

HOUSE BILL No. 5665

June 11, 2014, Introduced by Reps. Cotter and Pscholka 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 2013 PA 50.

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

1 property's state equalized valuation in 1994.

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

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

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

25 (5) Assessment of property, as required in this section and
26 section 27, is inapplicable to the assessment of property subject
27 to the levy of ad valorem taxes within voted tax limitation

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

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

16 (a) A conveyance by deed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (b) A transfer from a husband, a wife, or a husband and wife

1 creating or disjoining a tenancy by the entireties in the grantors
2 or the grantor and his or her spouse.

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

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

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

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

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

27 (h) A transfer creating or terminating a joint tenancy between

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

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

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

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

27 (l) A transfer of real property or other ownership interests

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

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

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

1 property shall inform a prospective buyer of that qualified
2 agricultural property that the qualified agricultural property is
3 subject to the recapture tax provided in the agricultural property
4 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
5 qualified agricultural property is converted by a change in use, as
6 that term is defined in section 2 of the agricultural property
7 recapture act, 2000 PA 261, MCL 211.1002. If property ceases to be
8 qualified agricultural property at any time after being
9 transferred, all of the 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 agricultural property.

13 (ii) The property is subject to the recapture tax provided for
14 under the agricultural property recapture act, 2000 PA 261, MCL
15 211.1001 to 211.1007.

16 (o) A transfer of qualified forest property, if the person to
17 whom the qualified forest property is transferred files a qualified
18 forest taxable value affidavit with the assessor of the local tax
19 collecting unit in which the qualified forest property is located
20 and with the register of deeds for the county in which the
21 qualified forest property is located attesting that the qualified
22 forest property shall remain qualified forest property. The
23 qualified forest taxable value affidavit under this subdivision
24 shall be in a form prescribed by the department of agriculture and
25 rural development. The qualified forest taxable value affidavit
26 shall include a legal description of the qualified forest property,
27 the name of the new property owner, the year the transfer of the

1 property occurred, a statement indicating that the property owner
2 is attesting that the property for which the exemption is claimed
3 is qualified forest property and will be managed according to the
4 approved forest management plan, and any other information
5 pertinent to the parcel and the property owner. The property owner
6 shall provide a copy of the qualified forest taxable value
7 affidavit to the department. The department shall provide 1 copy of
8 the qualified forest taxable value affidavit to the local tax
9 collecting unit, 1 copy to the conservation district, and 1 copy to
10 the department of treasury. These copies may be sent
11 electronically. The exception to the recognition of a transfer of
12 ownership, as herein stated, shall extend to the land only of the
13 qualified forest property. If qualified forest property is improved
14 by buildings, structures, or land improvements, then those
15 improvements shall be recognized as a transfer of ownership, in
16 accordance with the provisions of section 7jj. An owner of
17 qualified forest property shall inform a prospective buyer of that
18 qualified forest property that the qualified forest property is
19 subject to the recapture tax provided in the qualified forest
20 property recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036,
21 if the qualified forest property is converted by a change in use,
22 as that term is defined in section 2 of the qualified forest
23 property recapture tax act, 2006 PA 379, MCL 211.1032. If property
24 ceases to be qualified forest property at any time after being
25 transferred, all of the following shall occur:

26 (i) The taxable value of that property shall be adjusted under
27 subsection (3) as of the December 31 in the year that the property

1 ceases to be qualified forest property, except to the extent that
2 the transfer of the qualified forest property would not have been
3 considered a transfer of ownership under this subsection.

4 (ii) Except as otherwise provided in subparagraph (iii), the
5 property is subject to the recapture tax provided for under the
6 qualified forest property recapture tax act, 2006 PA 379, MCL
7 211.1031 to 211.1036.

8 (iii) Beginning June 1, 2013 and ending November 30, 2013,
9 owners of property enrolled as qualified forest property prior to
10 January 1, 2013 may execute a new qualified forest taxable value
11 affidavit with the department of agriculture and rural development.
12 If a landowner elects to execute a qualified forest taxable value
13 affidavit, that owner is not required to pay the \$50.00 fee
14 required under section 7jj(2). If a landowner elects not to execute
15 a qualified forest taxable value affidavit, the existing affidavit
16 shall be rescinded, without subjecting the property to the
17 recapture tax provided for under the qualified forest property
18 recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036, and the
19 taxable value of that property shall be adjusted under subsection
20 (3).

21 (p) Beginning on December 8, 2006, a transfer of land, but not
22 buildings or structures located on the land, which meets 1 or more
23 of the following requirements:

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

1 defined in section 2140 of the natural resources and environmental
2 protection act, 1994 PA 451, MCL 324.2140.

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

7 (q) A transfer of real property or other ownership interests
8 resulting from a consolidation or merger of a domestic nonprofit
9 corporation that is a boy or girl scout or camp fire girls
10 organization, a 4-H club or foundation, a young men's Christian
11 association, or a young women's Christian association and at least
12 50% of the members of that organization or association are
13 residents of this state.

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

16 (s) Beginning December 31, 2013, a transfer of residential
17 real property if the transferee is related to the transferor by
18 blood or affinity to the first degree and the use of the
19 residential real property does not change following the transfer.
20 As used in this subdivision, "residential real property" means real
21 property classified as residential real property under section 34c.

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

1 property since December 31, 1999 and there had been no adjustment
2 of that qualified agricultural property's taxable value under
3 subsection (3) since December 31, 1999:

4 (a) The qualified agricultural property was qualified
5 agricultural property for taxes levied in 1999 and each year after
6 1999.

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

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

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

1 property's parcel identification number or legal description. Forms
2 filed in the assessing office of a local unit of government under
3 this subsection **ARE CONFIDENTIAL AND** shall **ONLY** be made available
4 to the county tax or equalization department for the county in
5 which that local unit of government is located. This subsection
6 does not apply to personal property except buildings described in
7 section 14(6) and personal property described in section 8(h), (i),
8 and (j).

9 (11) As used in this section:

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

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

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

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

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

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