

# SENATE BILL No. 396

May 29, 2013, Introduced by Senators CASPERSON, WALKER and GREEN and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 34d (MCL 211.34d), as amended by 2012 PA 185.

**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  
7 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 jurisdiction  
7 has the burden of proof in establishing whether the omitted real  
8 property is included in the assessment. Omitted real property for  
9 the current and the 2 immediately preceding years, discovered after  
10 the assessment roll has been completed, shall be added to the tax  
11 roll pursuant to the procedures established in section 154. For  
12 purposes of determining the taxable value of real property under  
13 section 27a, the value of omitted real property is based on the  
14 value and the ratio of taxable value to true cash value the omitted  
15 real property would have had if the property had not been omitted.

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

20 (iii) New construction. As used in this subparagraph, "new  
21 construction" means property not in existence on the immediately  
22 preceding tax day and not replacement construction. New  
23 construction includes the physical addition of equipment or  
24 furnishings, subject to the provisions set forth in section  
25 27(2) (a) to (o). For purposes of determining the taxable value of  
26 property under section 27a, the value of new construction is the  
27 true cash value of the new construction multiplied by 0.50.

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

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

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

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

19 (v) Replacement construction. As used in this subparagraph,  
20 "replacement construction" means construction that replaced  
21 property damaged or destroyed by accident or act of God and that  
22 occurred after the immediately preceding tax day to the extent the  
23 construction's true cash value does not exceed the true cash value  
24 of property that was damaged or destroyed by accident or act of God  
25 in the immediately preceding 3 years. ~~For~~ **EXCEPT AS OTHERWISE**  
26 **PROVIDED IN THIS SUBPARAGRAPH, FOR** purposes of determining the  
27 taxable value of property under section 27a, the value of the

1 replacement construction is the true cash value of the replacement  
2 construction multiplied by a fraction, the numerator of which is  
3 the taxable value of the property to which the construction was  
4 added in the immediately preceding year and the denominator of  
5 which is the true cash value of the property to which the  
6 construction was added in the immediately preceding year, and then  
7 multiplied by the lesser of 1.05 or the inflation rate. **HOWEVER,**  
8 **AFTER DECEMBER 31, 2011, FOR PURPOSES OF DETERMINING THE TAXABLE**  
9 **VALUE OF PROPERTY UNDER SECTION 27A, IF THE PROPERTY'S REPLACEMENT**  
10 **CONSTRUCTION IS OF SUBSTANTIALLY THE SAME MATERIALS AND SQUARE**  
11 **FOOTAGE, AND IF THE REPLACEMENT CONSTRUCTION IS COMPLETED NOT LATER**  
12 **THAN DECEMBER 31 IN THE YEAR 3 YEARS AFTER THE ACCIDENT OR ACT OF**  
13 **GOD OCCURRED, THE REPLACEMENT CONSTRUCTION'S TAXABLE VALUE IS THE**  
14 **TAXABLE VALUE OF THE PROPERTY DAMAGED OR DESTROYED, ADJUSTED**  
15 **ANNUALLY AS PROVIDED IN SECTION 27A(2). ANY CONSTRUCTION**  
16 **IMPROVEMENTS REQUIRED TO BRING THE PROPERTY INTO COMPLIANCE WITH**  
17 **ANY APPLICABLE HEALTH, SANITARY, ZONING, SAFETY, FIRE, OR**  
18 **CONSTRUCTION CODES OR ORDINANCES SHALL NOT INCREASE THE PROPERTY'S**  
19 **TAXABLE VALUE UNDER SECTION 27A.**

20 (vi) An increase in taxable value attributable to the complete  
21 or partial remediation of environmental contamination existing on  
22 the immediately preceding tax day. The department of environmental  
23 quality shall determine the degree of remediation based on  
24 information available in existing department of environmental  
25 quality records or information made available to the department of  
26 environmental quality if the appropriate assessing officer for a  
27 local tax collecting unit requests that determination. The increase

1 in taxable value attributable to the remediation is the increase in  
2 true cash value attributable to the remediation multiplied by a  
3 fraction, the numerator of which is the taxable value of the  
4 property had it not been contaminated and the denominator of which  
5 is the true cash value of the property had it not been  
6 contaminated.

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

21 (viii) Public services. As used in this subparagraph, "public  
22 services" means water service, sewer service, a primary access  
23 road, natural gas service, electrical service, telephone service,  
24 sidewalks, or street lighting. For purposes of determining the  
25 taxable value of real property under section 27a, the value of  
26 public services is the amount of increase in true cash value of the  
27 property attributable to the available public services multiplied

1 by 0.50, and shall be added in the calendar year following the  
2 calendar year when those public services are initially available.

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

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

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

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

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

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

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

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

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

26 (i) Property that has been destroyed or removed. For purposes  
27 of determining the taxable value of property under section 27a, the

1 value of property destroyed or removed is the product of the true  
2 cash value of that property multiplied by a fraction, the numerator  
3 of which is the taxable value of that property in the immediately  
4 preceding year and the denominator of which is the true cash value  
5 of that property in the immediately preceding year.

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

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

22 (iv) A decrease in taxable value attributable to environmental  
23 contamination existing on the immediately preceding tax day. The  
24 department of environmental quality shall determine the degree to  
25 which environmental contamination limits the use of property based  
26 on information available in existing department of environmental  
27 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  
3 department of environmental quality's determination of the degree  
4 to which environmental contamination limits the use of property  
5 shall be based on the criteria established for the categories set  
6 forth in section 20120a(1) of the natural resources and  
7 environmental protection act, 1994 PA 451, MCL 324.20120a. The  
8 decrease in taxable value attributable to the contamination is the  
9 decrease in true cash value attributable to the contamination  
10 multiplied by a fraction, the numerator of which is the taxable  
11 value of the property had it not been contaminated and the  
12 denominator of which is the true cash value of the property had it  
13 not been contaminated.

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

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

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

18 (j) "New construction and improvements" means additions less  
19 losses.

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

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

27 (2) On or before the first Monday in May of each year, the

1 assessing officer of each township or city shall tabulate the  
2 tentative taxable value as approved by the local board of review  
3 and as modified by county equalization for each classification of  
4 property that is separately equalized for each unit of local  
5 government and provide the tabulated tentative taxable values to  
6 the county equalization director. The tabulation by the assessing  
7 officer shall contain additions and losses for each classification  
8 of property that is separately equalized for each unit of local  
9 government or part of a unit of local government in the township or  
10 city. If as a result of state equalization the taxable value of  
11 property changes, the assessing officer of each township or city  
12 shall revise the calculations required by this subsection on or  
13 before the Friday following the fourth Monday in May. The county  
14 equalization director shall compute these amounts and the current  
15 and immediately preceding year's taxable values for each  
16 classification of property that is separately equalized for each  
17 unit of local government that levies taxes under this act within  
18 the boundary of the county. The county equalization director shall  
19 cooperate with equalization directors of neighboring counties, as  
20 necessary, to make the computation for units of local government  
21 located in more than 1 county. The county equalization director  
22 shall calculate the millage reduction fraction for each unit of  
23 local government in the county for the current year. The financial  
24 officer for each taxing jurisdiction shall calculate the compounded  
25 millage reduction fractions beginning in 1980 resulting from the  
26 multiplication of successive millage reduction fractions and shall  
27 recognize a local voter action to increase the compounded millage

1 reduction fraction to a maximum of 1 as a new beginning fraction.  
2 Upon request of the superintendent of the intermediate school  
3 district, the county equalization director shall transmit the  
4 complete computations of the taxable values to the superintendent  
5 of the intermediate school district within that county. At the  
6 request of the presidents of community colleges, the county  
7 equalization director shall transmit the complete computations of  
8 the taxable values to the presidents of community colleges within  
9 the county.

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

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

20 (5) The financial officer of each unit of local government  
21 shall make the computation of the tax rate using the data certified  
22 by the county treasurer and the state tax commission. At the annual  
23 session in October, or, for a county or local tax collecting unit  
24 that approves under section 44a(2) the accelerated collection in a  
25 summer property tax levy of a millage that had been previously  
26 billed and collected as in a preceding tax year as part of the  
27 winter property tax levy, before a special meeting held before the

1 annual levy on July 1, the county board of commissioners shall not  
2 authorize the levy of a tax unless the governing body of the taxing  
3 jurisdiction has certified that the requested millage has been  
4 reduced, if necessary, in compliance with section 31 of article IX  
5 of the state constitution of 1963.

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

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

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

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

15 (9) The millage reduction shall be determined separately for  
16 authorized millage approved by the voters. The limitation on  
17 millage authorized by the voters on or before April 30 of a year  
18 shall be calculated beginning with the millage reduction fraction  
19 for that year. Millage authorized by the voters after April 30  
20 shall not be subject to a millage reduction until the year  
21 following the voter authorization which shall be calculated  
22 beginning with the millage reduction fraction for the year  
23 following the authorization. The first millage reduction fraction  
24 used in calculating the limitation on millage approved by the  
25 voters after January 1, 1979 shall not exceed 1.

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

1 to each maximum millage rate authorized by state law for a specific  
2 purpose.

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

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

1 are approved by the voters after December 22, 1978.

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

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

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

19 (16) Beginning with taxes levied in 1994, the millage  
20 reduction required by section 31 of article IX of the state  
21 constitution of 1963 shall permanently reduce the maximum rate or  
22 rates authorized by law or charter. The reduced maximum authorized  
23 rate or rates for 1994 shall equal the product of the maximum rate  
24 or rates authorized by law or charter before application of this  
25 section multiplied by the compounded millage reduction applicable  
26 to that millage in 1994 pursuant to subsections (8) to (12). The  
27 reduced maximum authorized rate or rates for 1995 and each year

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