

SFA

BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909

• (517) 373-5383

Senate Bill 91 (Substitute S-3 as reported)
Sponsor: Senator Gilbert J. DiNello
Committee: Finance

Date Completed: 4-3-90

RECEIVED

MAY 16 1990

Mich. State Law Library

RATIONALE

When local assessors assess property for tax purposes they are required by the General Property Tax Act to use the official assessor's manual, written by the State Tax Commission, or a manual approved for use by the Commission. When an assessor adopts a manual for use, generally that manual will remain in use until there is a reassessment of all property in the local unit, because the tax records for each parcel must be updated if a new manual is used. This means, then, that some manuals may remain in use for many years in local units where a reassessment is not conducted on a regular basis. The official manual written by the Commission first came out in 1955, and was rewritten in 1964, 1968, 1972, and 1986. In addition to these manuals, the Commission has approved many others--testimony before the Senate Finance Committee revealed that there are around 100 different manuals now in use. The Commission estimates that only between 30% and 40% of the assessing units use the 1986 manual for residential property. Some people feel that the use of so many different manuals has resulted in a great disparity in how properties are assessed across the State, and resulted in inequities. Further, it has been pointed out that there is no oversight of the content of the official manuals that the Commission writes, or the manuals it approves. It has been suggested that the Legislature should have some input into the content of the official manual, and that steps be taken to reduce the number of manuals now in use.

and thereafter, an assessor's manual provided by the State Tax Commission could not be used by an assessing official unless the manual were reviewed and approved by a joint legislative committee created in the Senate and the House of Representatives for that purpose, each year within 60 days of the time the Commission presented the manual to the committee. If the joint legislative committee took no action, the manual would be considered approved. If a manual were not approved by the committee in a year, the manual in effect in the preceding year would have to be used.

Currently, under the Act, when assessors prepare assessments they are required to use only the official manual prepared by the State Tax Commission or any manual approved by the Commission. Beginning in 1991, the Commission could not approve an assessor's manual that was not prepared by the Commission.

If the Commission found that a local assessor had not complied with the Act, the assessor immediately would have to begin using the most recent manual provided by the Commission. A local assessing unit conducting a reassessment would have to use the most recent assessor's manual provided by the Commission.

MCL 211.10e

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

CONTENT

The bill would amend the General Property Tax Act to provide that, beginning with assessments made in 1991

S.B. 91 (4-3-90)

ARGUMENTS

Supporting Argument

The bill would move toward standardizing assessment practices on a statewide basis. Currently, because various local units use different manuals for making assessments, identical properties in two different units could be assessed in two entirely different ways, resulting in two widely disparate assessments. By requiring a local unit to use the most recent official assessor's manual when it conducted a reassessment of property, the bill would eventually result in all assessing units using the latest official assessor's manual.

Further, the bill would allow the Legislature to have some say in what goes into the assessor's manual. Currently, the State Tax Commission can alter the manual without consulting anyone or any group, even though such changes can have a profound effect on the way properties are assessed. By requiring that the official manual be submitted to the Legislature for approval, prohibiting the Commission from approving any manual that it did not write, and requiring that a local unit conducting a reassessment use the latest official manual, the bill would increase the accountability of the Commission and result in more equitable and consistent assessments across the State.

Supporting Argument

There have been widespread complaints recently of substantial, some would say outrageous, increases in the assessed value of properties across the State. Since the State Tax Commission is accountable to nobody and has the power to approve and write assessment manuals without input from the taxpayers, or anyone else, it has a great influence on the way in which properties are assessed, and thus can be blamed in great part for high property taxes. By requiring legislative approval of the official manual, the bill could enable citizens to exert a greater influence over the operation of the Commission and have an effect on high property taxes.

Response: Requiring one standard manual as approved by the Legislature would have little effect on overall property taxes. All assessments, regardless of the manual used, must be adjusted to place an assessment at a level of 50% of the average selling price in the area. This means that the average assessment

level for all properties in a unit will be the same no matter which manual was used. The particular manual in use can affect only the uniformity of an individual assessment: it cannot affect a unit's total State equalized value (SEV), and thus cannot affect the total amount of taxes collected in that unit.

The dramatic rise in property taxes in some areas is not so much a function of the assessor's manual in use as it is a result of other factors. Generally, the greatest reason for increased assessments is the Constitutional requirement that property be assessed at 50% of true cash value. Thus, when properties in an area sell for amounts greater than their current assessed level of value, assessments for the following year will probably rise. Since property values in the State, particularly in certain areas, have been rising in the past few years, it is no surprise that assessments also have been rising. Another reason for an individual property assessment taking a dramatic increase can be quite simple. Assessors' staffs do not usually have the resources to visit and evaluate individual properties on a regular basis. If a property has not been visited in 20 years, and the owner or owners of the property have made substantial improvements, the property likely will experience a substantial assessment increase the next time it is inspected or sold. While it may be unpleasant for the property owner to cope with a sudden increase in his or her property tax bill, an argument can be made that the property may have been under-assessed for several years.

Opposing Argument

It may be short-sighted to require the eventual adoption of one uniform assessor's manual for the State. A property that is of great value in one part of the State may not be so valued in another part. A house with cedar shingles and stone masonry may be common in Crystal Falls, for example, but a rarity in Royal Oak. Putting all the power into one approved assessor's manual, then, would not necessarily reduce assessment disparities as the bill's proponents claim.

Legislative Analyst: G. Towne
Fiscal Analyst: N. Khouri

A8990/S91A

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.