

**SUBSTITUTE FOR
HOUSE BILL NO. 5552**

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 2013 PA 50.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27a. (1) Except as otherwise provided in this section,
2 property shall be assessed at 50% of its true cash value under
3 section 3 of article IX of the state constitution of 1963.

4 (2) Except as otherwise provided in subsection (3), for taxes
5 levied in 1995 and for each year after 1995, the taxable value of
6 each parcel of property is the lesser of the following:

7 (a) The property's taxable value in the immediately preceding
8 year minus any losses, multiplied by the lesser of 1.05 or the
9 inflation rate, plus all additions. For taxes levied in 1995, the
10 property's taxable value in the immediately preceding year is the

1 property's state equalized valuation in 1994.

2 (b) The property's current state equalized valuation.

3 (3) Upon a transfer of ownership of property after 1994, the
4 property's taxable value for the calendar year following the year
5 of the transfer is the property's state equalized valuation for the
6 calendar year following the transfer.

7 (4) If the taxable value of property is adjusted under
8 subsection (3), a subsequent increase in the property's taxable
9 value is subject to the limitation set forth in subsection (2)
10 until a subsequent transfer of ownership occurs. If the taxable
11 value of property is adjusted under subsection (3) and the assessor
12 determines that there had not been a transfer of ownership, the
13 taxable value of the property shall be adjusted at the July or
14 December board of review. Notwithstanding the limitation provided
15 in section 53b(1) on the number of years for which a correction may
16 be made, the July or December board of review may adjust the
17 taxable value of property under this subsection for the current
18 year and for the 3 immediately preceding calendar years. A
19 corrected tax bill shall be issued for each tax year for which the
20 taxable value is adjusted by the local tax collecting unit if the
21 local tax collecting unit has possession of the tax roll or by the
22 county treasurer if the county has possession of the tax roll. For
23 purposes of section 53b, an adjustment under this subsection shall
24 be considered the correction of a clerical error.

25 (5) Assessment of property, as required in this section and
26 section 27, is inapplicable to the assessment of property subject
27 to the levy of ad valorem taxes within voted tax limitation

1 increases to pay principal and interest on limited tax bonds issued
2 by any governmental unit, including a county, township, community
3 college district, or school district, before January 1, 1964, if
4 the assessment required to be made under this act would be less
5 than the assessment as state equalized prevailing on the property
6 at the time of the issuance of the bonds. This inapplicability
7 shall continue until levy of taxes to pay principal and interest on
8 the bonds is no longer required. The assessment of property
9 required by this act shall be applicable for all other purposes.

10 (6) As used in this act, "transfer of ownership" means the
11 conveyance of title to or a present interest in property, including
12 the beneficial use of the property, the value of which is
13 substantially equal to the value of the fee interest. Transfer of
14 ownership of property includes, but is not limited to, the
15 following:

16 (a) A conveyance by deed.

17 (b) A conveyance by land contract. The taxable value of
18 property conveyed by a land contract executed after December 31,
19 1994 shall be adjusted under subsection (3) for the calendar year
20 following the year in which the contract is entered into and shall
21 not be subsequently adjusted under subsection (3) when the deed
22 conveying title to the property is recorded in the office of the
23 register of deeds in the county in which the property is located.

24 (c) A conveyance to a trust after December 31, 1994, except if
25 **UNDER THE FOLLOWING CONDITIONS:**

26 (i) **IF** the settlor or the settlor's spouse, or both, conveys
27 the property to the trust and the sole present beneficiary or

beneficiaries are the settlor or the settlor's spouse, or both.

(ii) BEGINNING DECEMBER 31, 2014, FOR RESIDENTIAL REAL PROPERTY, IF THE SETTLOR OR THE SETTLOR'S SPOUSE, OR BOTH, CONVEYS THE RESIDENTIAL REAL PROPERTY TO THE TRUST AND THE SOLE PRESENT BENEFICIARY OR BENEFICIARIES ARE THE SETTLOR'S OR THE SETTLOR'S SPOUSE'S MOTHER, FATHER, BROTHER, SISTER, CHILD, STEPPARENT, STEPCHILD, STEPBROTHER, STEPSISTER, GRANDPARENT, STEP-GRANDPARENT, GRANDCHILD, STEP-GRANDCHILD, SON-IN-LAW, DAUGHTER-IN-LAW, OR LEGAL WARD AND THE USE OF THE RESIDENTIAL REAL PROPERTY DOES NOT CHANGE FOLLOWING THE CONVEYANCE.

(d) A conveyance by distribution from a trust, except ~~if~~ UNDER ANY OF THE FOLLOWING CONDITIONS:

(i) IF the distributee is the sole present beneficiary or the spouse of the sole present beneficiary, or both.

(ii) BEGINNING DECEMBER 31, 2014, A DISTRIBUTION OF RESIDENTIAL REAL PROPERTY IF THE DISTRIBUTEES ARE THE SETTLOR'S OR THE SETTLOR'S SPOUSE'S MOTHER, FATHER, BROTHER, SISTER, CHILD, STEPPARENT, STEPCHILD, STEPBROTHER, STEPSISTER, GRANDPARENT, STEP-GRANDPARENT, GRANDCHILD, STEP-GRANDCHILD, SON-IN-LAW, DAUGHTER-IN-LAW, OR LEGAL WARD AND THE USE OF THE RESIDENTIAL REAL PROPERTY DOES NOT CHANGE FOLLOWING THE DISTRIBUTION.

(e) A change in the sole present beneficiary or beneficiaries of a trust, except ~~a~~ UNDER ANY OF THE FOLLOWING CONDITIONS:

(i) A change that adds or substitutes the spouse of the sole present beneficiary.

(ii) BEGINNING DECEMBER 31, 2014, FOR RESIDENTIAL REAL PROPERTY, A CHANGE THAT ADDS OR SUBSTITUTES THE SETTLOR'S OR THE

1 SETTLOR'S SPOUSE'S MOTHER, FATHER, BROTHER, SISTER, CHILD,
 2 STEPPARENT, STEPCHILD, STEPBROTHER, STEPSISTER, GRANDPARENT, STEP-
 3 GRANDPARENT, GRANDCHILD, STEP-GRANDCHILD, SON-IN-LAW, DAUGHTER-IN-
 4 LAW, OR LEGAL WARD IF THE USE OF THE RESIDENTIAL REAL PROPERTY DOES
 5 NOT CHANGE FOLLOWING THE CONVEYANCE.

6 (f) A conveyance by distribution under a will or by intestate
 7 succession, except ~~if the~~ UNDER ANY OF THE FOLLOWING CONDITIONS:

8 (i) IF THE distributee is the decedent's spouse.

9 (ii) BEGINNING DECEMBER 31, 2014, FOR RESIDENTIAL REAL
 10 PROPERTY, IF THE DISTRIBUTEES ARE THE DECEDENT'S OR THE DECEDENT'S
 11 SPOUSE'S MOTHER, FATHER, BROTHER, SISTER, CHILD, STEPPARENT,
 12 STEPCHILD, STEPBROTHER, STEPSISTER, GRANDPARENT, STEP-GRANDPARENT,
 13 GRANDCHILD, STEP-GRANDCHILD, SON-IN-LAW, DAUGHTER-IN-LAW, OR LEGAL
 14 WARD AND THE USE OF THE RESIDENTIAL REAL PROPERTY DOES NOT CHANGE
 15 FOLLOWING THE DISTRIBUTION.

16 (g) A conveyance by lease if the total duration of the lease,
 17 including the initial term and all options for renewal, is more
 18 than 35 years or the lease grants the lessee a bargain purchase
 19 option. As used in this subdivision, "bargain purchase option"
 20 means the right to purchase the property at the termination of the
 21 lease for not more than 80% of the property's projected true cash
 22 value at the termination of the lease. After December 31, 1994, the
 23 taxable value of property conveyed by a lease with a total duration
 24 of more than 35 years or with a bargain purchase option shall be
 25 adjusted under subsection (3) for the calendar year following the
 26 year in which the lease is entered into. This subdivision does not
 27 apply to personal property except buildings described in section

1 14(6) and personal property described in section 8(h), (i), and
2 (j). This subdivision does not apply to that portion of the
3 property not subject to the leasehold interest conveyed.

4 (h) Except as otherwise provided in this subdivision, a
5 conveyance of an ownership interest in a corporation, partnership,
6 sole proprietorship, limited liability company, limited liability
7 partnership, or other legal entity if the ownership interest
8 conveyed is more than 50% of the corporation, partnership, sole
9 proprietorship, limited liability company, limited liability
10 partnership, or other legal entity. Unless notification is provided
11 under subsection (10), the corporation, partnership, sole
12 proprietorship, limited liability company, limited liability
13 partnership, or other legal entity shall notify the assessing
14 officer on a form provided by the state tax commission not more
15 than 45 days after a conveyance of an ownership interest that
16 constitutes a transfer of ownership under this subdivision. Both of
17 the following apply to a corporation subject to 1897 PA 230, MCL
18 455.1 to 455.24:

19 (i) A transfer of stock of the corporation is a transfer of
20 ownership only with respect to the real property that is assessed
21 to the transferor lessee stockholder.

22 (ii) A cumulative conveyance of more than 50% of the
23 corporation's stock does not constitute a transfer of ownership of
24 the corporation's real property.

25 (i) A transfer of property held as a tenancy in common, except
26 that portion of the property not subject to the ownership interest
27 conveyed.

1 (j) A conveyance of an ownership interest in a cooperative
2 housing corporation, except that portion of the property not
3 subject to the ownership interest conveyed.

4 (7) Transfer of ownership does not include the following:

5 (a) The transfer of property from 1 spouse to the other spouse
6 or from a decedent to a surviving spouse.

7 (b) A transfer from a husband, a wife, or a husband and wife
8 creating or disjoining a tenancy by the entireties in the grantors
9 or the grantor and his or her spouse.

10 (c) A transfer of that portion of property subject to a life
11 estate or life lease retained by the transferor, until expiration
12 or termination of the life estate or life lease. That portion of
13 property transferred that is not subject to a life lease shall be
14 adjusted under subsection (3).

15 (d) A transfer through foreclosure or forfeiture of a recorded
16 instrument under chapter 31, 32, or 57 of the revised judicature
17 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
18 to 600.5759, or through deed or conveyance in lieu of a foreclosure
19 or forfeiture, until the mortgagee or land contract vendor
20 subsequently transfers the property. If a mortgagee does not
21 transfer the property within 1 year of the expiration of any
22 applicable redemption period, the property shall be adjusted under
23 subsection (3).

24 (e) A transfer by redemption by the person to whom taxes are
25 assessed of property previously sold for delinquent taxes.

26 (f) A conveyance to a trust if the settlor or the settlor's
27 spouse, or both, conveys the property to the trust and ~~the~~ **ANY OF**

1 THE FOLLOWING CONDITIONS ARE SATISFIED:

2 (i) IF THE sole present beneficiary of the trust is the settlor
3 or the settlor's spouse, or both.

4 (ii) BEGINNING DECEMBER 31, 2014, FOR RESIDENTIAL REAL
5 PROPERTY, IF THE SOLE PRESENT BENEFICIARY OF THE TRUST IS THE
6 SETTLOR'S OR THE SETTLOR'S SPOUSE'S MOTHER, FATHER, BROTHER,
7 SISTER, CHILD, STEPPARENT, STEPCHILD, STEPBROTHER, STEPSISTER,
8 GRANDPARENT, STEP-GRANDPARENT, GRANDCHILD, STEP-GRANDCHILD, SON-IN-
9 LAW, DAUGHTER-IN-LAW, OR LEGAL WARD AND THE USE OF THE RESIDENTIAL
10 REAL PROPERTY DOES NOT CHANGE FOLLOWING THE CONVEYANCE.

11 (g) A transfer pursuant to a judgment or order of a court of
12 record making or ordering a transfer, unless a specific monetary
13 consideration is specified or ordered by the court for the
14 transfer.

15 (h) A transfer creating or terminating a joint tenancy between
16 2 or more persons if at least 1 of the persons was an original
17 owner of the property before the joint tenancy was initially
18 created and, if the property is held as a joint tenancy at the time
19 of conveyance, at least 1 of the persons was a joint tenant when
20 the joint tenancy was initially created and that person has
21 remained a joint tenant since the joint tenancy was initially
22 created. A joint owner at the time of the last transfer of
23 ownership of the property is an original owner of the property. For
24 purposes of this subdivision, a person is an original owner of
25 property owned by that person's spouse.

26 (i) A transfer for security or an assignment or discharge of a
27 security interest.

1 (j) A transfer of real property or other ownership interests
2 among members of an affiliated group. As used in this subsection,
3 "affiliated group" means 1 or more corporations connected by stock
4 ownership to a common parent corporation. Upon request by the state
5 tax commission, a corporation shall furnish proof within 45 days
6 that a transfer meets the requirements of this subdivision. A
7 corporation that fails to comply with a request by the state tax
8 commission under this subdivision is subject to a fine of \$200.00.

9 (k) Normal public trading of shares of stock or other
10 ownership interests that, over any period of time, cumulatively
11 represent more than 50% of the total ownership interest in a
12 corporation or other legal entity and are traded in multiple
13 transactions involving unrelated individuals, institutions, or
14 other legal entities.

15 (l) A transfer of real property or other ownership interests
16 among corporations, partnerships, limited liability companies,
17 limited liability partnerships, or other legal entities if the
18 entities involved are commonly controlled. Upon request by the
19 state tax commission, a corporation, partnership, limited liability
20 company, limited liability partnership, or other legal entity shall
21 furnish proof within 45 days that a transfer meets the requirements
22 of this subdivision. A corporation, partnership, limited liability
23 company, limited liability partnership, or other legal entity that
24 fails to comply with a request by the state tax commission under
25 this subdivision is subject to a fine of \$200.00.

26 (m) A direct or indirect transfer of real property or other
27 ownership interests resulting from a transaction that qualifies as

1 a tax-free reorganization under section 368 of the internal revenue
2 code, 26 USC 368. Upon request by the state tax commission, a
3 property owner shall furnish proof within 45 days that a transfer
4 meets the requirements of this subdivision. A property owner who
5 fails to comply with a request by the state tax commission under
6 this subdivision is subject to a fine of \$200.00.

7 (n) A transfer of qualified agricultural property, if the
8 person to whom the qualified agricultural property is transferred
9 files an affidavit with the assessor of the local tax collecting
10 unit in which the qualified agricultural property is located and
11 with the register of deeds for the county in which the qualified
12 agricultural property is located attesting that the qualified
13 agricultural property shall remain qualified agricultural property.
14 The affidavit under this subdivision shall be in a form prescribed
15 by the department of treasury. An owner of qualified agricultural
16 property shall inform a prospective buyer of that qualified
17 agricultural property that the qualified agricultural property is
18 subject to the recapture tax provided in the agricultural property
19 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
20 qualified agricultural property is converted by a change in use, as
21 that term is defined in section 2 of the agricultural property
22 recapture act, 2000 PA 261, MCL 211.1002. If property ceases to be
23 qualified agricultural property at any time after being
24 transferred, all of the following shall occur:

25 (i) The taxable value of that property shall be adjusted under
26 subsection (3) as of the December 31 in the year that the property
27 ceases to be qualified agricultural property.

1 (ii) The property is subject to the recapture tax provided for
2 under the agricultural property recapture act, 2000 PA 261, MCL
3 211.1001 to 211.1007.

4 (o) A transfer of qualified forest property, if the person to
5 whom the qualified forest property is transferred files a qualified
6 forest taxable value affidavit with the assessor of the local tax
7 collecting unit in which the qualified forest property is located
8 and with the register of deeds for the county in which the
9 qualified forest property is located attesting that the qualified
10 forest property shall remain qualified forest property. The
11 qualified forest taxable value affidavit under this subdivision
12 shall be in a form prescribed by the department of agriculture and
13 rural development. The qualified forest taxable value affidavit
14 shall include a legal description of the qualified forest property,
15 the name of the new property owner, the year the transfer of the
16 property occurred, a statement indicating that the property owner
17 is attesting that the property for which the exemption is claimed
18 is qualified forest property and will be managed according to the
19 approved forest management plan, and any other information
20 pertinent to the parcel and the property owner. The property owner
21 shall provide a copy of the qualified forest taxable value
22 affidavit to the department. The department shall provide 1 copy of
23 the qualified forest taxable value affidavit to the local tax
24 collecting unit, 1 copy to the conservation district, and 1 copy to
25 the department of treasury. These copies may be sent
26 electronically. The exception to the recognition of a transfer of
27 ownership, as herein stated, shall extend to the land only of the

1 qualified forest property. If qualified forest property is improved
2 by buildings, structures, or land improvements, then those
3 improvements shall be recognized as a transfer of ownership, in
4 accordance with the provisions of section ~~7jj.~~**7JJ[1]**. An owner of
5 qualified forest property shall inform a prospective buyer of that
6 qualified forest property that the qualified forest property is
7 subject to the recapture tax provided in the qualified forest
8 property recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036,
9 if the qualified forest property is converted by a change in use,
10 as that term is defined in section 2 of the qualified forest
11 property recapture tax act, 2006 PA 379, MCL 211.1032. If property
12 ceases to be qualified forest property at any time after being
13 transferred, all of the following shall occur:

14 (i) The taxable value of that property shall be adjusted under
15 subsection (3) as of the December 31 in the year that the property
16 ceases to be qualified forest property, except to the extent that
17 the transfer of the qualified forest property would not have been
18 considered a transfer of ownership under this subsection.

19 (ii) Except as otherwise provided in subparagraph (iii), the
20 property is subject to the recapture tax provided for under the
21 qualified forest property recapture tax act, 2006 PA 379, MCL
22 211.1031 to 211.1036.

23 (iii) Beginning June 1, 2013 and ending November 30, 2013,
24 owners of property enrolled as qualified forest property prior to
25 January 1, 2013 may execute a new qualified forest taxable value
26 affidavit with the department of agriculture and rural development.
27 If a landowner elects to execute a qualified forest taxable value

1 affidavit, that owner is not required to pay the \$50.00 fee
2 required under section ~~7jj(2)~~. **7JJ[1] (2)**. If a landowner elects not
3 to execute a qualified forest taxable value affidavit, the existing
4 affidavit shall be rescinded, without subjecting the property to
5 the recapture tax provided for under the qualified forest property
6 recapture tax act, 2006 PA 379, MCL 211.1031 to 211.1036, and the
7 taxable value of that property shall be adjusted under subsection
8 (3).

9 (p) Beginning on December 8, 2006, a transfer of land, but not
10 buildings or structures located on the land, which meets 1 or more
11 of the following requirements:

12 (i) The land is subject to a conservation easement under
13 subpart 11 of part 21 of the natural resources and environmental
14 protection act, 1994 PA 451, MCL 324.2140 to 324.2144. As used in
15 this subparagraph, "conservation easement" means that term as
16 defined in section 2140 of the natural resources and environmental
17 protection act, 1994 PA 451, MCL 324.2140.

18 (ii) A transfer of ownership of the land or a transfer of an
19 interest in the land is eligible for a deduction as a qualified
20 conservation contribution under section 170(h) of the internal
21 revenue code, 26 USC 170.

22 (q) A transfer of real property or other ownership interests
23 resulting from a consolidation or merger of a domestic nonprofit
24 corporation that is a boy or girl scout or camp fire girls
25 organization, a 4-H club or foundation, a young men's Christian
26 association, or a young women's Christian association and at least
27 50% of the members of that organization or association are

1 residents of this state.

2 (r) A change to the assessment roll or tax roll resulting from
3 the application of section 16a of 1897 PA 230, MCL 455.16a.

4 (s) Beginning December 31, 2013 **THROUGH DECEMBER 30, 2014**, a
5 transfer of residential real property if the transferee is related
6 to the transferor by blood or affinity to the first degree and the
7 use of the residential real property does not change following the
8 transfer. ~~As used in this subdivision, "residential real property"~~
9 ~~means real property classified as residential real property under~~
10 ~~section 34c.~~

11 (T) **BEGINNING DECEMBER 31, 2014, A TRANSFER OF RESIDENTIAL**
12 **REAL PROPERTY IF THE TRANSFEE IS THE TRANSFEROR'S OR THE**
13 **TRANSFEROR'S SPOUSE'S MOTHER, FATHER, BROTHER, SISTER, CHILD,**
14 **STEPPARENT, STEPCHILD, STEPBROTHER, STEPSISTER, GRANDPARENT, STEP-**
15 **GRANDPARENT, GRANDCHILD, STEP-GRANDCHILD, SON-IN-LAW, DAUGHTER-IN-**
16 **LAW, OR LEGAL WARD AND THE USE OF THE RESIDENTIAL REAL PROPERTY**
17 **DOES NOT CHANGE FOLLOWING THE TRANSFER.**

18 (U) **BEGINNING DECEMBER 31, 2014, FOR RESIDENTIAL REAL**
19 **PROPERTY, A CONVEYANCE FROM A TRUST IF THE PERSON TO WHOM THE**
20 **RESIDENTIAL REAL PROPERTY IS CONVEYED IS THE SETTLOR'S OR THE**
21 **SETTLOR'S SPOUSE'S MOTHER, FATHER, BROTHER, SISTER, CHILD,**
22 **STEPPARENT, STEPCHILD, STEPBROTHER, STEPSISTER, GRANDPARENT, STEP-**
23 **GRANDPARENT, GRANDCHILD, STEP-GRANDCHILD, SON-IN-LAW, DAUGHTER-IN-**
24 **LAW, OR LEGAL WARD AND THE USE OF THE RESIDENTIAL REAL PROPERTY**
25 **DOES NOT CHANGE FOLLOWING THE CONVEYANCE.**

26 (8) If all of the following conditions are satisfied, the
27 local tax collecting unit shall revise the taxable value of

1 qualified agricultural property taxable on the tax roll in the
2 possession of that local tax collecting unit to the taxable value
3 that qualified agricultural property would have had if there had
4 been no transfer of ownership of that qualified agricultural
5 property since December 31, 1999 and there had been no adjustment
6 of that qualified agricultural property's taxable value under
7 subsection (3) since December 31, 1999:

8 (a) The qualified agricultural property was qualified
9 agricultural property for taxes levied in 1999 and each year after
10 1999.

11 (b) The owner of the qualified agricultural property files an
12 affidavit with the assessor of the local tax collecting unit under
13 subsection (7)(n).

14 (9) If the taxable value of qualified agricultural property is
15 adjusted under subsection (8), the owner of that qualified
16 agricultural property shall not be entitled to a refund for any
17 property taxes collected under this act on that qualified
18 agricultural property before the adjustment under subsection (8).

19 (10) The register of deeds of the county where deeds or other
20 title documents are recorded shall notify the assessing officer of
21 the appropriate local taxing unit not less than once each month of
22 any recorded transaction involving the ownership of property and
23 shall make any recorded deeds or other title documents available to
24 that county's tax or equalization department. Unless notification
25 is provided under subsection (6), the buyer, grantee, or other
26 transferee of the property shall notify the appropriate assessing
27 office in the local unit of government in which the property is

1 located of the transfer of ownership of the property within 45 days
2 of the transfer of ownership, on a form prescribed by the state tax
3 commission that states the parties to the transfer, the date of the
4 transfer, the actual consideration for the transfer, and the
5 property's parcel identification number or legal description. Forms
6 filed in the assessing office of a local unit of government under
7 this subsection shall be made available to the county tax or
8 equalization department for the county in which that local unit of
9 government is located. This subsection does not apply to personal
10 property except buildings described in section 14(6) and personal
11 property described in section 8(h), (i), and (j).

12 (11) As used in this section:

13 (a) "Additions" means that term as defined in section 34d.

14 (b) "Beneficial use" means the right to possession, use, and
15 enjoyment of property, limited only by encumbrances, easements, and
16 restrictions of record.

17 (c) "Inflation rate" means that term as defined in section
18 34d.

19 (d) "Losses" means that term as defined in section 34d.

20 (e) "Qualified agricultural property" means that term as
21 defined in section 7dd.

22 (f) "Qualified forest property" means that term as defined in
23 section 7jj[1].

24 **(G) "RESIDENTIAL REAL PROPERTY" MEANS REAL PROPERTY CLASSIFIED**
25 **AS RESIDENTIAL REAL PROPERTY UNDER SECTION 34C.**