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Senate Bill 396 (as introduced 5-29-13)
Sponsor: Senator Tom Casperson
Committee: Finance

Date Completed: 9-24-13

CONTENT

The bill would amend the General Property Tax Act to provide for the taxable value of property to remain essentially unchanged if the property were reconstructed due to an accident or act of God; and specify that construction required to bring the property into code compliance would not increase its taxable value.

Under the Act, unless there is a transfer of ownership, the taxable value of property may not increase from one year to the next by more than 5%, minus any losses and plus all additions. The Act's definition of "additions" includes replacement construction, which means construction that replaced property damaged or destroyed by accident or act of God and that occurred after the previous tax day, to the extent the construction's true cash value does not exceed the true cash value of the property that was damaged or destroyed by accident or act of God in the preceding three years.

The Act specifies a formula to calculate the value of the replacement construction, for purposes of determining the property's taxable value. This formula requires the true cash value of the replacement construction to be multiplied by a fraction based on the difference between the property's taxable value and its true cash value before the accident or act of God (in effect reducing the value of the replacement construction by that ratio).

Under the bill, however, after December 31, 2011, if the property's replacement construction were of substantially the same materials and square footage, and if the construction were completed by December 31 in the year three years after the accident or act of God occurred, the taxable value of the replacement construction would be the taxable value of the damaged or destroyed property, adjusted annually as otherwise provided for year-to-year increases.

The bill also provides that any construction improvements required to bring the property into compliance with applicable health, sanitary, zoning, safety, fire, or construction codes or ordinances could not increase the property's taxable value.

MCL 211.34d

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would likely reduce, by an indeterminate and likely negligible amount, local unit and State revenue. The bill would affect a minimal number of properties, and the magnitude

and direction of any impact would depend on the specific characteristics of the affected properties.

Fiscal Analyst: David Zin

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