

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 709

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 1996 PA
476.

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
5 taxes levied in 1995 and for each year after 1995, the taxable
6 value of each parcel of property is the lesser of the following:

7 (a) The property's taxable value in the immediately preced-
8 ing year minus any losses, multiplied by the lesser of 1.05 or
9 the inflation rate, plus all additions. For taxes levied in

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1 1995, the property's taxable value in the immediately preceding
2 year is the property's state equalized valuation in 1994.

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

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

8 (4) If the taxable value of property is adjusted under sub-
9 section (3), a subsequent increase in the property's taxable
10 value is subject to the limitation set forth in subsection (2)
11 until a subsequent transfer of ownership occurs.

12 (5) Assessment of property, as required in this section and
13 section 27, is inapplicable to the assessment of property subject
14 to the levy of ad valorem taxes within voted tax limitation
15 increases to pay principal and interest on limited tax bonds
16 issued by any governmental unit, including a county, township,
17 community college district, or school district, before January 1,
18 1964, if the assessment required to be made under this act would
19 be less than the assessment as state equalized prevailing on the
20 property at the time of the issuance of the bonds. This inappli-
21 cability shall continue until levy of taxes to pay principal and
22 interest on the bonds is no longer required. The assessment of
23 property required by this act shall be applicable for all other
24 purposes.

25 (6) As used in this act, "transfer of ownership" means the
26 conveyance of title to or a present interest in property,
27 including the beneficial use of the property, the value of which

1 is substantially equal to the value of the fee interest.

2 Transfer of ownership of property includes, but is not limited
3 to, the following:

4 (a) A conveyance by deed.

5 (b) A conveyance by land contract. The taxable value of
6 property conveyed by a land contract executed after December 31,
7 1994 shall be adjusted under subsection (3) for the calendar year
8 following the year in which the contract is entered into and
9 shall not be subsequently adjusted under subsection (3) when the
10 deed conveying title to the property is recorded in the office of
11 the register of deeds in the county in which the property is
12 located.

13 (c) A conveyance to a trust after December 31, 1994, except
14 if the settlor or the settlor's spouse, or both, conveys the
15 property to the trust and the sole present beneficiary or benefi-
16 ciaries are the settlor or the settlor's spouse, or both.

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

20 (e) A change in the sole present beneficiary or beneficia-
21 ries of a trust, except a change that adds or substitutes the
22 spouse of the sole present beneficiary.

23 (f) A conveyance by distribution under a will or by intes-
24 tate succession, except if the distributee is the decedent's
25 spouse.

26 (g) A conveyance by lease if the total duration of the
27 lease, including the initial term and all options for renewal, is

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1 more than 35 years or the lease grants the ~~leasee~~ LESSEE a
2 bargain purchase option. As used in this subdivision, "bargain
3 purchase option" means the right to purchase the property at the
4 termination of the lease for not more than 80% of the property's
5 projected true cash value at the termination of the lease. After
6 December 31, 1994, the taxable value of property conveyed by a
7 lease with a total duration of more than 35 years or with a bar-
8 gain purchase option shall be adjusted under subsection (3) for
9 the calendar year following the year in which the lease is
10 entered into. This subdivision does not apply to personal prop-
11 erty except buildings described in section 14(6) and personal
12 property described in section 8(h), (i), and (j). This subdivi-
13 sion does not apply to that portion of the property not subject
14 to the leasehold interest conveyed.

15 (h) A conveyance of an ownership interest in a corporation,
16 partnership, sole proprietorship, limited liability company,
17 limited liability partnership, or other legal entity if the
18 ownership interest conveyed is more than 50% of the corporation,
19 partnership, sole proprietorship, limited liability company,
20 limited liability partnership, or other legal entity. Unless
21 notification is provided under subsection ~~(8)~~ (10), the corpo-
22 ration, partnership, sole proprietorship, limited liability com-
23 pany, limited liability partnership, or other legal entity shall
24 notify the assessing officer on a form provided by the state tax
25 commission not more than 45 days after a conveyance of an owner-
26 ship interest that constitutes a transfer of ownership under this
27 subdivision.

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

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

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

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

10 (b) A transfer from a husband, a wife, or a husband and wife
11 creating or disjoining a tenancy by the entirety in the grant-
12 ors or the grantor and his or her spouse.

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

18 (d) A transfer through foreclosure or forfeiture of a
19 recorded instrument under chapter 31, 32, or 57 of the revised
20 judicature act of 1961, ~~Act No. 236 of the Public Acts of 1961,~~
21 ~~being sections 600.3101 to 600.3280 and 600.5701 to 600.5785 of~~
22 ~~the Michigan Compiled Laws 1961 PA 236, MCL 600.3101 TO 600.3280~~
23 AND MCL 600.5701 TO 600.5785, or through deed or conveyance in
24 lieu of a foreclosure or forfeiture, until the mortgagee or land
25 contract vendor subsequently transfers the property. If a mort-
26 gagee does not transfer the property within 1 year of the

1 expiration of any applicable redemption period, the property
2 shall be adjusted under subsection (3).

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

5 (f) A conveyance to a trust if the settlor or the settlor's
6 spouse, or both, conveys the property to the trust and the sole
7 present beneficiary of the trust is the settlor or the settlor's
8 spouse, or both.

9 (g) A transfer pursuant to a judgment or order of a court of
10 record making or ordering a transfer, unless a specific monetary
11 consideration is specified or ordered by the court for the
12 transfer.

13 (h) A transfer creating or terminating a joint tenancy
14 between 2 or more persons if at least 1 of the persons was an
15 original owner of the property before the joint tenancy was ini-
16 tially created and, if the property is held as a joint tenancy at
17 the time of conveyance, at least 1 of the persons was a joint
18 tenant when the joint tenancy was initially created and that
19 person has remained a joint tenant since the joint tenancy was
20 initially created. A joint owner at the time of the last trans-
21 fer of ownership of the property is an original owner of the
22 property. For purposes of this subdivision, a person is an orig-
23 inal owner of property owned by that person's spouse.

24 (i) A transfer for security or an assignment or discharge of
25 a security interest.

26 (j) A transfer of real property or other ownership interests
27 among members of an affiliated group. As used in this

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1 subsection, "affiliated group" means 1 or more corporations
2 connected by stock ownership to a common parent corporation.
3 Upon request by the state tax commission, a corporation shall
4 furnish proof within 45 days that a transfer meets the require-
5 ments of this subdivision. A corporation that fails to comply
6 with a request by the state tax commission under this subdivision
7 is subject to a fine of \$200.00.

8 (k) Normal public trading of shares of stock or other owner-
9 ship interests that, over any period of time, cumulatively repre-
10 sent more than 50% of the total ownership interest in a corpora-
11 tion or other legal entity and are traded in multiple transac-
12 tions involving unrelated individuals, institutions, or other
13 legal entities.

14 (l) A transfer of real property or other ownership interests
15 among corporations, partnerships, limited liability companies,
16 limited liability partnerships, or other legal entities if the
17 entities involved are commonly controlled. Upon request by the
18 state tax commission, a corporation, partnership, limited liabil-
19 ity company, limited liability partnership, or other legal entity
20 shall furnish proof within 45 days that a transfer meets the
21 requirements of this subdivision. A corporation, partnership,
22 limited liability company, limited liability partnership, or
23 other legal entity that fails to comply with a request by the
24 state tax commission under this subdivision is subject to a fine
25 of \$200.00.

26 (m) A direct or indirect transfer of real property or other
27 ownership interests resulting from a transaction that qualifies

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1 as a tax-free reorganization under section 368 of the internal
2 revenue code of 1986. ~~—, 26 U.S.C. 368.—~~ Upon request by the
3 state tax commission, a property owner shall furnish proof within
4 45 days that a transfer meets the requirements of this
5 subdivision. A property owner who fails to comply with a request
6 by the state tax commission under this subdivision is subject to
7 a fine of \$200.00.

8 (N) A TRANSFER OF QUALIFIED AGRICULTURAL PROPERTY, IF THE
9 PERSON TO WHOM THE QUALIFIED AGRICULTURAL PROPERTY IS TRANSFERRED
10 FILES AN AFFIDAVIT WITH THE ASSESSOR OF THE LOCAL TAX COLLECTING
11 UNIT IN WHICH THE QUALIFIED AGRICULTURAL PROPERTY IS LOCATED AND
12 WITH THE REGISTER OF DEEDS FOR THE COUNTY IN WHICH THE QUALIFIED
13 AGRICULTURAL PROPERTY IS LOCATED ATTESTING THAT THE QUALIFIED
14 AGRICULTURAL PROPERTY SHALL REMAIN QUALIFIED AGRICULTURAL
15 PROPERTY. THE AFFIDAVIT UNDER THIS SUBDIVISION SHALL BE IN A
16 FORM PRESCRIBED BY THE DEPARTMENT OF TREASURY. AN OWNER OF QUAL-
17 IFIED AGRICULTURAL PROPERTY SHALL INFORM A PROSPECTIVE BUYER OF
18 THAT QUALIFIED AGRICULTURAL PROPERTY THAT THE QUALIFIED AGRICUL-
19 TURAL PROPERTY IS SUBJECT TO THE RECAPTURE TAX PROVIDED IN THE
20 AGRICULTURAL PROPERTY RECAPTURE ACT, IF THE QUALIFIED AGRICUL-
21 TURAL PROPERTY IS CONVERTED BY A CHANGE IN USE. IF PROPERTY
22 CEASES TO BE QUALIFIED AGRICULTURAL PROPERTY AT ANY TIME AFTER
23 BEING TRANSFERRED, ALL OF THE FOLLOWING SHALL OCCUR:

24 (i) THE TAXABLE VALUE OF THAT PROPERTY SHALL BE ADJUSTED
25 UNDER SUBSECTION (3) AS OF THE DECEMBER 31 IN THE YEAR THAT THE
26 PROPERTY CEASES TO BE QUALIFIED AGRICULTURAL PROPERTY.

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1 (ii) THE PROPERTY IS SUBJECT TO THE RECAPTURE TAX PROVIDED
2 FOR UNDER THE AGRICULTURAL PROPERTY RECAPTURE ACT.

3 (8) IF ALL OF THE FOLLOWING CONDITIONS ARE SATISFIED, THE
4 LOCAL TAX COLLECTING UNIT SHALL REVISE THE TAXABLE VALUE OF QUAL-
5 IFIED AGRICULTURAL PROPERTY TAXABLE ON THE TAX ROLL IN THE POS-
6 SESSION OF THAT LOCAL TAX COLLECTING UNIT TO THE TAXABLE VALUE
7 THAT QUALIFIED AGRICULTURAL PROPERTY WOULD HAVE HAD IF THERE HAD
8 BEEN NO TRANSFER OF OWNERSHIP OF THAT QUALIFIED AGRICULTURAL
9 PROPERTY SINCE DECEMBER 31, 1999 AND THERE HAD BEEN NO ADJUSTMENT
10 OF THAT QUALIFIED AGRICULTURAL PROPERTY'S TAXABLE VALUE UNDER
11 SUBSECTION (3) SINCE DECEMBER 31, 1999:

12 (A) THE QUALIFIED AGRICULTURAL PROPERTY WAS QUALIFIED AGRI-
13 CULTURAL PROPERTY FOR TAXES LEVIED IN 1999 AND EACH YEAR AFTER
14 1999.

15 (B) THE OWNER OF THE QUALIFIED AGRICULTURAL PROPERTY FILES
16 AN AFFIDAVIT WITH THE ASSESSOR OF THE LOCAL TAX COLLECTING UNIT
17 UNDER SUBSECTION (7)(N).

18 (9) IF THE TAXABLE VALUE OF QUALIFIED AGRICULTURAL PROPERTY
19 IS ADJUSTED UNDER SUBSECTION (8), THE OWNER OF THAT QUALIFIED
20 AGRICULTURAL PROPERTY SHALL NOT BE ENTITLED TO A REFUND FOR ANY
21 PROPERTY TAXES COLLECTED UNDER THIS ACT ON THAT QUALIFIED AGRI-
22 CULTURAL PROPERTY BEFORE THE ADJUSTMENT UNDER SUBSECTION (8).

23 (10) ~~(8)~~ The register of deeds of the county where deeds
24 or other title documents are recorded shall notify the assessing
25 officer of the appropriate local taxing unit not less than once
26 each month of any recorded transaction involving the ownership of
27 property and shall make any recorded deeds or other title

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1 documents available to that county's tax or equalization
2 department. Unless notification is provided under subsection
3 (6), the buyer, grantee, or other transferee of the property
4 shall notify the appropriate assessing office in the local unit
5 of government in which the property is located of the transfer of
6 ownership of the property within 45 days of the transfer of
7 ownership, on a form prescribed by the state tax commission that
8 states the parties to the transfer, the date of the transfer, the
9 actual consideration for the transfer, and the property's parcel
10 identification number or legal description. Forms filed in the
11 assessing office of a local unit of government under this subsec-
12 tion shall be made available to the county tax or equalization
13 department for the county in which that local unit of government
14 is located. This subsection does not apply to personal property
15 except buildings described in section 14(6) and personal property
16 described in section 8(h), (i), and (j).

17 (11) ~~(9)~~ As used in this section:

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

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

22 (C) "CONVERTED BY A CHANGE IN USE" MEANS THAT TERM AS
23 DEFINED IN THE AGRICULTURAL PROPERTY RECAPTURE ACT.

24 (D) ~~(c)~~ "Inflation rate" means that term as defined in
25 section 34d.

26 (E) ~~(d)~~ "Losses" means that term as defined in section
27 34d.

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1 (F) "QUALIFIED AGRICULTURAL PROPERTY" MEANS THAT TERM AS
2 DEFINED IN SECTION 7DD.

3 Enacting section 1. This amendatory act does not take
4 effect unless Senate Bill No. 1246 of the 90th Legislature is
5 enacted into law.