

HOUSE BILL No. 5405

December 30, 2003, Introduced by Rep. Jarnick 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 property's

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

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

24 (ix) **For the purposes of the calculation of the millage**
25 **reduction fraction under subsection (7) only, increased taxable**
26 **value under section 27a(3) after a transfer of ownership of**
27 **property.**

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

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

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

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

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

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

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

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

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

24 (i) Property that has been destroyed or removed. For
25 purposes of determining the taxable value of property under
26 section 27a, the value of property destroyed or removed is the
27 product of the true cash value of that property multiplied by a

1 fraction the numerator of which is the taxable value of that
2 property in the immediately preceding year and the denominator of
3 which is the true cash value of that property in the immediately
4 preceding year.

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

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

21 (iv) A decrease in taxable value attributable to
22 environmental contamination existing on the immediately preceding
23 tax day. The department of environmental quality shall determine
24 the degree to which environmental contamination limits the use of
25 property based on information available in existing department of
26 environmental quality records or information made available to
27 the department of environmental quality if the appropriate

1 assessing officer for a local tax collecting unit requests that
2 determination. The department of environmental quality's
3 determination of the degree to which environmental contamination
4 limits the use of property shall be based on the criteria
5 established for the ~~classifications~~ **categories** set forth in
6 section 20120a(1) ~~of part 201 (environmental remediation)~~ of
7 the natural resources and environmental protection act, ~~Act~~
8 ~~No. 451 of the Public Acts of 1994, being section 324.20120a of~~
9 ~~the Michigan Compiled Laws~~ **1994 PA 451, MCL 324.20120a**. The
10 decrease in taxable value attributable to the contamination is
11 the decrease in true cash value attributable to the contamination
12 multiplied by a fraction the numerator of which is the taxable
13 value of the property had it not been contaminated and the
14 denominator of which is the true cash value of the property had
15 it not been contaminated.

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

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

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

20 (j) "New construction and improvements" means additions less
21 losses.

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

24 (l) "Inflation rate" means the ratio of the general price
25 level for the state fiscal year ending in the calendar year
26 immediately preceding the current year divided by the general
27 price level for the state fiscal year ending in the calendar year

1 before the year immediately preceding the current year.

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

1 reduction fractions beginning in 1980 resulting from the
2 multiplication of successive millage reduction fractions and
3 shall recognize a local voter action to increase the compounded
4 millage reduction fraction to a maximum of 1 as a new beginning
5 fraction. Upon request of the superintendent of the intermediate
6 school district, the county equalization director shall transmit
7 the complete computations of the taxable values to the
8 superintendent of the intermediate school district within that
9 county. At the request of the presidents of community colleges,
10 the county equalization director shall transmit the complete
11 computations of the taxable values to the presidents of community
12 colleges within the county.

13 (3) On or before the first Monday in June of each year, the
14 county equalization director shall deliver the statement of the
15 computations signed by the county equalization director to the
16 county treasurer.

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

23 (5) The financial officer of each unit of local government
24 shall make the computation of the tax rate using the data
25 certified by the county treasurer and the state tax commission.
26 At the annual session in October, the county board of
27 commissioners shall not authorize the levy of a tax unless the

1 governing body of the taxing jurisdiction has certified that the
2 requested millage has been reduced, if necessary, in compliance
3 with section 31 of article IX of the state constitution of 1963.

4 (6) The number of mills permitted to be levied in a tax year
5 is limited as provided in this section pursuant to section 31 of
6 article IX of the state constitution of 1963. A unit of local
7 government shall not levy a tax rate greater than the rate
8 determined by reducing its maximum rate or rates authorized by
9 law or charter by a millage reduction fraction as provided in
10 this section without voter approval.

11 (7) A millage reduction fraction shall be determined for each
12 year for each local unit of government. For ad valorem property
13 taxes that became a lien before January 1, 1983, the numerator of
14 the fraction shall be the total state equalized valuation for the
15 immediately preceding year multiplied by the inflation rate and
16 the denominator of the fraction shall be the total state
17 equalized valuation for the current year minus new construction
18 and improvements. For ad valorem property taxes that become a
19 lien after December 31, 1982 and through December 31, 1994, the
20 numerator of the fraction shall be the product of the difference
21 between the total state equalized valuation for the immediately
22 preceding year minus losses multiplied by the inflation rate and
23 the denominator of the fraction shall be the total state
24 equalized valuation for the current year minus additions. For ad
25 valorem property taxes that are levied after December 31, 1994,
26 the numerator of the fraction shall be the product of the
27 difference between the total taxable value for the immediately

1 preceding year minus losses multiplied by the inflation rate and
2 the denominator of the fraction shall be the total taxable value
3 for the current year minus additions. For each year after 1993,
4 a millage reduction fraction shall not exceed 1.

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

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

25 (10) A millage reduction fraction shall be applied separately
26 to the aggregate maximum millage rate authorized by a charter and
27 to each maximum millage rate authorized by state law for a

1 specific purpose.

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

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

1 or for the payment of assessments or contract obligations in
2 anticipation of which bonds are issued that are approved by the
3 voters after December 22, 1978.

4 (13) If it is determined subsequent to the levy of a tax that
5 an incorrect millage reduction fraction has been applied, the
6 amount of additional tax revenue or the shortage of tax revenue
7 shall be deducted from or added to the next regular tax levy for
8 that unit of local government after the determination of the
9 authorized rate pursuant to this section.

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

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

21 (16) Beginning with taxes levied in 1994, the millage
22 reduction required by section 31 of article IX of the state
23 constitution of 1963 shall permanently reduce the maximum rate or
24 rates authorized by law or charter. The reduced maximum
25 authorized rate or rates for 1994 shall equal the product of the
26 maximum rate or rates authorized by law or charter before
27 application of this section multiplied by the ~~compound~~

1 **compounded** millage reduction applicable to that millage in 1994
2 pursuant to subsections (8) to (12). The reduced maximum
3 authorized rate or rates for 1995 and each year after 1995 shall
4 equal the product of the immediately preceding year's reduced
5 maximum authorized rate or rates multiplied by the current year's
6 millage reduction fraction and shall be adjusted for millage for
7 which authorization has expired and new authorized millage
8 approved by the voters pursuant to subsections (8) to (12).

9 Enacting section 1. This amendatory act does not take
10 effect unless Senate Joint Resolution ___ or House Joint
11 Resolution S (request no. 05725'03) of the 92nd Legislature
12 becomes a part of the state constitution of 1963 as provided in
13 section 1 of article XII of the state constitution of 1963.