

HOUSE BILL No. 5621

May 10, 2012, Introduced by Rep. Gilbert 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:

10 (i) Omitted real property. As used in this subparagraph,
11 "omitted real property" means previously existing tangible real

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

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

19 (iii) New construction. As used in this subparagraph, "new
20 construction" means property not in existence on the immediately
21 preceding tax day and not replacement construction. New
22 construction includes the physical addition of equipment or
23 furnishings, subject to the provisions set forth in section
24 27(2) (a) to (o). For purposes of determining the taxable value of
25 property under section 27a, the value of new construction is the
26 true cash value of the new construction multiplied by 0.50.

27 (iv) Previously exempt property. As used in this subparagraph,

1 "previously exempt property" means property that was exempt from ad
2 valorem taxation under this act on the immediately preceding tax
3 day but is subject to ad valorem taxation on the current tax day
4 under this act. For purposes of determining the taxable value of
5 real property under section 27a:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (iii) ~~AN~~ **PRIOR TO DECEMBER 31, 2012, AN** adjustment in value, if
26 any, because of a decrease in the property's occupancy rate, to the
27 extent provided by law. For purposes of determining the taxable

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

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

27 (i) For taxes levied after 1994, losses do not include

1 decreased value attributable to either of the following:

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

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

4 (j) "New construction and improvements" means additions less
5 losses.

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

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

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

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

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

27 (4) On or before the second Monday in June of each year, the

1 treasurer of each county shall certify the immediately preceding
2 year's taxable values, the current year's taxable values, the
3 amount of additions and losses for the current year, and the
4 current year's millage reduction fraction for each unit of local
5 government that levies a property tax in the county.

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

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

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

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

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

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

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

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

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

27 (12) A reduction or limitation under this section shall not be

1 applied to taxes imposed for the payment of principal and interest
2 on bonds or other evidence of indebtedness or for the payment of
3 assessments or contract obligations in anticipation of which bonds
4 are issued that were authorized before December 23, 1978, as
5 provided by section 4 of chapter I of former 1943 PA 202, or to
6 taxes imposed for the payment of principal and interest on bonds or
7 other evidence of indebtedness or for the payment of assessments or
8 contract obligations in anticipation of which bonds are issued that
9 are approved by the voters after December 22, 1978.

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

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

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

27 (16) Beginning with taxes levied in 1994, the millage

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