

HOUSE BILL NO. 6454

December 01, 2020, Introduced by Rep. Ellison and referred to the Committee on Local Government and Municipal Finance.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 34d (MCL 211.34d), as amended by 2019 PA 117.

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 unit's

1 immediately preceding year's assessment roll.

2 (b) For taxes levied after 1994, "additions" means, except as
3 provided in subdivision (c), all of the following:

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

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

24 (iii) New construction. As used in this subparagraph, "new
25 construction" means property not in existence on the immediately
26 preceding tax day and not replacement construction. New
27 construction includes the physical addition of equipment or
28 furnishings, subject to the provisions set forth in section
29 27(2) (a) to (p). For purposes of determining the taxable value of

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

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

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

14 (B) The taxable value of property that is a facility as that
15 term is defined in section 2 of 1974 PA 198, MCL 207.552, that was
16 previously exempt under section 7k is the taxable value that
17 property would have had under this act if it had not been exempt.

18 (C) The value of property previously exempt under any other
19 section of law is the true cash value of the previously exempt
20 property multiplied by 0.50.

21 (v) Replacement construction. As used in this subparagraph,
22 "replacement construction" means construction that replaced
23 property damaged or destroyed by accident or act of God and that
24 occurred after the immediately preceding tax day to the extent the
25 construction's true cash value does not exceed the true cash value
26 of property that was damaged or destroyed by accident or act of God
27 in the immediately preceding 3 years. Except as otherwise provided
28 in this subparagraph, for purposes of determining the taxable value
29 of property under section 27a, the value of the replacement

1 construction is the true cash value of the replacement construction
2 multiplied by a fraction, the numerator of which is the taxable
3 value of the property to which the construction was added in the
4 immediately preceding year and the denominator of which is the true
5 cash value of the property to which the construction was added in
6 the immediately preceding year, and then multiplied by the lesser
7 of 1.05 or the inflation rate. However, after December 31, 2011,
8 for purposes of determining the taxable value of property under
9 section 27a, if the property's replacement construction is of
10 substantially the same materials as determined by the state tax
11 commission, if the square footage is not more than 5% greater than
12 the property that was damaged or destroyed, and if the replacement
13 construction is completed not later than December 31 in the year 3
14 years after the accident or act of God occurred, the replacement
15 construction's taxable value ~~shall be~~ **is** equal to the taxable value
16 of the property in the year immediately preceding the year in which
17 the property was damaged or destroyed, adjusted annually as
18 provided in section 27a(2). Any construction materials required to
19 bring the property into compliance with any applicable health,
20 sanitary, zoning, safety, fire, or construction codes or ordinances
21 shall be considered to be substantially the same materials by the
22 state tax commission for the sake of replacement construction under
23 this section.

24 (vi) An increase in taxable value attributable to the complete
25 or partial remediation of environmental contamination existing on
26 the immediately preceding tax day. The department of environmental
27 quality shall determine the degree of remediation based on
28 information available in existing department of environmental
29 quality records or information made available to the department of

1 environmental quality if the appropriate assessing officer for a
 2 local tax collecting unit requests that determination. The increase
 3 in taxable value attributable to the remediation is the increase in
 4 true cash value attributable to the remediation multiplied by a
 5 fraction, the numerator of which is the taxable value of the
 6 property had it not been contaminated and the denominator of which
 7 is the true cash value of the property had it not been
 8 contaminated.

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

18 **(viii) For the purpose of the calculation of the millage**
 19 **reduction fraction under subsection (7) only, increased taxable**
 20 **value under section 27a(3) after a transfer of ownership of**
 21 **property.**

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

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

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

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

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

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

5 (f) "General price level" means the annual average of the 12
6 monthly values for the United States Consumer Price Index for all
7 urban consumers as defined and officially reported by the United
8 States Department of Labor, Bureau of Labor Statistics.

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

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

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

23 (ii) Property that was subject to ad valorem taxation under
24 this act in the immediately preceding year that is now exempt from
25 ad valorem taxation under this act. For purposes of determining the
26 taxable value of property under section 27a, the value of property
27 exempted from ad valorem taxation under this act is the amount
28 exempted.

29 (iii) ~~Prior to~~ **Before** December 31, 2013, an adjustment in value,

1 if any, because of a decrease in the property's occupancy rate, to
2 the extent provided by law. For purposes of determining the taxable
3 value of real property under section 27a, the value of a loss for a
4 decrease in the property's occupancy rate is the product of the
5 decrease in the true cash value of the property attributable to the
6 decreased occupancy rate multiplied by a fraction, the numerator of
7 which is the taxable value of the property in the immediately
8 preceding year and the denominator of which is the true cash value
9 of the property in the immediately preceding year.

10 (iv) A decrease in taxable value attributable to environmental
11 contamination existing on the immediately preceding tax day. The
12 department of environmental quality shall determine the degree to
13 which environmental contamination limits the use of property based
14 on information available in existing department of environmental
15 quality records or information made available to the department of
16 environmental quality if the appropriate assessing officer for a
17 local tax collecting unit requests that determination. The
18 department of environmental quality's determination of the degree
19 to which environmental contamination limits the use of property
20 shall be based on the criteria established for the categories set
21 forth in section 20120a(1) of the natural resources and
22 environmental protection act, 1994 PA 451, MCL 324.20120a. The
23 decrease in taxable value attributable to the contamination is the
24 decrease in true cash value attributable to the contamination
25 multiplied by a fraction, the numerator of which is the taxable
26 value of the property had it not been contaminated and the
27 denominator of which is the true cash value of the property had it
28 not been contaminated.

29 (i) For taxes levied after 1994, losses do not include

1 decreased value attributable to either of the following:

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

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

4 (j) "New construction and improvements" means additions less
5 losses.

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

8 (l) "Inflation rate" means the ratio of the general price level
9 for the state fiscal year ending in the calendar year immediately
10 preceding the current year divided by the general price level for
11 the state fiscal year ending in the calendar year before the year
12 immediately preceding the current year.

13 (2) On or before the first Monday in May of each year, the
14 assessing officer of each township or city shall tabulate the
15 tentative taxable value as approved by the local board of review
16 and as modified by county equalization for each classification of
17 property that is separately equalized for each unit of local
18 government and provide the tabulated tentative taxable values to
19 the county equalization director. The tabulation by the assessing
20 officer shall contain additions and losses for each classification
21 of property that is separately equalized for each unit of local
22 government or part of a unit of local government in the township or
23 city. If as a result of state equalization the taxable value of
24 property changes, the assessing officer of each township or city
25 shall revise the calculations required by this subsection on or
26 before the Friday following the fourth Monday in May. The county
27 equalization director shall compute these amounts and the current
28 and immediately preceding year's taxable values for each
29 classification of property that is separately equalized for each

1 unit of local government that levies taxes under this act within
2 the boundary of the county. The county equalization director shall
3 cooperate with equalization directors of neighboring counties, as
4 necessary, to make the computation for units of local government
5 located in more than 1 county. The county equalization director
6 shall calculate the millage reduction fraction for each unit of
7 local government in the county for the current year. The financial
8 officer for each taxing jurisdiction shall calculate the compounded
9 millage reduction fractions beginning in 1980 resulting from the
10 multiplication of successive millage reduction fractions and shall
11 recognize a local voter action to increase the compounded millage
12 reduction fraction to a maximum of 1 as a new beginning fraction.
13 Upon request of the superintendent of the intermediate school
14 district, the county equalization director shall transmit the
15 complete computations of the taxable values to the superintendent
16 of the intermediate school district within that county. At the
17 request of the presidents of community colleges, the county
18 equalization director shall transmit the complete computations of
19 the taxable values to the presidents of community colleges within
20 the county.

21 (3) On or before the first Monday in June of each year, the
22 county equalization director shall deliver the statement of the
23 computations signed by the county equalization director to the
24 county treasurer.

25 (4) On or before the second Monday in June of each year, the
26 treasurer of each county shall certify the immediately preceding
27 year's taxable values, the current year's taxable values, the
28 amount of additions and losses for the current year, and the
29 current year's millage reduction fraction for each unit of local

1 government that levies a property tax in the county.

2 (5) The financial officer of each unit of local government
3 shall make the computation of the tax rate using the data certified
4 by the county treasurer and the state tax commission. At the annual
5 session in October, or, for a county or local tax collecting unit
6 that approves under section 44a(2) the accelerated collection in a
7 summer property tax levy of a millage that had been previously
8 billed and collected as in a preceding tax year as part of the
9 winter property tax levy, before a special meeting held before the
10 annual levy on July 1, the county board of commissioners shall not
11 authorize the levy of a tax unless the governing body of the taxing
12 jurisdiction has certified that the requested millage has been
13 reduced, if necessary, in compliance with section 31 of article IX
14 of the state constitution of 1963.

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

22 (7) A millage reduction fraction shall be determined for each
23 year for each local unit of government. For ad valorem property
24 taxes that became a lien before January 1, 1983, the numerator of
25 the fraction ~~shall be~~ **is** the total state equalized valuation for
26 the immediately preceding year multiplied by the inflation rate and
27 the denominator of the fraction ~~shall be~~ **is** the total state
28 equalized valuation for the current year minus new construction and
29 improvements. For ad valorem property taxes that become a lien

1 after December 31, 1982 and through December 31, 1994, the
2 numerator of the fraction ~~shall be~~ **is** the product of the difference
3 between the total state equalized valuation for the immediately
4 preceding year minus losses multiplied by the inflation rate and
5 the denominator of the fraction ~~shall be~~ **is** the total state
6 equalized valuation for the current year minus additions. For ad
7 valorem property taxes that are levied after December 31, 1994, the
8 numerator of the fraction ~~shall be~~ **is** the product of the difference
9 between the total taxable value for the immediately preceding year
10 minus losses multiplied by the inflation rate and the denominator
11 of the fraction ~~shall be~~ **is** the total taxable value for the current
12 year minus additions. ~~For each year after 1993, a millage reduction~~
13 ~~fraction shall not exceed 1.~~

14 (8) The compounded millage reduction fraction shall be
15 calculated by multiplying the local unit's previous year's
16 compounded millage reduction fraction by the current year's millage
17 reduction fraction. The compounded millage reduction fraction for
18 the year shall be multiplied by the maximum millage rate authorized
19 by law or charter for the unit of local government for the year,
20 except as provided by subsection (9). A compounded millage
21 reduction fraction shall not exceed 1.

22 (9) The millage reduction shall be determined separately for
23 authorized millage approved by the voters. The limitation on
24 millage authorized by the voters on or before April 30 of a year
25 shall be calculated beginning with the millage reduction fraction
26 for that year. Millage authorized by the voters after April 30
27 ~~shall is~~ not ~~be~~ subject to a millage reduction until the year
28 following the voter authorization which shall be calculated
29 beginning with the millage reduction fraction for the year

1 following the authorization. The first millage reduction fraction
2 used in calculating the limitation on millage approved by the
3 voters after January 1, 1979 shall not exceed 1.

4 (10) A millage reduction fraction shall be applied separately
5 to the aggregate maximum millage rate authorized by a charter and
6 to each maximum millage rate authorized by state law for a specific
7 purpose.

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

24 (12) A reduction or limitation under this section shall not be
25 applied to taxes imposed for the payment of principal and interest
26 on bonds or other evidence of indebtedness or for the payment of
27 assessments or contract obligations in anticipation of which bonds
28 are issued that were authorized before December 23, 1978, as
29 provided by section 4 of chapter I of former 1943 PA 202, or to

1 taxes imposed for the payment of principal and interest on bonds or
 2 other evidence of indebtedness or for the payment of assessments or
 3 contract obligations in anticipation of which bonds are issued that
 4 are approved by the voters after December 22, 1978.

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

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

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

22 ~~(16) Beginning with taxes levied in 1994, the millage~~
 23 ~~reduction required by section 31 of article IX of the state~~
 24 ~~constitution of 1963 shall permanently reduce the maximum rate or~~
 25 ~~rates authorized by law or charter. The reduced maximum authorized~~
 26 ~~rate or rates for 1994 shall equal the product of the maximum rate~~
 27 ~~or rates authorized by law or charter before application of this~~
 28 ~~section multiplied by the compounded millage reduction applicable~~
 29 ~~to that millage in 1994 pursuant to subsections (8) to (12). The~~

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