

SUBSTITUTE FOR
HOUSE BILL NO. 5244

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending sections 9b and 27 (MCL 211.9b and 211.27), section 9b
as amended by 1994 PA 189 and section 27 as amended by 2002 PA
744.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 9b. (1) ~~All special tools are~~ **A special tool is**
2 exempt from ~~taxation~~ **the collection of taxes under this act.**

3 ~~(2) As used in this section, "special tools" means those~~
4 ~~manufacturing requisites, such as dies, jigs, fixtures, molds,~~
5 ~~patterns, gauges, or other tools, as defined by the state tax~~
6 ~~commission, that are held for use and not for sale in the~~
7 ~~ordinary course of business.~~

8 ~~(3) Special tools are not exempt from taxation if the value~~
9 ~~of the special tools is included in the valuation of inventory~~

1 ~~produced for sale.~~

2 (2) A person claiming an exemption under this section shall
3 include in the statement required under section 19 any special
4 tool for which an exemption is claimed, indicating that the
5 special tool is exempt under this section.

6 (3) As used in this section:

7 (a) "Product" means an item of tangible property that is
8 directly created or produced through the manufacturing process.

9 A product may be any of the following items:

10 (i) A part.

11 (ii) A special tool.

12 (iii) A component.

13 (iv) A sub-assembly.

14 (v) Completed goods that are available for sale or lease in
15 wholesale or retail trade.

16 (b) "Special tool" means a finished or unfinished device such
17 as a die, jig, fixture, mold, pattern, special gauge, or similar
18 device, that is used, or is being prepared for use, to
19 manufacture a product and that cannot be used to manufacture
20 another product without substantial modification of the device.

21 The length of the economic life of the product manufactured shall
22 not be considered in making a determination whether a device used
23 to manufacture that product is a special tool. Special tools do
24 not include the following:

25 (i) A device that differs in character from dies, jigs,
26 fixtures, molds, patterns, or special gauges.

27 (ii) Standard tools.

1 (iii) Machinery or equipment, even if customized, and even if
2 used in conjunction with special tools.

3 (c) "Standard tool" means a die, jig, fixture, mold, pattern,
4 gauge, or other tool that is not a special tool. Standard tool
5 does not include machinery or equipment, even if customized, and
6 even if used in conjunction with special tools or standard tools.

7 Sec. 27. (1) As used in this act, "true cash value" means
8 the usual selling price at the place where the property to which
9 the term is applied is at the time of assessment, being the price
10 that could be obtained for the property at private sale, and not
11 at auction sale except as otherwise provided in this section, or
12 at forced sale. The usual selling price may include sales at
13 public auction held by a nongovernmental agency or person if
14 those sales have become a common method of acquisition in the
15 jurisdiction for the class of property being valued. The usual
16 selling price does not include sales at public auction if the
17 sale is part of a liquidation of the seller's assets in a
18 bankruptcy proceeding or if the seller is unable to use common
19 marketing techniques to obtain the usual selling price for the
20 property. A sale or other disposition by this state or an agency
21 or political subdivision of this state of land acquired for
22 delinquent taxes or an appraisal made in connection with the sale
23 or other disposition or the value attributed to the property of
24 regulated public utilities by a governmental regulatory agency
25 for rate-making purposes is not controlling evidence of true cash
26 value for assessment purposes. In determining the true cash
27 value, the assessor shall also consider the advantages and

1 disadvantages of location; quality of soil; zoning; existing use;
2 present economic income of structures, including farm structures;
3 present economic income of land if the land is being farmed or
4 otherwise put to income producing use; quantity and value of
5 standing timber; water power and privileges; and mines, minerals,
6 quarries, or other valuable deposits known to be available in the
7 land and their value. In determining the true cash value of
8 personal property owned by an electric utility cooperative, the
9 assessor shall consider the number of kilowatt hours of
10 electricity sold per mile of distribution line compared to the
11 average number of kilowatt hours of electricity sold per mile of
12 distribution line for all electric utilities.

13 (2) The assessor shall not consider the increase in true cash
14 value that is a result of expenditures for normal repairs,
15 replacement, and maintenance in determining the true cash value
16 of property for assessment purposes until the property is sold.
17 For the purpose of implementing this subsection, the assessor
18 shall not increase the construction quality classification or
19 reduce the effective age for depreciation purposes, except if the
20 appraisal of the property was erroneous before nonconsideration
21 of the normal repair, replacement, or maintenance, and shall not
22 assign an economic condition factor to the property that differs
23 from the economic condition factor assigned to similar properties
24 as defined by appraisal procedures applied in the jurisdiction.
25 The increase in value attributable to the items included in
26 subdivisions (a) to (o) that is known to the assessor and
27 excluded from true cash value shall be indicated on the

1 assessment roll. This subsection applies only to residential
2 property. The following repairs are considered normal
3 maintenance if they are not part of a structural addition or
4 completion:

5 (a) Outside painting.

6 (b) Repairing or replacing siding, roof, porches, steps,
7 sidewalks, or drives.

8 (c) Repainting, repairing, or replacing existing masonry.

9 (d) Replacing awnings.

10 (e) Adding or replacing gutters and downspouts.

11 (f) Replacing storm windows or doors.

12 (g) Insulating or weatherstripping.

13 (h) Complete rewiring.

14 (i) Replacing plumbing and light fixtures.

15 (j) Replacing a furnace with a new furnace of the same type
16 or replacing an oil or gas burner.

17 (k) Repairing plaster, inside painting, or other
18 redecorating.

19 (l) New ceiling, wall, or floor surfacing.

20 (m) Removing partitions to enlarge rooms.

21 (n) Replacing an automatic hot water heater.

22 (o) Replacing dated interior woodwork.

23 (3) A city or township assessor, a county equalization
24 department, or the state tax commission before utilizing real
25 estate sales data on real property purchases, including purchases
26 by land contract, to determine assessments or in making sales
27 ratio studies to assess property or equalize assessments shall

1 exclude from the sales data the following amounts allowed by
2 subdivisions (a), (b), and (c) to the extent that the amounts are
3 included in the real property purchase price and are so
4 identified in the real estate sales data or certified to the
5 assessor as provided in subdivision (d):

6 (a) Amounts paid for obtaining financing of the purchase
7 price of the property or the last conveyance of the property.

8 (b) Amounts attributable to personal property that were
9 included in the purchase price of the property in the last
10 conveyance of the property.

11 (c) Amounts paid for surveying the property pursuant to the
12 last conveyance of the property. The legislature may require
13 local units of government, including school districts, to submit
14 reports of revenue lost under subdivisions (a) and (b) and this
15 subdivision so that the state may reimburse those units for that
16 lost revenue.

17 (d) The purchaser of real property, including a purchaser by
18 land contract, may file with the assessor of the city or township
19 in which the property is located 2 copies of the purchase
20 agreement or of an affidavit that identifies the amount, if any,
21 for each item listed in subdivisions (a) to (c). One copy shall
22 be forwarded by the assessor to the county equalization
23 department. The affidavit shall be prescribed by the state tax
24 commission.

25 (4) As used in subsection (1), "present economic income"
26 means for leased or rented property the ordinary, general, and
27 usual economic return realized from the lease or rental of

1 property negotiated under current, contemporary conditions
2 between parties equally knowledgeable and familiar with real
3 estate values. The actual income generated by the lease or
4 rental of property is not the controlling indicator of its true
5 cash value in all cases. This subsection does not apply to
6 property subject to a lease entered into before January 1, 1984
7 for which the terms of the lease governing the rental rate or tax
8 liability have not been renegotiated after December 31, 1983.
9 This subsection does not apply to a nonprofit housing cooperative
10 subject to regulatory agreements between the state or federal
11 government entered into before January 1, 1984. As used in this
12 subsection, "nonprofit cooperative housing corporation" means a
13 nonprofit cooperative housing corporation that is engaged in
14 providing housing services to its stockholders and members and
15 that does not pay dividends or interest upon stock or membership
16 investment but that does distribute all earnings to its
17 stockholders or members.

18 (5) Beginning December 31, 1994, the purchase price paid in a
19 transfer of property is not the presumptive true cash value of
20 the property transferred. In determining the true cash value of
21 transferred property, an assessing officer shall assess that
22 property using the same valuation method used to value all other
23 property of that same classification in the assessing
24 jurisdiction. As used in this subsection, "purchase price" means
25 the total consideration agreed to in an arms-length transaction
26 and not at a forced sale paid by the purchaser of the property,
27 stated in dollars, whether or not paid in dollars.

1 (6) For purposes of a statement submitted under section 19,
2 the true cash value of a standard tool is the net book value of
3 that standard tool as of December 31 in each tax year as
4 determined using generally accepted accounting principles in a
5 manner consistent with the established depreciation method used
6 by the person submitting that statement. The net book value of a
7 standard tool for federal income tax purposes is not the
8 presumptive true cash value of that standard tool. As used in
9 this subsection, "standard tool" means that term as defined in
10 section 9b.