

HOUSE BILL No. 4974

September 17, 2013, Introduced by Reps. Lyons, Zorn, Foster, McMillin, Genetski,
MacGregor, McBroom, Rendon, Shirkey, Price, Yonker and Callton and referred to the
Committee on Tax Policy.

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. **HOWEVER, FOR TAXES LEVIED IN**
10 **2014 AND EACH YEAR AFTER 2014, IF A FRACTION THE NUMERATOR OF WHICH**

1 IS THE STATE EQUALIZED VALUE FOR THE CURRENT YEAR MINUS ADDITIONS
2 AND THE DENOMINATOR OF WHICH IS THE STATE EQUALIZED VALUE FOR THE
3 IMMEDIATELY PRECEDING YEAR MINUS LOSSES IS LESS THAN BOTH 1.05 AND
4 THE INFLATION RATE, FOR PURPOSES OF THIS SUBDIVISION THE TAXABLE
5 VALUE IS THE PROPERTY'S TAXABLE VALUE IN THE IMMEDIATELY PRECEDING
6 YEAR MINUS LOSSES PLUS ADDITIONS. For taxes levied in 1995, the
7 property's taxable value in the immediately preceding year is the
8 property's state equalized valuation in 1994.

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

10 (3) Upon a transfer of ownership of property after 1994, the
11 property's taxable value for the calendar year following the year
12 of the transfer is the property's state equalized valuation for the
13 calendar year following the transfer.

14 (4) If the taxable value of property is adjusted under
15 subsection (3), a subsequent increase in the property's taxable
16 value is subject to the limitation set forth in subsection (2)
17 until a subsequent transfer of ownership occurs. If the taxable
18 value of property is adjusted under subsection (3) and the assessor
19 determines that there had not been a transfer of ownership, the
20 taxable value of the property shall be adjusted at the July or
21 December board of review. Notwithstanding the limitation provided
22 in section 53b(1) on the number of years for which a correction may
23 be made, the July or December board of review may adjust the
24 taxable value of property under this subsection for the current
25 year and for the 3 immediately preceding calendar years. A
26 corrected tax bill shall be issued for each tax year for which the
27 taxable value is adjusted by the local tax collecting unit if the

1 local tax collecting unit has possession of the tax roll or by the
2 county treasurer if the county has possession of the tax roll. For
3 purposes of section 53b, an adjustment under this subsection shall
4 be considered the correction of a clerical error.

5 (5) Assessment of property, as required in this section and
6 section 27, is inapplicable to the assessment of property subject
7 to the levy of ad valorem taxes within voted tax limitation
8 increases to pay principal and interest on limited tax bonds issued
9 by any governmental unit, including a county, township, community
10 college district, or school district, before January 1, 1964, if
11 the assessment required to be made under this act would be less
12 than the assessment as state equalized prevailing on the property
13 at the time of the issuance of the bonds. This inapplicability
14 shall continue until levy of taxes to pay principal and interest on
15 the bonds is no longer required. The assessment of property
16 required by this act shall be applicable for all other purposes.

17 (6) As used in this act, "transfer of ownership" means the
18 conveyance of title to or a present interest in property, including
19 the beneficial use of the property, the value of which is
20 substantially equal to the value of the fee interest. Transfer of
21 ownership of property includes, but is not limited to, the
22 following:

23 (a) A conveyance by deed.

24 (b) A conveyance by land contract. The taxable value of
25 property conveyed by a land contract executed after December 31,
26 1994 shall be adjusted under subsection (3) for the calendar year
27 following the year in which the contract is entered into and shall

1 not be subsequently adjusted under subsection (3) when the deed
2 conveying title to the property is recorded in the office of the
3 register of deeds in the county in which the property is located.

4 (c) A conveyance to a trust after December 31, 1994, except if
5 the settlor or the settlor's spouse, or both, conveys the property
6 to the trust and the sole present beneficiary or beneficiaries are
7 the settlor or the settlor's spouse, or both.

8 (d) A conveyance by distribution from a trust, except if the
9 distributee is the sole present beneficiary or the spouse of the
10 sole present beneficiary, or both.

11 (e) A change in the sole present beneficiary or beneficiaries
12 of a trust, except a change that adds or substitutes the spouse of
13 the sole present beneficiary.

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

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

1 14(6) and personal property described in section 8(h), (i), and
2 (j). This subdivision does not apply to that portion of the
3 property not subject to the leasehold interest conveyed.

4 (h) Except as otherwise provided in this subdivision, a
5 conveyance of an ownership interest in a corporation, partnership,
6 sole proprietorship, limited liability company, limited liability
7 partnership, or other legal entity if the ownership interest
8 conveyed is more than 50% of the corporation, partnership, sole
9 proprietorship, limited liability company, limited liability
10 partnership, or other legal entity. Unless notification is provided
11 under subsection (10), the corporation, partnership, sole
12 proprietorship, limited liability company, limited liability
13 partnership, or other legal entity shall notify the assessing
14 officer on a form provided by the state tax commission not more
15 than 45 days after a conveyance of an ownership interest that
16 constitutes a transfer of ownership under this subdivision. Both of
17 the following apply to a corporation subject to 1897 PA 230, MCL
18 455.1 to 455.24:

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

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

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

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

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

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

7 (b) A transfer from a husband, a wife, or a husband and wife
8 creating or disjoining a tenancy by the entireties in the grantors
9 or the grantor and his or her spouse.

10 (c) A transfer of that portion of property subject to a life
11 estate or life lease retained by the transferor, until expiration
12 or termination of the life estate or life lease. That portion of
13 property transferred that is not subject to a life lease shall be
14 adjusted under subsection (3).

15 (d) A transfer through foreclosure or forfeiture of a recorded
16 instrument under chapter 31, 32, or 57 of the revised judicature
17 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
18 to 600.5759, or through deed or conveyance in lieu of a foreclosure
19 or forfeiture, until the mortgagee or land contract vendor
20 subsequently transfers the property. If a mortgagee does not
21 transfer the property within 1 year of the expiration of any
22 applicable redemption period, the property shall be adjusted under
23 subsection (3).

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

26 (f) A conveyance to a trust if the settlor or the settlor's
27 spouse, or both, conveys the property to the trust and the sole

1 present beneficiary of the trust is the settlor or the settlor's
2 spouse, or both.

3 (g) A transfer pursuant to a judgment or order of a court of
4 record making or ordering a transfer, unless a specific monetary
5 consideration is specified or ordered by the court for the
6 transfer.

7 (h) A transfer creating or terminating a joint tenancy between
8 2 or more persons if at least 1 of the persons was an original
9 owner of the property before the joint tenancy was initially
10 created and, if the property is held as a joint tenancy at the time
11 of conveyance, at least 1 of the persons was a joint tenant when
12 the joint tenancy was initially created and that person has
13 remained a joint tenant since the joint tenancy was initially
14 created. A joint owner at the time of the last transfer of
15 ownership of the property is an original owner of the property. For
16 purposes of this subdivision, a person is an original owner of
17 property owned by that person's spouse.

18 (i) A transfer for security or an assignment or discharge of a
19 security interest.

20 (j) A transfer of real property or other ownership interests
21 among members of an affiliated group. As used in this subsection,
22 "affiliated group" means 1 or more corporations connected by stock
23 ownership to a common parent corporation. Upon request by the state
24 tax commission, a corporation shall furnish proof within 45 days
25 that a transfer meets the requirements of this subdivision. A
26 corporation that fails to comply with a request by the state tax
27 commission under this subdivision is subject to a fine of \$200.00.

1 (k) Normal public trading of shares of stock or other
2 ownership interests that, over any period of time, cumulatively
3 represent more than 50% of the total ownership interest in a
4 corporation or other legal entity and are traded in multiple
5 transactions involving unrelated individuals, institutions, or
6 other legal entities.

7 (l) A transfer of real property or other ownership interests
8 among corporations, partnerships, limited liability companies,
9 limited liability partnerships, or other legal entities if the
10 entities involved are commonly controlled. Upon request by the
11 state tax commission, a corporation, partnership, limited liability
12 company, limited liability partnership, or other legal entity shall
13 furnish proof within 45 days that a transfer meets the requirements
14 of this subdivision. A corporation, partnership, limited liability
15 company, limited liability partnership, or other legal entity that
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 (m) A direct or indirect transfer of real property or other
19 ownership interests resulting from a transaction that qualifies as
20 a tax-free reorganization under section 368 of the internal revenue
21 code, 26 USC 368. Upon request by the state tax commission, a
22 property owner shall furnish proof within 45 days that a transfer
23 meets the requirements of this subdivision. A property owner who
24 fails to comply with a request by the state tax commission under
25 this subdivision is subject to a fine of \$200.00.

26 (n) A transfer of qualified agricultural property, if the
27 person to whom the qualified agricultural property is transferred

1 files an affidavit with the assessor of the local tax collecting
2 unit in which the qualified agricultural property is located and
3 with the register of deeds for the county in which the qualified
4 agricultural property is located attesting that the qualified
5 agricultural property shall remain qualified agricultural property.
6 The affidavit under this subdivision shall be in a form prescribed
7 by the department of treasury. An owner of qualified agricultural
8 property shall inform a prospective buyer of that qualified
9 agricultural property that the qualified agricultural property is
10 subject to the recapture tax provided in the agricultural property
11 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
12 qualified agricultural property is converted by a change in use. If
13 property ceases to be qualified agricultural property at any time
14 after being transferred, all of the following shall occur:

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

18 (ii) The property is subject to the recapture tax provided for
19 under the agricultural property recapture act, 2000 PA 261, MCL
20 211.1001 to 211.1007.

21 (o) A transfer of qualified forest property, if the person to
22 whom the qualified forest property is transferred files an
23 affidavit with the assessor of the local tax collecting unit in
24 which the qualified forest property is located and with the
25 register of deeds for the county in which the qualified forest
26 property is located attesting that the qualified forest property
27 shall remain qualified forest property. The affidavit under this

1 subdivision shall be in a form prescribed by the department of
2 treasury. An owner of qualified forest property shall inform a
3 prospective buyer of that qualified forest property that the
4 qualified forest property is subject to the recapture tax provided
5 in the qualified forest property recapture tax act, 2006 PA 379,
6 MCL 211.1031 to 211.1036, if the qualified forest property is
7 converted by a change in use. If property ceases to be qualified
8 forest property at any time after being transferred, all of the
9 following shall occur:

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

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

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

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

26 (ii) A transfer of ownership of the land or a transfer of an
27 interest in the land is eligible for a deduction as a qualified

1 conservation contribution under section 170(h) of the internal
2 revenue code, 26 USC 170.

3 (q) A transfer of real property or other ownership interests
4 resulting from a consolidation or merger of a domestic nonprofit
5 corporation that is a boy or girl scout or camp fire girls
6 organization, a 4-H club or foundation, a young men's Christian
7 association, or a young women's Christian association and at least
8 50% of the members of that organization or association are
9 residents of this state.

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

12 (8) If all of the following conditions are satisfied, the
13 local tax collecting unit shall revise the taxable value of
14 qualified agricultural property taxable on the tax roll in the
15 possession of that local tax collecting unit to the taxable value
16 that qualified agricultural property would have had if there had
17 been no transfer of ownership of that qualified agricultural
18 property since December 31, 1999 and there had been no adjustment
19 of that qualified agricultural property's taxable value under
20 subsection (3) since December 31, 1999:

21 (a) The qualified agricultural property was qualified
22 agricultural property for taxes levied in 1999 and each year after
23 1999.

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

27 (9) If the taxable value of qualified agricultural property is

1 adjusted under subsection (8), the owner of that qualified
2 agricultural property shall not be entitled to a refund for any
3 property taxes collected under this act on that qualified
4 agricultural property before the adjustment under subsection (8).

5 (10) The register of deeds of the county where deeds or other
6 title documents are recorded shall notify the assessing officer of
7 the appropriate local taxing unit not less than once each month of
8 any recorded transaction involving the ownership of property and
9 shall make any recorded deeds or other title documents available to
10 that county's tax or equalization department. Unless notification
11 is provided under subsection (6), the buyer, grantee, or other
12 transferee of the property shall notify the appropriate assessing
13 office in the local unit of government in which the property is
14 located of the transfer of ownership of the property within 45 days
15 of the transfer of ownership, on a form prescribed by the state tax
16 commission that states the parties to the transfer, the date of the
17 transfer, the actual consideration for the transfer, and the
18 property's parcel identification number or legal description. Forms
19 filed in the assessing office of a local unit of government under
20 this subsection shall be made available to the county tax or
21 equalization department for the county in which that local unit of
22 government is located. This subsection does not apply to personal
23 property except buildings described in section 14(6) and personal
24 property described in section 8(h), (i), and (j).

25 (11) As used in this section:

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

27 (b) "Beneficial use" means the right to possession, use, and

1 enjoyment of property, limited only by encumbrances, easements, and
2 restrictions of record.

3 (c) "Converted by a change in use" means that term as defined
4 in the agricultural property recapture act, 2000 PA 261, MCL
5 211.1001 to 211.1007.

6 (d) "Inflation rate" means that term as defined in section
7 34d.

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

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

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

13 Enacting section 1. This amendatory act does not take effect
14 unless Senate Joint Resolution ____ or House Joint Resolution Y_
15 (request no. 00179'13) of the 97th Legislature becomes a part of
16 the state constitution of 1963 as provided in section 1 of article
17 XII of the state constitution of 1963.