

# HOUSE BILL NO. 4307

March 21, 2023, Introduced by Reps. Zorn, Slagh and Outman 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 2022 PA 240.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 27. (1) ~~As~~**Subject to subsection (9), as** used in this  
2 act, "true cash value" means the usual selling price at the place  
3 where the property to which the term is applied is at the time of  
4 assessment, being the price that could be obtained for the property  
5 at private sale, and not at auction sale except as otherwise  
6 provided in this section, or at forced sale. The usual selling  
7 price may include sales at public auction held by a nongovernmental

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

27 (2) The assessor shall not consider the increase in true cash  
28 value that is a result of expenditures for normal repairs,  
29 replacement, and maintenance in determining the true cash value of

1 property for assessment purposes until the property is sold. For  
2 the purpose of implementing this subsection, the assessor shall not  
3 increase the construction quality classification or reduce the  
4 effective age for depreciation purposes, except if the appraisal of  
5 the property was erroneous before nonconsideration of the normal  
6 repair, replacement, or maintenance, and shall not assign an  
7 economic condition factor to the property that differs from the  
8 economic condition factor assigned to similar properties as defined  
9 by appraisal procedures applied in the jurisdiction. The increase  
10 in value attributable to the items included in subdivisions (a) to  
11 (q) that is known to the assessor and excluded from true cash value  
12 must be indicated on the assessment roll. This subsection applies  
13 only to residential property. The following repairs are considered  
14 normal maintenance if they are not part of a structural addition or  
15 completion:

16 (a) Outside painting.

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

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

20 (d) Replacing awnings.

21 (e) Adding or replacing gutters and downspouts.

22 (f) Replacing storm windows or doors.

23 (g) Insulating or weatherstripping.

24 (h) Complete rewiring.

25 (i) Replacing plumbing and light fixtures.

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

28 (k) Repairing plaster, inside painting, or other redecorating.

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

1 (m) Removing partitions to enlarge rooms.

2 (n) Replacing an automatic hot water heater.

3 (o) Replacing dated interior woodwork.

4 (p) Installing, replacing, or repairing an alternative energy  
5 system, without regard to ownership of the system, with a  
6 generating capacity of not more than 150 kilowatts, the annual  
7 energy output of which does not exceed the annual energy  
8 consumption measured by the utility-provided electrical meter on  
9 the system to which it is connected. As used in this subdivision,  
10 "alternative energy system" means that term as defined in section 2  
11 of the Michigan next energy authority act, 2002 PA 593, MCL  
12 207.822.

13 (q) Installing, replacing, or repairing a whole-home  
14 generator.

15 (3) A city or township assessor, a county equalization  
16 department, or the state tax commission before utilizing real  
17 estate sales data on real property purchases, including purchases  
18 by land contract, to determine assessments or in making sales ratio  
19 studies to assess property or equalize assessments shall exclude  
20 from the sales data the following amounts allowed by subdivisions  
21 (a), (b), and (c) to the extent that the amounts are included in  
22 the real property purchase price and are so identified in the real  
23 estate sales data or certified to the assessor as provided in  
24 subdivision (d):

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

27 (b) Amounts attributable to personal property that were  
28 included in the purchase price of the property in the last  
29 conveyance of the property.

1 (c) Amounts paid for surveying the property pursuant to the  
2 last conveyance of the property. The legislature may require local  
3 units of government, including school districts, to submit reports  
4 of revenue lost under subdivisions (a) and (b) and this subdivision  
5 so that the state may reimburse those units for that lost revenue.

6 (d) The purchaser of real property, including a purchaser by  
7 land contract, may file with the assessor of the city or township  
8 in which the property is located 2 copies of the purchase agreement  
9 or of an affidavit that identifies the amount, if any, for each  
10 item listed in subdivisions (a) to (c). The assessor shall forward  
11 1 copy to the county equalization department. The affidavit must be  
12 as prescribed by the state tax commission.

13 (4) In finalizing sales studies for property classified as  
14 agricultural real property under section 34c, an assessor and  
15 equalization director shall determine if an affidavit for the  
16 property has been filed under section 27a(7)(o). If an affidavit  
17 has not been filed, the property must be reviewed to determine if  
18 classification as agricultural real property under section 34c is  
19 correct or should be changed. The assessor for the local tax  
20 collecting unit in which the property is located shall contact the  
21 property owner to determine why the property owner did not file an  
22 affidavit under section 27a(7)(o). Unless there are convincing  
23 facts to the contrary, the sale of property classified as  
24 agricultural real property under section 34c for which an affidavit  
25 under section 27a(7)(o) has not been filed must not be included in  
26 a sales study.

27 (5) As used in subsection (1), "present economic income" means  
28 for leased or rented property the ordinary, general, and usual  
29 economic return realized from the lease or rental of property

1 negotiated under current, contemporary conditions between parties  
2 equally knowledgeable and familiar with real estate values. The  
3 actual income generated by the lease or rental of property is not  
4 the controlling indicator of its true cash value in all cases. This  
5 subsection does not apply to property subject to a lease entered  
6 into before January 1, 1984 for which the terms of the lease  
7 governing the rental rate or tax liability have not been  
8 renegotiated after December 31, 1983. This subsection does not  
9 apply to a nonprofit housing cooperative subject to regulatory  
10 agreements between the state or federal government entered into  
11 before January 1, 1984. As used in this subsection, "nonprofit  
12 cooperative housing corporation" means a nonprofit cooperative  
13 housing corporation that is engaged in providing housing services  
14 to its stockholders and members and that does not pay dividends or  
15 interest upon stock or membership investment but that does  
16 distribute all earnings to its stockholders or members.

17 (6) Except as otherwise provided in subsection (7), the  
18 purchase price paid in a transfer of property is not the  
19 presumptive true cash value of the property transferred. In  
20 determining the true cash value of transferred property, an  
21 assessing officer shall assess that property using the same  
22 valuation method used to value all other property of that same  
23 classification in the assessing jurisdiction. As used in this  
24 subsection and subsection (7), "purchase price" means the total  
25 consideration agreed to in an arms-length transaction and not at a  
26 forced sale paid by the purchaser of the property, stated in  
27 dollars, whether or not paid in dollars.

28 (7) For a transfer of eligible nonprofit housing property from  
29 a charitable nonprofit housing organization to a low-income person

1 that occurs after December 31, 2010 through December 30, 2021, the  
2 purchase price paid is the presumptive true cash value of the  
3 eligible nonprofit housing property transferred. For a transfer of  
4 eligible nonprofit housing property from a charitable nonprofit  
5 housing organization to a low-income person that occurs on or after  
6 December 31, 2021, the loan amount stated in the closing disclosure  
7 form for the transfer is the presumptive true cash value of the  
8 eligible nonprofit housing property transferred. In the year  
9 immediately succeeding the year in which the transfer of eligible  
10 nonprofit housing property occurs and each year thereafter, the  
11 taxable value of the eligible nonprofit housing property must be  
12 adjusted as provided under section 27a. As used in this subsection:

13 (a) "Charitable nonprofit housing organization" means a  
14 charitable nonprofit organization the primary purpose of which is  
15 the construction or renovation of residential housing for  
16 conveyance to a low-income person.

17 (b) "Eligible nonprofit housing property" means property owned  
18 by a charitable nonprofit housing organization, the ownership of  
19 which the charitable nonprofit housing organization intends to  
20 transfer to a low-income person after construction or renovation of  
21 the property is completed.

22 (c) "Family income" and "statewide median gross income" mean  
23 those terms as defined in section 11 of the state housing  
24 development authority act of 1966, 1966 PA 346, MCL 125.1411.

25 (d) "Low-income person" means a person with a family income of  
26 not more than 80% of the statewide median gross income who is  
27 eligible to participate in the charitable nonprofit housing  
28 organization's program based on criteria established by the  
29 charitable nonprofit housing organization.

1           (8) For purposes of a statement submitted under section 19,  
2 the true cash value of a standard tool is the net book value of  
3 that standard tool as of December 31 in each tax year as determined  
4 using generally accepted accounting principles in a manner  
5 consistent with the established depreciation method used by the  
6 person submitting that statement. The net book value of a standard  
7 tool for federal income tax purposes is not the presumptive true  
8 cash value of that standard tool. As used in this subsection,  
9 "standard tool" means that term as defined in section 9b.

10           **(9) The amount determined as the true cash value of property**  
11 **under this section and entered on the assessment roll under section**  
12 **24 must equal 1 of the following, as applicable:**

13           **(a) For a parcel of real property that has been assessed in**  
14 **the prior 2 tax years, the average true cash value of the parcel of**  
15 **real property for the current tax year and those prior 2 tax years.**

16           **(b) For all other property, the true cash value of the**  
17 **property for the current tax year.**

18           Enacting section 1. This amendatory act does not take effect  
19 unless Senate Bill No.\_\_\_\_ or House Bill No. 4306 (request no.  
20 00199'23) of the 102nd Legislature is enacted into law.