

HOUSE BILL No. 6017

June 9, 2004, Introduced by Reps. Pappageorge, Meisner, O'Neil, Condino, Law, Jamnick, Caul, Howell, Newell, LaSata, Hager, Shackleton, Nitz, Garfield, Ehardt, Gaffney, Stakoe, Brown, Plakas, Lipsey, Julian and Amos 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 1996 PA
476.

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
7 unit's 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,

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

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

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

1 of property under section 27a, the value of new construction is
2 the true cash value of the new construction multiplied by 0.50.

3 (iv) Previously exempt property. As used in this
4 subparagraph, "previously exempt property" means property that
5 was exempt from ad valorem taxation under this act on the
6 immediately preceding tax day but is subject to ad valorem
7 taxation on the current tax day under this act. For purposes of
8 determining the taxable value of real property under section
9 27a:

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

15 (B) The taxable value of property that is a facility as that
16 term is defined in section 2 of ~~Act No. 198 of the Public Acts~~
17 ~~of 1974, being section 207.552 of the Michigan Compiled Laws~~
18 **1974 PA 198, MCL 207.552**, that was previously exempt under
19 section 7k is the taxable value that property would have had
20 under this act if it had not been exempt.

21 (C) The value of property previously exempt under any other
22 section of law is the true cash value of the previously exempt
23 property multiplied by 0.50.

24 (v) Replacement construction. As used in this subparagraph,
25 "replacement construction" means construction that replaced
26 property damaged or destroyed by accident or act of God and that
27 occurred after the immediately preceding tax day to the extent

1 the construction's true cash value does not exceed the true cash
2 value of property that was damaged or destroyed by accident or
3 act of God in the immediately preceding 3 years. For purposes of
4 determining the taxable value of property under section 27a, the
5 value of the replacement construction is the true cash value of
6 the replacement construction multiplied by a fraction the
7 numerator of which is the taxable value of the property to which
8 the construction was added in the immediately preceding year and
9 the denominator of which is the true cash value of the property
10 to which the construction was added in the immediately preceding
11 year, and then multiplied by the lesser of 1.05 or the inflation
12 rate.

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

27 ~~(vii) An increase in the value attributable to the~~

~~1 property's occupancy rate if either a loss, as that term is
2 defined in this section, had been previously allowed because of a
3 decrease in the property's occupancy rate or if the value of new
4 construction was reduced because of a below market occupancy
5 rate. For purposes of determining the taxable value of property
6 under section 27a, the value of an addition for the increased
7 occupancy rate is the product of the increase in the true cash
8 value of the property attributable to the increased occupancy
9 rate multiplied by a fraction the numerator of which is the
10 taxable value of the property in the immediately preceding year
11 and the denominator of which is the true cash value of the
12 property in the immediately preceding year, and then multiplied
13 by the lesser of 1.05 or the inflation rate.~~

14 (vii) ~~(viii)~~ Public services. As used in this
15 subparagraph, "public services" means water service, sewer
16 service, a primary access road, natural gas service, electrical
17 service, telephone service, sidewalks, or street lighting. For
18 purposes of determining the taxable value of real property under
19 section 27a, the value of public services is the amount of
20 increase in true cash value of the property attributable to the
21 available public services multiplied by 0.50 and shall be added
22 in the calendar year following the calendar year when those
23 public services are initially available.

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

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

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

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

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

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

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

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

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

20 (i) Property that has been destroyed or removed. For
21 purposes of determining the taxable value of property under
22 section 27a, the value of property destroyed or removed is the
23 product of the true cash value of that property multiplied by a
24 fraction the numerator of which is the taxable value of that
25 property in the immediately preceding year and the denominator of
26 which is the true cash value of that property in the immediately
27 preceding year.

1 (ii) Property that was subject to ad valorem taxation under
2 this act in the immediately preceding year that is now exempt
3 from ad valorem taxation under this act. For purposes of
4 determining the taxable value of property under section 27a, the
5 value of property exempted from ad valorem taxation under this
6 act is the amount exempted.

7 ~~(iii) An adjustment in value, if any, because of a decrease
8 in the property's occupancy rate, to the extent provided by law.
9 For purposes of determining the taxable value of real property
10 under section 27a, the value of a loss for a decrease in the
11 property's occupancy rate is the product of the decrease in the
12 true cash value of the property attributable to the decreased
13 occupancy rate multiplied by a fraction the numerator of which is
14 the taxable value of the property in the immediately preceding
15 year and the denominator of which is the true cash value of the
16 property in the immediately preceding year.~~

17 (iii) ~~(iv)~~ A decrease in taxable value attributable to
18 environmental contamination existing on the immediately preceding
19 tax day. The department of environmental quality shall determine
20 the degree to which environmental contamination limits the use of
21 property based on information available in existing department of
22 environmental quality records or information made available to
23 the department of environmental quality if the appropriate
24 assessing officer for a local tax collecting unit requests that
25 determination. The department of environmental quality's
26 determination of the degree to which environmental contamination
27 limits the use of property shall be based on the criteria

1 established for the ~~classifications~~ **categories** set forth in
2 section 20120a(1) ~~of part 201 (environmental remediation)~~ of
3 the natural resources and environmental protection act, ~~Act~~
4 ~~No. 451 of the Public Acts of 1994, being section 324.20120a of~~
5 ~~the Michigan Compiled Laws~~ **1994 PA 451, MCL 324.20120a**. The
6 decrease in taxable value attributable to the contamination is
7 the decrease in true cash value attributable to the contamination
8 multiplied by a fraction the numerator of which is the taxable
9 value of the property had it not been contaminated and the
10 denominator of which is the true cash value of the property had
11 it not been contaminated.

12 (i) For taxes levied after 1994, losses do not include
13 decreased value attributable to either of the following:

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

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

16 (j) "New construction and improvements" means additions less
17 losses.

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

20 (l) "Inflation rate" means the ratio of the general price
21 level for the state fiscal year ending in the calendar year
22 immediately preceding the current year divided by the general
23 price level for the state fiscal year ending in the calendar year
24 before the year immediately preceding the current year.

25 (2) On or before the first Monday in May of each year, the
26 assessing officer of each township or city shall tabulate the
27 tentative taxable value as approved by the local board of review

1 and as modified by county equalization for each classification of
2 property that is separately equalized for each unit of local
3 government and provide the tabulated tentative taxable values to
4 the county equalization director. The tabulation by the
5 assessing officer shall contain additions and losses for each
6 classification of property that is separately equalized for each
7 unit of local government or part of a unit of local government in
8 the township or city. If as a result of state equalization the
9 taxable value of property changes, the assessing officer of each
10 township or city shall revise the calculations required by this
11 subsection on or before the Friday following the fourth Monday in
12 May. The county equalization director shall compute these
13 amounts and the current and immediately preceding year's taxable
14 values for each classification of property that is separately
15 equalized for each unit of local government that levies taxes
16 under this act within the boundary of the county. The county
17 equalization director shall cooperate with equalization directors
18 of neighboring counties, as necessary, to make the computation
19 for units of local government located in more than 1 county. The
20 county equalization director shall calculate the millage
21 reduction fraction for each unit of local government in the
22 county for the current year. The financial officer for each
23 taxing jurisdiction shall calculate the compounded millage
24 reduction fractions beginning in 1980 resulting from the
25 multiplication of successive millage reduction fractions and
26 shall recognize a local voter action to increase the compounded
27 millage reduction fraction to a maximum of 1 as a new beginning

1 fraction. Upon request of the superintendent of the intermediate
2 school district, the county equalization director shall transmit
3 the complete computations of the taxable values to the
4 superintendent of the intermediate school district within that
5 county. At the request of the presidents of community colleges,
6 the county equalization director shall transmit the complete
7 computations of the taxable values to the presidents of community
8 colleges within the county.

9 (3) On or before the first Monday in June of each year, the
10 county equalization director shall deliver the statement of the
11 computations signed by the county equalization director to the
12 county treasurer.

13 (4) On or before the second Monday in June of each year, the
14 treasurer of each county shall certify the immediately preceding
15 year's taxable values, the current year's taxable values, the
16 amount of additions and losses for the current year, and the
17 current year's millage reduction fraction for each unit of local
18 government that levies a property tax in the county.

19 (5) The financial officer of each unit of local government
20 shall make the computation of the tax rate using the data
21 certified by the county treasurer and the state tax commission.
22 At the annual session in October, the county board of
23 commissioners shall not authorize the levy of a tax unless the
24 governing body of the taxing jurisdiction has certified that the
25 requested millage has been reduced, if necessary, in compliance
26 with section 31 of article IX of the state constitution of 1963.

27 (6) The number of mills permitted to be levied in a tax year

1 is limited as provided in this section pursuant to section 31 of
2 article IX of the state constitution of 1963. A unit of local
3 government shall not levy a tax rate greater than the rate
4 determined by reducing its maximum rate or rates authorized by
5 law or charter by a millage reduction fraction as provided in
6 this section without voter approval.

7 (7) A millage reduction fraction shall be determined for each
8 year for each local unit of government. For ad valorem property
9 taxes that became a lien before January 1, 1983, the numerator of
10 the fraction shall be the total state equalized valuation for the
11 immediately preceding year multiplied by the inflation rate and
12 the denominator of the fraction shall be the total state
13 equalized valuation for the current year minus new construction
14 and improvements. For ad valorem property taxes that become a
15 lien after December 31, 1982 and through December 31, 1994, the
16 numerator of the fraction shall be the product of the difference
17 between the total state equalized valuation for the immediately
18 preceding year minus losses multiplied by the inflation rate and
19 the denominator of the fraction shall be the total state
20 equalized valuation for the current year minus additions. For ad
21 valorem property taxes that are levied after December 31, 1994,
22 the numerator of the fraction shall be the product of the
23 difference between the total taxable value for the immediately
24 preceding year minus losses multiplied by the inflation rate and
25 the denominator of the fraction shall be the total taxable value
26 for the current year minus additions. For each year after 1993,
27 a millage reduction fraction shall not exceed 1.

1 (8) The compounded millage reduction fraction for each year
2 after 1980 shall be calculated by multiplying the local unit's
3 previous year's compounded millage reduction fraction by the
4 current year's millage reduction fraction. Beginning with 1980
5 tax levies, the compounded millage reduction fraction for the
6 year shall be multiplied by the maximum millage rate authorized
7 by law or charter for the unit of local government for the year,
8 except as provided by subsection (9). A compounded millage
9 reduction fraction shall not exceed 1.

10 (9) The millage reduction shall be determined separately for
11 authorized millage approved by the voters. The limitation on
12 millage authorized by the voters on or before May 31 of a year
13 shall be calculated beginning with the millage reduction fraction
14 for that year. Millage authorized by the voters after May 31
15 shall not be subject to a millage reduction until the year
16 following the voter authorization which shall be calculated
17 beginning with the millage reduction fraction for the year
18 following the authorization. The first millage reduction
19 fraction used in calculating the limitation on millage approved
20 by the voters after January 1, 1979 shall not exceed 1.

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

25 (11) A unit of local government may submit to the voters for
26 their approval the levy in that year of a tax rate in excess of
27 the limit set by this section. The ballot question shall ask the

1 voters to approve the levy of a specific number of mills in
2 excess of the limit. The provisions of this section do not allow
3 the levy of a millage rate in excess of the maximum rate
4 authorized by law or charter. If the authorization to levy
5 millage expires after 1993 and a local governmental unit is
6 asking voters to renew the authorization to levy the millage, the
7 ballot question shall ask for renewed authorization for the
8 number of expiring mills as reduced by the millage reduction
9 required by this section. If the election occurs before June 1
10 of a year, the millage reduction is based on the immediately
11 preceding year's millage reduction applicable to that millage.
12 If the election occurs after May 31 of a year, the millage
13 reduction shall be based on that year's millage reduction
14 applicable to that millage had it not expired.

15 (12) A reduction or limitation under this section shall not
16 be applied to taxes imposed for the payment of principal and
17 interest on bonds or other evidence of indebtedness or for the
18 payment of assessments or contract obligations in anticipation of
19 which bonds are issued that were authorized before December 23,
20 1978, as provided by former section 4 of chapter I of the
21 municipal finance act, ~~Act No. 202 of the Public Acts of 1943~~
22 **1943 PA 202**, or to taxes imposed for the payment of principal and
23 interest on bonds or other evidence of indebtedness or for the
24 payment of assessments or contract obligations in anticipation of
25 which bonds are issued that are approved by the voters after
26 December 22, 1978.

27 (13) If it is determined subsequent to the levy of a tax that

1 an incorrect millage reduction fraction has been applied, the
2 amount of additional tax revenue or the shortage of tax revenue
3 shall be deducted from or added to the next regular tax levy for
4 that unit of local government after the determination of the
5 authorized rate pursuant to this section.

6 (14) If as a result of an appeal of county equalization or
7 state equalization the taxable value of a unit of local
8 government changes, the millage reduction fraction for the year
9 shall be recalculated. The financial officer shall effectuate an
10 addition or reduction of tax revenue in the same manner as
11 prescribed in subsection (13).

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

17 (16) Beginning with taxes levied in 1994, the millage
18 reduction required by section 31 of article IX of the state
19 constitution of 1963 shall permanently reduce the maximum rate or
20 rates authorized by law or charter. The reduced maximum
21 authorized rate or rates for 1994 shall equal the product of the
22 maximum rate or rates authorized by law or charter before
23 application of this section multiplied by the ~~compound~~
24 **compounded** millage reduction applicable to that millage in 1994
25 pursuant to subsections (8) to (12). The reduced maximum
26 authorized rate or rates for 1995 and each year after 1995 shall
27 equal the product of the immediately preceding year's reduced

1 maximum authorized rate or rates multiplied by the current year's
2 millage reduction fraction and shall be adjusted for millage for
3 which authorization has expired and new authorized millage
4 approved by the voters pursuant to subsections (8) to (12).