT SHALL BE FILED NOT LATER THAN THE
14 FOLLOWING:

15 (A) FOR COMMERCIAL RENTAL PROPERTY IN EXISTENCE ON THE
16 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION, THE
17 DECEMBER 31 IN THE YEAR IMMEDIATELY SUCCEEDING THE YEAR IN WHICH
18 THE AMENDATORY ACT THAT ADDED THIS SECTION BECOMES EFFECTIVE.

19 (B) FOR COMMERCIAL RENTAL PROPERTY CONSTRUCTED AFTER THE
20 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION, THE
21 DECEMBER 31 IN THE YEAR IMMEDIATELY SUCCEEDING THE YEAR IN WHICH A
22 CERTIFICATE OF OCCUPANCY FOR THE COMMERCIAL RENTAL PROPERTY IS
23 ISSUED.

24 (C) FOR COMMERCIAL RENTAL PROPERTY FOR WHICH AN EXEMPTION HAD
25 NOT BEEN CLAIMED UNDER THIS SECTION, FOR WHICH A TRANSFER OF
26 OWNERSHIP OCCURS AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT
27 THAT ADDED THIS SECTION, THE DECEMBER 31 IN THE YEAR IMMEDIATELY

1 SUCCEEDING THE YEAR IN WHICH THE TRANSFER OF OWNERSHIP OCCURRED. AS
2 USED IN THIS SUBDIVISION, "TRANSFER OF OWNERSHIP" MEANS THAT TERM
3 AS DEFINED IN SECTION 27A.

4 (4) UPON RECEIPT OF AN AFFIDAVIT FILED UNDER SUBSECTION (3)
5 AND UNLESS THE CLAIM IS DENIED UNDER THIS SECTION, THE ASSESSOR
6 SHALL EXEMPT THE PROPERTY FROM THE COLLECTION OF TAXES UNDER THIS
7 ACT EFFECTIVE FOR THE YEAR IMMEDIATELY SUCCEEDING THE YEAR IN WHICH
8 THE AFFIDAVIT IS FILED UNTIL DECEMBER 31 OF THE YEAR IN WHICH THE
9 PROPERTY IS NO LONGER COMMERCIAL RENTAL PROPERTY.

10 (5) A TRANSFER OF OWNERSHIP OF COMMERCIAL RENTAL PROPERTY DOES
11 NOT RESCIND AN EXEMPTION PREVIOUSLY CLAIMED UNDER THIS SECTION, AND
12 THE COMMERCIAL RENTAL PROPERTY TRANSFERRED IS SUBJECT TO THE
13 SPECIFIC TAX LEVIED UNDER THE COMMERCIAL RENTAL PROPERTY SPECIFIC
14 TAX ACT UNTIL THE PROPERTY IS NO LONGER COMMERCIAL RENTAL PROPERTY.
15 AN OWNER MAY RESCIND AN EXEMPTION GRANTED UNDER THIS SECTION ONLY
16 IF THE EXEMPTED PROPERTY IS NO LONGER COMMERCIAL RENTAL PROPERTY.
17 NOT MORE THAN 90 DAYS AFTER EXEMPTED PROPERTY IS NO LONGER
18 COMMERCIAL RENTAL PROPERTY, AN OWNER SHALL RESCIND THE CLAIM OF
19 EXEMPTION BY FILING WITH THE LOCAL TAX COLLECTING UNIT A RESCISSION
20 FORM PRESCRIBED BY THE DEPARTMENT OF TREASURY. AN OWNER WHO FAILS
21 TO FILE A RESCISSION AS REQUIRED BY THIS SUBSECTION IS SUBJECT TO A
22 PENALTY OF \$5.00 PER DAY FOR EACH SEPARATE FAILURE BEGINNING AFTER
23 THE 90 DAYS HAVE ELAPSED, UP TO A MAXIMUM OF \$200.00. THIS PENALTY
24 SHALL BE COLLECTED UNDER 1941 PA 122, MCL 205.1 TO 205.31, AND
25 SHALL BE DEPOSITED IN THE STATE SCHOOL AID FUND ESTABLISHED IN
26 SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963. THIS
27 PENALTY MAY BE WAIVED BY THE DEPARTMENT OF TREASURY.

1 (6) IF THE ASSESSOR OF THE LOCAL TAX COLLECTING UNIT BELIEVES
2 THAT THE PROPERTY FOR WHICH AN EXEMPTION IS CLAIMED IS NOT
3 COMMERCIAL RENTAL PROPERTY, THE ASSESSOR MAY DENY A NEW OR EXISTING
4 CLAIM BY NOTIFYING THE OWNER AND THE DEPARTMENT OF TREASURY IN
5 WRITING OF THE REASON FOR THE DENIAL AND ADVISING THE OWNER THAT
6 THE DENIAL MAY BE APPEALED TO THE STATE TAX COMMISSION WITHIN 35
7 DAYS AFTER THE DATE OF THE NOTICE. THE ASSESSOR MAY DENY A CLAIM
8 FOR EXEMPTION FOR THE CURRENT YEAR AND FOR THE 3 IMMEDIATELY
9 PRECEDING CALENDAR YEARS. IF THE ASSESSOR DENIES AN EXISTING CLAIM
10 FOR EXEMPTION, THE ASSESSOR SHALL REMOVE THE EXEMPTION OF THE
11 PROPERTY, CALCULATE THE TAXABLE VALUE OF THE PROPERTY, WHICH SHALL
12 BE THE TAXABLE VALUE THE PROPERTY WOULD HAVE HAD IF THE PROPERTY
13 HAD NOT BEEN EXEMPT UNDER THIS SECTION, CALCULATED FROM THE DATE
14 THE PROPERTY WAS NO LONGER COMMERCIAL RENTAL PROPERTY, AND, IF THE
15 TAX ROLL IS IN THE LOCAL TAX COLLECTING UNIT'S POSSESSION, AMEND
16 THE TAX ROLL TO REFLECT THE DENIAL AND THE LOCAL TREASURER SHALL
17 WITHIN 30 DAYS OF THE DATE OF THE DENIAL ISSUE A CORRECTED TAX BILL
18 FOR ANY ADDITIONAL TAXES WITH INTEREST AND PENALTIES COMPUTED FROM
19 THE DATE THE TAXES WERE LAST PAYABLE WITHOUT INTEREST OR PENALTY.
20 IF THE TAX ROLL IS IN THE COUNTY TREASURER'S POSSESSION, THE TAX
21 ROLL SHALL BE AMENDED TO REFLECT THE DENIAL AND THE COUNTY
22 TREASURER SHALL WITHIN 30 DAYS OF THE DATE OF THE DENIAL PREPARE
23 AND SUBMIT A SUPPLEMENTAL TAX BILL FOR ANY ADDITIONAL TAXES,
24 TOGETHER WITH INTEREST AND PENALTIES COMPUTED FROM THE DATE THE
25 TAXES WERE LAST PAYABLE WITHOUT INTEREST OR PENALTY. TAXES LEVIED
26 IN A CORRECTED OR SUPPLEMENTAL TAX BILL SHALL BE RETURNED AS
27 DELINQUENT ON THE MARCH 1 IN THE YEAR IMMEDIATELY SUCCEEDING THE

1 YEAR IN WHICH THE CORRECTED OR SUPPLEMENTAL TAX BILL IS ISSUED.
2 HOWEVER, IF THE PROPERTY HAS BEEN TRANSFERRED TO A BONA FIDE
3 PURCHASER BEFORE ADDITIONAL TAXES WERE BILLED TO THE SELLER AS A
4 RESULT OF THE DENIAL OF A CLAIM FOR EXEMPTION, THE TAXES, INTEREST,
5 AND PENALTIES SHALL NOT BE A LIEN ON THE PROPERTY AND SHALL NOT BE
6 BILLED TO THE BONA FIDE PURCHASER, AND THE LOCAL TAX COLLECTING
7 UNIT IF THE LOCAL TAX COLLECTING UNIT HAS POSSESSION OF THE TAX
8 ROLL OR THE COUNTY TREASURER IF THE COUNTY HAS POSSESSION OF THE
9 TAX ROLL SHALL NOTIFY THE DEPARTMENT OF TREASURY OF THE AMOUNT OF
10 TAX DUE, INTEREST, AND PENALTIES THROUGH THE DATE OF THAT
11 NOTIFICATION. THE DEPARTMENT OF TREASURY SHALL THEN ASSESS THE
12 OWNER WHO CLAIMED THE EXEMPTION UNDER THIS SECTION FOR THE TAX,
13 INTEREST, AND PENALTIES ACCRUING AS A RESULT OF THE DENIAL OF THE
14 CLAIM FOR EXEMPTION, IF ANY, AS FOR UNPAID TAXES PROVIDED UNDER
15 1941 PA 122, MCL 205.1 TO 205.31, AND SHALL DEPOSIT ANY TAX,
16 PENALTY, AND INTEREST COLLECTED INTO THE STATE SCHOOL AID FUND. THE
17 DENIAL SHALL BE MADE ON A FORM PRESCRIBED BY THE DEPARTMENT OF
18 TREASURY.

19 (7) AN OWNER OF COMMERCIAL RENTAL PROPERTY EXEMPT UNDER THIS
20 SECTION SHALL INFORM A PROSPECTIVE BUYER OF THAT COMMERCIAL RENTAL
21 PROPERTY THAT THE COMMERCIAL RENTAL PROPERTY IS SUBJECT TO THE
22 SPECIFIC TAX LEVIED UNDER THE COMMERCIAL RENTAL PROPERTY SPECIFIC
23 TAX ACT.

24 (8) THE DEPARTMENT OF TREASURY SHALL MAKE AVAILABLE THE
25 AFFIDAVIT FORMS AND THE FORMS TO RESCIND AN EXEMPTION, WHICH MAY BE
26 ON THE SAME FORM, TO ALL CITY AND TOWNSHIP ASSESSORS, COUNTY
27 EQUALIZATION OFFICERS, COUNTY REGISTERS OF DEEDS, AND CLOSING

1 AGENTS.

2 (9) AS USED IN THIS SECTION, "COMMERCIAL RENTAL PROPERTY"
3 MEANS REAL PROPERTY THAT MEETS ALL OF THE FOLLOWING CONDITIONS:

4 (A) IS CLASSIFIED AS COMMERCIAL REAL PROPERTY OR INDUSTRIAL
5 REAL PROPERTY UNDER SECTION 34C.

6 (B) ALL OR A PORTION IS SUBJECT TO A LEASE OR IS OFFERED FOR
7 LEASE.

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

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

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

17 (i) Omitted real property. As used in this subparagraph,
18 "omitted real property" means previously existing tangible real
19 property not included in the assessment. Omitted real property
20 shall not increase taxable value as an addition unless the
21 assessing jurisdiction has a property record card or other
22 documentation showing that the omitted real property was not
23 previously included in the assessment. The assessing jurisdiction
24 has the burden of proof in establishing whether the omitted real
25 property is included in the assessment. Omitted real property for
26 the current and the 2 immediately preceding years, discovered after
27 the assessment roll has been completed, shall be added to the tax

1 roll pursuant to the procedures established in section 154. For
2 purposes of determining the taxable value of real property under
3 section 27a, the value of omitted real property is based on the
4 value and the ratio of taxable value to true cash value the omitted
5 real property would have had if the property had not been omitted.

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

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

18 (iv) Previously exempt property. As used in this subparagraph,
19 "previously exempt property" means property that was exempt from ad
20 valorem taxation under this act on the immediately preceding tax
21 day but is subject to ad valorem taxation on the current tax day
22 under this act. For purposes of determining the taxable value of
23 real property under section 27a:

24 (A) The value of property previously exempt under section 7u
25 is the taxable value the entire parcel of property would have had
26 if that property had not been exempt, minus the product of the
27 entire parcel's taxable value in the immediately preceding year and

1 the lesser of 1.05 or the inflation rate.

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

6 (C) **THE TAXABLE VALUE OF PROPERTY THAT WAS COMMERCIAL RENTAL**
7 **PROPERTY THAT WAS PREVIOUSLY EXEMPT UNDER SECTION 7// IS THAT**
8 **PROPERTY'S ADJUSTED TAXABLE VALUE UNDER THE COMMERCIAL RENTAL**
9 **PROPERTY SPECIFIC TAX ACT IN THE IMMEDIATELY PRECEDING YEAR.**

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

13 (v) Replacement construction. As used in this subparagraph,
14 "replacement construction" means construction that replaced
15 property damaged or destroyed by accident or act of God and that
16 occurred after the immediately preceding tax day to the extent the
17 construction's true cash value does not exceed the true cash value
18 of property that was damaged or destroyed by accident or act of God
19 in the immediately preceding 3 years. For purposes of determining
20 the taxable value of property under section 27a, the value of the
21 replacement construction is the true cash value of the replacement
22 construction multiplied by a fraction the numerator of which is the
23 taxable value of the property to which the construction was added
24 in the immediately preceding year and the denominator of which is
25 the true cash value of the property to which the construction was
26 added in the immediately preceding year, and then multiplied by the
27 lesser of 1.05 or the inflation rate.

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

15 (vii) ~~AN~~ **PRIOR TO MAY 14, 2002, AN** increase in the value
16 attributable to the property's occupancy rate if either a loss, as
17 that term is defined in this section, had been previously allowed
18 because of a decrease in the property's occupancy rate or if the
19 value of new construction was reduced because of a below-market
20 occupancy rate. For purposes of determining the taxable value of
21 property under section 27a, the value of an addition for the
22 increased occupancy rate is the product of the increase in the true
23 cash value of the property attributable to the increased occupancy
24 rate multiplied by a fraction the numerator of which is the taxable
25 value of the property in the immediately preceding year and the
26 denominator of which is the true cash value of the property in the
27 immediately preceding year, and then multiplied by the lesser of

1 1.05 or the inflation rate.

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

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

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

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

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

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

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

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

27 (g) For taxes levied before 1995, "losses" means a decrease in

1 value caused by the removal or destruction of real or personal
2 property and the value of property taxed in the immediately
3 preceding year that has been exempted or removed from the
4 assessment unit's assessment roll.

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

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

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

20 (iii) ~~AN~~ **PRIOR TO DECEMBER 31, 2007, AN** adjustment in value, if
21 any, because of a decrease in the property's occupancy rate, to the
22 extent provided by law. For purposes of determining the taxable
23 value of real property under section 27a, the value of a loss for a
24 decrease in the property's occupancy rate is the product of the
25 decrease in the true cash value of the property attributable to the
26 decreased occupancy rate multiplied by a fraction the numerator of
27 which is the taxable value of the property in the immediately

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

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

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

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

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

26 (j) "New construction and improvements" means additions less
27 losses.

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

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

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

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

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

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

1 (5) The financial officer of each unit of local government
2 shall make the computation of the tax rate using the data certified
3 by the county treasurer and the state tax commission. At the annual
4 session in October, 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

1 the denominator of the fraction shall be the total state equalized
2 valuation for the current year minus additions. For ad valorem
3 property taxes that are levied after December 31, 1994, the
4 numerator of the fraction shall be the product of the difference
5 between the total taxable value for the immediately preceding year
6 minus losses multiplied by the inflation rate and the denominator
7 of the fraction shall be the total taxable value for the current
8 year minus additions. For each year after 1993, a millage reduction
9 fraction shall not exceed 1.

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

19 (9) The millage reduction shall be determined separately for
20 authorized millage approved by the voters. The limitation on
21 millage authorized by the voters on or before April 30 of a year
22 shall be calculated beginning with the millage reduction fraction
23 for that year. Millage authorized by the voters after April 30
24 shall not be subject to a millage reduction until the year
25 following the voter authorization which shall be calculated
26 beginning with the millage reduction fraction for the year
27 following the authorization. The first millage reduction fraction

1 used in calculating the limitation on millage approved by the
2 voters after January 1, 1979 shall not exceed 1.

3 (10) A millage reduction fraction shall be applied separately
4 to the aggregate maximum millage rate authorized by a charter and
5 to each maximum millage rate authorized by state law for a specific
6 purpose.

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

23 (12) A reduction or limitation under this section shall not be
24 applied to taxes imposed for the payment of principal and interest
25 on bonds or other evidence of indebtedness or for the payment of
26 assessments or contract obligations in anticipation of which bonds
27 are issued that were authorized before December 23, 1978, as

1 provided by section 4 of chapter I of former 1943 PA 202, or to
2 taxes imposed for the payment of principal and interest on bonds or
3 other evidence of indebtedness or for the payment of assessments or
4 contract obligations in anticipation of which bonds are issued that
5 are approved by the voters after December 22, 1978.

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

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

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

23 (16) Beginning with taxes levied in 1994, the millage
24 reduction required by section 31 of article IX of the state
25 constitution of 1963 shall permanently reduce the maximum rate or
26 rates authorized by law or charter. The reduced maximum authorized
27 rate or rates for 1994 shall equal the product of the maximum rate

1 or rates authorized by law or charter before application of this
2 section multiplied by the compounded millage reduction applicable
3 to that millage in 1994 pursuant to subsections (8) to (12). The
4 reduced maximum authorized rate or rates for 1995 and each year
5 after 1995 shall equal the product of the immediately preceding
6 year's reduced maximum authorized rate or rates multiplied by the
7 current year's millage reduction fraction and shall be adjusted for
8 millage for which authorization has expired and new authorized
9 millage approved by the voters pursuant to subsections (8) to (12).

10 Enacting section 1. This amendatory act does not take effect
11 unless Senate Bill No. 312

12 of the 94th Legislature is enacted into law.