

**SUBSTITUTE FOR
SENATE BILL NO. 805**

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 2012 PA 47.

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

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

2 (3) Upon a transfer of ownership of property after 1994, the
3 property's taxable value for the calendar year following the year
4 of the transfer is the property's state equalized valuation for the
5 calendar year following the transfer.

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

24 (5) Assessment of property, as required in this section and
25 section 27, is inapplicable to the assessment of property subject
26 to the levy of ad valorem taxes within voted tax limitation
27 increases to pay principal and interest on limited tax bonds issued

1 by any governmental unit, including a county, township, community
2 college district, or school district, before January 1, 1964, if
3 the assessment required to be made under this act would be less
4 than the assessment as state equalized prevailing on the property
5 at the time of the issuance of the bonds. This inapplicability
6 shall continue until levy of taxes to pay principal and interest on
7 the bonds is no longer required. The assessment of property
8 required by this act shall be applicable for all other purposes.

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

15 (a) A conveyance by deed.

16 (b) A conveyance by land contract. The taxable value of
17 property conveyed by a land contract executed after December 31,
18 1994 shall be adjusted under subsection (3) for the calendar year
19 following the year in which the contract is entered into and shall
20 not be subsequently adjusted under subsection (3) when the deed
21 conveying title to the property is recorded in the office of the
22 register of deeds in the county in which the property is located.

23 (c) A conveyance to a trust after December 31, 1994, except if
24 the settlor or the settlor's spouse, or both, conveys the property
25 to the trust and the sole present beneficiary or beneficiaries are
26 the settlor or the settlor's spouse, or both.

27 (d) A conveyance by distribution from a trust, except if the

1 distributee is the sole present beneficiary or the spouse of the
2 sole present beneficiary, or both.

3 (e) A change in the sole present beneficiary or beneficiaries
4 of a trust, except a change that adds or substitutes the spouse of
5 the sole present beneficiary.

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

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

23 (h) Except as otherwise provided in this subdivision, a
24 conveyance of an ownership interest in a corporation, partnership,
25 sole proprietorship, limited liability company, limited liability
26 partnership, or other legal entity if the ownership interest
27 conveyed is more than 50% of the corporation, partnership, sole

1 proprietorship, limited liability company, limited liability
2 partnership, or other legal entity. Unless notification is provided
3 under subsection (10), the corporation, partnership, sole
4 proprietorship, limited liability company, limited liability
5 partnership, or other legal entity shall notify the assessing
6 officer on a form provided by the state tax commission not more
7 than 45 days after a conveyance of an ownership interest that
8 constitutes a transfer of ownership under this subdivision. Both of
9 the following apply to a corporation subject to 1897 PA 230, MCL
10 455.1 to 455.24:

11 (i) A transfer of stock of the corporation is a transfer of
12 ownership only with respect to the real property that is assessed
13 to the transferor lessee stockholder.

14 (ii) A cumulative conveyance of more than 50% of the
15 corporation's stock does not constitute a transfer of ownership of
16 the corporation's real property.

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

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

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

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

26 (b) A transfer from a husband, a wife, or a husband and wife
27 creating or disjoining a tenancy by the entirety in the grantors

1 or the grantor and his or her spouse.

2 (c) A transfer of that portion of property subject to a life
3 estate or life lease retained by the transferor, until expiration
4 or termination of the life estate or life lease. That portion of
5 property transferred that is not subject to a life lease shall be
6 adjusted under subsection (3).

7 (d) A transfer through foreclosure or forfeiture of a recorded
8 instrument under chapter 31, 32, or 57 of the revised judicature
9 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
10 to 600.5759, or through deed or conveyance in lieu of a foreclosure
11 or forfeiture, until the mortgagee or land contract vendor
12 subsequently transfers the property. If a mortgagee does not
13 transfer the property within 1 year of the expiration of any
14 applicable redemption period, the property shall be adjusted under
15 subsection (3).

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

18 (f) A conveyance to a trust if the settlor or the settlor's
19 spouse, or both, conveys the property to the trust and the sole
20 present beneficiary of the trust is the settlor or the settlor's
21 spouse, or both.

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

26 (h) A transfer creating or terminating a joint tenancy between
27 2 or more persons if at least 1 of the persons was an original

1 owner of the property before the joint tenancy was initially
2 created and, if the property is held as a joint tenancy at the time
3 of conveyance, at least 1 of the persons was a joint tenant when
4 the joint tenancy was initially created and that person has
5 remained a joint tenant since the joint tenancy was initially
6 created. A joint owner at the time of the last transfer of
7 ownership of the property is an original owner of the property. For
8 purposes of this subdivision, a person is an original owner of
9 property owned by that person's spouse.

10 (i) A transfer for security or an assignment or discharge of a
11 security interest.

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

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

26 (l) A transfer of real property or other ownership interests
27 among corporations, partnerships, limited liability companies,

1 limited liability partnerships, or other legal entities if the
2 entities involved are commonly controlled. Upon request by the
3 state tax commission, a corporation, partnership, limited liability
4 company, limited liability partnership, or other legal entity shall
5 furnish proof within 45 days that a transfer meets the requirements
6 of this subdivision. A corporation, partnership, limited liability
7 company, limited liability partnership, or other legal entity that
8 fails to comply with a request by the state tax commission under
9 this subdivision is subject to a fine of \$200.00.

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

18 (n) A transfer of qualified agricultural property, if the
19 person to whom the qualified agricultural property is transferred
20 files an affidavit with the assessor of the local tax collecting
21 unit in which the qualified agricultural property is located and
22 with the register of deeds for the county in which the qualified
23 agricultural property is located attesting that the qualified
24 agricultural property shall remain qualified agricultural property.
25 The affidavit under this subdivision shall be in a form prescribed
26 by the department of treasury. An owner of qualified agricultural
27 property shall inform a prospective buyer of that qualified

1 agricultural property that the qualified agricultural property is
2 subject to the recapture tax provided in the agricultural property
3 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
4 qualified agricultural property is converted by a change in use. If
5 property ceases to be qualified agricultural property at any time
6 after being transferred, all of the following shall occur:

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

10 (ii) The property is subject to the recapture tax provided for
11 under the agricultural property recapture act, 2000 PA 261, MCL
12 211.1001 to 211.1007.

13 (o) A transfer of qualified forest property, if the person to
14 whom the qualified forest property is transferred files an
15 affidavit with the assessor of the local tax collecting unit in
16 which the qualified forest property is located and with the
17 register of deeds for the county in which the qualified forest
18 property is located attesting that the qualified forest property
19 shall remain qualified forest property. The affidavit under this
20 subdivision shall be in a form prescribed by the department of
21 treasury. An owner of qualified forest property shall inform a
22 prospective buyer of that qualified forest property that the
23 qualified forest property is subject to the recapture tax provided
24 in the qualified forest property recapture tax act, 2006 PA 379,
25 MCL 211.1031 to 211.1036, if the qualified forest property is
26 converted by a change in use. If property ceases to be qualified
27 forest property at any time after being transferred, all of the

1 following shall occur:

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

5 (ii) The property is subject to the recapture tax provided for
6 under the qualified forest property recapture tax act, 2006 PA 379,
7 MCL 211.1031 to 211.1036.

8 (p) Beginning on ~~the effective date of the amendatory act that~~
9 ~~added this subdivision~~ **DECEMBER 8, 2006**, a transfer of land, but
10 not buildings or structures located on the land, which meets 1 or
11 more of the following requirements:

12 (i) The land is subject to a conservation easement under
13 subpart 11 of part 21 of the natural resources and environmental
14 protection act, 1994 PA 451, MCL 324.2140 to 324.2144. As used in
15 this subparagraph, "conservation easement" means that term as
16 defined in section 2140 of the natural resources and environmental
17 protection act, 1994 PA 451, MCL 324.2140.

18 (ii) A transfer of ownership of the land or a transfer of an
19 interest in the land is eligible for a deduction as a qualified
20 conservation contribution under section 170(h) of the internal
21 revenue code, 26 USC 170.

22 (q) A transfer of real property or other ownership interests
23 resulting from a consolidation or merger of a domestic nonprofit
24 corporation that is a boy or girl scout or camp fire girls
25 organization, a 4-H club or foundation, a young men's Christian
26 association, or a young women's Christian association and at least
27 50% of the members of that organization or association are

1 residents of this state.

2 (r) A change to the assessment roll or tax roll resulting from
3 the application of section 16a of 1897 PA 230, MCL 455.16a.

4 (S) BEGINNING ON THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT
5 ADDED THIS SUBDIVISION, A CONVEYANCE OF LAND BY DISTRIBUTION UNDER
6 A WILL OR TRUST OR BY INTESTATE SUCCESSION, BUT NOT BUILDINGS OR
7 STRUCTURES LOCATED ON THE LAND, WHICH MEETS 1 OR MORE OF THE
8 FOLLOWING REQUIREMENTS:

9 (i) THE LAND IS MADE SUBJECT TO A CONSERVATION EASEMENT UNDER
10 SUBPART 11 OF PART 21 OF THE NATURAL RESOURCES AND ENVIRONMENTAL
11 PROTECTION ACT, 1994 PA 451, MCL 324.2140 TO 324.2144, PRIOR TO THE
12 CONVEYANCE BY DISTRIBUTION UNDER A WILL OR TRUST OR BY INTESTATE
13 SUCCESSION. AS USED IN THIS SUBPARAGRAPH, "CONSERVATION EASEMENT"
14 MEANS THAT TERM AS DEFINED IN SECTION 2140 OF THE NATURAL RESOURCES
15 AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.2140.

16 (ii) THE LAND OR AN INTEREST IN THE LAND IS MADE ELIGIBLE FOR A
17 DEDUCTION AS A QUALIFIED CONSERVATION CONTRIBUTION UNDER SECTION
18 170(H) OF THE INTERNAL REVENUE CODE, 26 USC 170, PRIOR TO THE
19 CONVEYANCE BY DISTRIBUTION UNDER A WILL OR TRUST OR BY INTESTATE
20 SUCCESSION.

21 (8) If all of the following conditions are satisfied, the
22 local tax collecting unit shall revise the taxable value of
23 qualified agricultural property taxable on the tax roll in the
24 possession of that local tax collecting unit to the taxable value
25 that qualified agricultural property would have had if there had
26 been no transfer of ownership of that qualified agricultural
27 property since December 31, 1999 and there had been no adjustment

1 of that qualified agricultural property's taxable value under
2 subsection (3) since December 31, 1999:

3 (a) The qualified agricultural property was qualified
4 agricultural property for taxes levied in 1999 and each year after
5 1999.

6 (b) The owner of the qualified agricultural property files an
7 affidavit with the assessor of the local tax collecting unit under
8 subsection (7)(n).

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

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

1 filed in the assessing office of a local unit of government under
2 this subsection shall be made available to the county tax or
3 equalization department for the county in which that local unit of
4 government is located. This subsection does not apply to personal
5 property except buildings described in section 14(6) and personal
6 property described in section 8(h), (i), and (j).

7 (11) As used in this section:

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

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

12 (c) "Converted by a change in use" means that term as defined
13 in the agricultural property recapture act, 2000 PA 261, MCL
14 211.1001 to 211.1007.

15 (d) "Inflation rate" means that term as defined in section
16 34d.

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

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

20 (g) "Qualified forest property" means that term as defined in
21 section 7jj[1].