

# HOUSE BILL No. 4602

May 3, 2011, Introduced by Rep. Hobbs 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 2007 PA 31.

**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 taxes levied after 1994, "additions" means, except as  
9 provided in subdivision (c), all of the following:

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

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

21           (iii) New construction. As used in this subparagraph, "new  
22 construction" means property not in existence on the immediately  
23 preceding tax day and not replacement construction. New  
24 construction includes the physical addition of equipment or  
25 furnishings, subject to the provisions set forth in section  
26 27(2)(a) to (o). For purposes of determining the taxable value of  
27 property under section 27a, the value of new construction is the

1 true cash value of the new construction multiplied by 0.50.

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

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

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

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

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

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

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

22 (vii) ~~An~~ **PRIOR TO DECEMBER 31, 2001, AN** increase in the value  
23 attributable to the property's occupancy rate if either a loss, as  
24 that term is defined in this section, had been previously allowed  
25 because of a decrease in the property's occupancy rate or if the  
26 value of new construction was reduced because of a below-market  
27 occupancy rate. For purposes of determining the taxable value of

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

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

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

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

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

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

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

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

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

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

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

14 (i) Property that has been destroyed or removed. For purposes  
15 of determining the taxable value of property under section 27a, the  
16 value of property destroyed or removed is the product of the true  
17 cash value of that property multiplied by a fraction the numerator  
18 of which is the taxable value of that property in the immediately  
19 preceding year and the denominator of which is the true cash value  
20 of that property in the immediately preceding year.

21 (ii) Property that was subject to ad valorem taxation under  
22 this act in the immediately preceding year that is now exempt from  
23 ad valorem taxation under this act. For purposes of determining the  
24 taxable value of property under section 27a, the value of property  
25 exempted from ad valorem taxation under this act is the amount  
26 exempted.

27 (iii) ~~AN~~ **PRIOR TO DECEMBER 31, 2009, AN** adjustment in value, if

1 any, because of a decrease in the property's occupancy rate, to the  
2 extent provided by law. For purposes of determining the taxable  
3 value of real property under section 27a, the value of a loss for a  
4 decrease in the property's occupancy rate is the product of the  
5 decrease in the true cash value of the property attributable to the  
6 decreased occupancy rate multiplied by a fraction the numerator of  
7 which is the taxable value of the property in the immediately  
8 preceding year and the denominator of which is the true cash value  
9 of the property in the immediately preceding year.

10 (iv) A decrease in taxable value attributable to environmental  
11 contamination existing on the immediately preceding tax day. The  
12 department of environmental quality shall determine the degree to  
13 which environmental contamination limits the use of property based  
14 on 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  
18 department of environmental quality's determination of the degree  
19 to which environmental contamination limits the use of property  
20 shall be based on the criteria established for the categories set  
21 forth in section 20120a(1) of the natural resources and  
22 environmental protection act, 1994 PA 451, MCL 324.20120a. The  
23 decrease in taxable value attributable to the contamination is the  
24 decrease in true cash value attributable to the contamination  
25 multiplied by a fraction the numerator of which is the taxable  
26 value of the property had it not been contaminated and the  
27 denominator of which is the true cash value of the property had it

1 not been contaminated.

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

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

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

6 (j) "New construction and improvements" means additions less  
7 losses.

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

10 (l) "Inflation rate" means the ratio of the general price level  
11 for the state fiscal year ending in the calendar year immediately  
12 preceding the current year divided by the general price level for  
13 the state fiscal year ending in the calendar year before the year  
14 immediately preceding the current year.

15 (2) On or before the first Monday in May of each year, the  
16 assessing officer of each township or city shall tabulate the  
17 tentative taxable value as approved by the local board of review  
18 and as modified by county equalization for each classification of  
19 property that is separately equalized for each unit of local  
20 government and provide the tabulated tentative taxable values to  
21 the county equalization director. The tabulation by the assessing  
22 officer shall contain additions and losses for each classification  
23 of property that is separately equalized for each unit of local  
24 government or part of a unit of local government in the township or  
25 city. If as a result of state equalization the taxable value of  
26 property changes, the assessing officer of each township or city  
27 shall revise the calculations required by this subsection on or



1 before the Friday following the fourth Monday in May. The county  
2 equalization director shall compute these amounts and the current  
3 and immediately preceding year's taxable values for each  
4 classification of property that is separately equalized for each  
5 unit of local government that levies taxes under this act within  
6 the boundary of the county. The county equalization director shall  
7 cooperate with equalization directors of neighboring counties, as  
8 necessary, to make the computation for units of local government  
9 located in more than 1 county. The county equalization director  
10 shall calculate the millage reduction fraction for each unit of  
11 local government in the county for the current year. The financial  
12 officer for each taxing jurisdiction shall calculate the compounded  
13 millage reduction fractions beginning in 1980 resulting from the  
14 multiplication of successive millage reduction fractions and shall  
15 recognize a local voter action to increase the compounded millage  
16 reduction fraction to a maximum of 1 as a new beginning fraction.  
17 Upon request of the superintendent of the intermediate school  
18 district, the county equalization director shall transmit the  
19 complete computations of the taxable values to the superintendent  
20 of the intermediate school district within that county. At the  
21 request of the presidents of community colleges, the county  
22 equalization director shall transmit the complete computations of  
23 the taxable values to the presidents of community colleges within  
24 the county.

25 (3) On or before the first Monday in June of each year, the  
26 county equalization director shall deliver the statement of the  
27 computations signed by the county equalization director to the

1 county treasurer.

2 (4) On or before the second Monday in June of each year, the  
3 treasurer of each county shall certify the immediately preceding  
4 year's taxable values, the current year's taxable values, the  
5 amount of additions and losses for the current year, and the  
6 current year's millage reduction fraction for each unit of local  
7 government that levies a property tax in the county.

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

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

23 (7) A millage reduction fraction shall be determined for each  
24 year for each local unit of government. For ad valorem property  
25 taxes that became a lien before January 1, 1983, the numerator of  
26 the fraction shall be the total state equalized valuation for the  
27 immediately preceding year multiplied by the inflation rate and the

1 denominator of the fraction shall be the total state equalized  
2 valuation for the current year minus new construction and  
3 improvements. For ad valorem property taxes that become a lien  
4 after December 31, 1982 and through December 31, 1994, the  
5 numerator of the fraction shall be the product of the difference  
6 between the total state equalized valuation for the immediately  
7 preceding year minus losses multiplied by the inflation rate and  
8 the denominator of the fraction shall be the total state equalized  
9 valuation for the current year minus additions. For ad valorem  
10 property taxes that are levied after December 31, 1994, the  
11 numerator of the fraction shall be the product of the difference  
12 between the total taxable value for the immediately preceding year  
13 minus losses multiplied by the inflation rate and the denominator  
14 of the fraction shall be the total taxable value for the current  
15 year minus additions. For each year after 1993, a millage reduction  
16 fraction shall not exceed 1.

17 (8) The compounded millage reduction fraction shall be  
18 calculated by multiplying the local unit's previous year's  
19 compounded millage reduction fraction by the current year's millage  
20 reduction fraction. The compounded millage reduction fraction for  
21 the year shall be multiplied by the maximum millage rate authorized  
22 by law or charter for the unit of local government for the year,  
23 except as provided by subsection (9). A compounded millage  
24 reduction fraction shall not exceed 1.

25 (9) The millage reduction shall be determined separately for  
26 authorized millage approved by the voters. The limitation on  
27 millage authorized by the voters on or before April 30 of a year

1 shall be calculated beginning with the millage reduction fraction  
2 for that year. Millage authorized by the voters after April 30  
3 shall not be subject to a millage reduction until the year  
4 following the voter authorization which shall be calculated  
5 beginning with the millage reduction fraction for the year  
6 following the authorization. The first millage reduction fraction  
7 used in calculating the limitation on millage approved by the  
8 voters after January 1, 1979 shall not exceed 1.

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

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

1 reduction applicable to that millage had it not expired.

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

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

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

24 (15) The fractions calculated pursuant to this section shall  
25 be rounded to 4 decimal places, except that the inflation rate  
26 shall be computed by the state tax commission and shall be rounded  
27 to 3 decimal places. The state tax commission shall publish the

1 inflation rate before March 1 of each year.

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