

HOUSE BILL No. 5531

February 11, 2004, Introduced by Reps. Ruth Johnson, Rocca, Kooiman, Amos, Stahl, Ward, Taub and Milosch and referred to the Committee on Tax Policy.

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

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27. (1) As used in this act, "true cash value" means
2 the usual selling price at the place where the property to which
3 the term is applied is at the time of assessment, being the price
4 that could be obtained for the property at private sale, and not
5 at auction sale except as otherwise provided in this section, or
6 at forced sale. The usual selling price may include sales at
7 public auction held by a nongovernmental agency or person if
8 those sales have become a common method of acquisition in the
9 jurisdiction for the class of property being valued. The usual
10 selling price does not include sales at public auction if the
11 sale is part of a liquidation of the seller's assets in a

1 bankruptcy proceeding or if the seller is unable to use common
2 marketing techniques to obtain the usual selling price for the
3 property. A sale or other disposition by this state or an agency
4 or political subdivision of this state of land acquired for
5 delinquent taxes or an appraisal made in connection with the sale
6 or other disposition or the value attributed to the property of
7 regulated public utilities by a governmental regulatory agency
8 for rate-making purposes is not controlling evidence of true cash
9 value for assessment purposes. In determining the true cash
10 value, the assessor shall also consider the advantages and
11 disadvantages of location; quality of soil; zoning; existing use;
12 present economic income of structures, including farm structures;
13 present economic income of land if the land is being farmed or
14 otherwise put to income producing use; quantity and value of
15 standing timber; water power and privileges; and mines, minerals,
16 quarries, or other valuable deposits known to be available in the
17 land and their value. In determining the true cash value of
18 personal property owned by an electric utility cooperative, the
19 assessor shall consider the number of kilowatt hours of
20 electricity sold per mile of distribution line compared to the
21 average number of kilowatt hours of electricity sold per mile of
22 distribution line for all electric utilities.

23 (2) The assessor shall not consider the increase in true cash
24 value that is a result of expenditures for normal repairs,
25 replacement, and maintenance in determining the true cash value
26 of property for assessment purposes until the property is sold.
27 For the purpose of implementing this subsection, the assessor

1 shall not increase the construction quality classification or
2 reduce the effective age for depreciation purposes, except if the
3 appraisal of the property was erroneous before nonconsideration
4 of the normal repair, replacement, or maintenance, and shall not
5 assign an economic condition factor to the property that differs
6 from the economic condition factor assigned to similar properties
7 as defined by appraisal procedures applied in the jurisdiction.

8 The increase in value attributable to the items included in
9 subdivisions (a) to (o) that is known to the assessor and
10 excluded from true cash value shall be indicated on the
11 assessment roll. This subsection applies only to residential
12 property. The following repairs are considered normal
13 maintenance if they are not part of a structural addition or
14 completion:

15 (a) Outside painting.

16 (b) Repairing or replacing siding, roof, porches, steps,
17 sidewalks, or drives.

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

19 (d) Replacing awnings.

20 (e) Adding or replacing gutters and downspouts.

21 (f) Replacing storm windows or doors.

22 (g) Insulating or weatherstripping.

23 (h) Complete rewiring.

24 (i) Replacing plumbing and light fixtures.

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

27 (k) Repairing plaster, inside painting, or other

1 redecorating.

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

3 (m) Removing partitions to enlarge rooms.

4 (n) Replacing an automatic hot water heater.

5 (o) Replacing dated interior woodwork.

6 (3) A city or township assessor, a county equalization
7 department, or the state tax commission before utilizing real
8 estate sales data on real property purchases, including purchases
9 by land contract, to determine assessments or in making sales
10 ratio studies to assess property or equalize assessments shall
11 exclude from the sales data the following amounts allowed by
12 subdivisions (a), (b), and (c) to the extent that the amounts are
13 included in the real property purchase price and are so
14 identified in the real estate sales data or certified to the
15 assessor as provided in subdivision (d):

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

18 (b) Amounts attributable to personal property that were
19 included in the purchase price of the property in the last
20 conveyance of the property.

21 (c) Amounts paid for surveying the property pursuant to the
22 last conveyance of the property. The legislature may require
23 local units of government, including school districts, to submit
24 reports of revenue lost under subdivisions (a) and (b) and this
25 subdivision so that the state may reimburse those units for that
26 lost revenue.

27 (d) The purchaser of real property, including a purchaser by

1 land contract, may file with the assessor of the city or township
2 in which the property is located 2 copies of the purchase
3 agreement or of an affidavit that identifies the amount, if any,
4 for each item listed in subdivisions (a) to (c). One copy shall
5 be forwarded by the assessor to the county equalization
6 department. The affidavit shall be prescribed by the state tax
7 commission.

8 (4) As used in subsection (1), "present economic income"
9 means for leased or rented property the ordinary, general, and
10 usual economic return realized from the lease or rental of
11 property negotiated under current, contemporary conditions
12 between parties equally knowledgeable and familiar with real
13 estate values. The actual income generated by the lease or
14 rental of property is not the controlling indicator of its true
15 cash value in all cases. This subsection does not apply to
16 property subject to a lease entered into before January 1, 1984
17 for which the terms of the lease governing the rental rate or tax
18 liability have not been renegotiated after December 31, 1983.
19 This subsection does not apply to a nonprofit housing cooperative
20 subject to regulatory agreements between the state or federal
21 government entered into before January 1, 1984. As used in this
22 subsection, "nonprofit cooperative housing corporation" means a
23 nonprofit cooperative housing corporation that is engaged in
24 providing housing services to its stockholders and members and
25 that does not pay dividends or interest upon stock or membership
26 investment but that does distribute all earnings to its
27 stockholders or members.

1 (5) ~~Beginning December 31, 1994, the~~ **The** purchase price
2 paid in a transfer of property is ~~not~~ the presumptive true cash
3 value of the property transferred. ~~In determining the true cash~~
4 ~~value of transferred property, an assessing officer shall assess~~
5 ~~that property using the same valuation method used to value all~~
6 ~~other property of that same classification in the assessing~~
7 ~~jurisdiction.~~ As used in this subsection, "purchase price" means
8 the total consideration agreed to, ~~in an arms-length transaction~~
9 ~~and not at a forced sale paid by the purchaser of the property,~~
10 stated in dollars, whether or not paid in dollars.