

HOUSE BILL No. 6026

September 15, 1998, Introduced by Rep. Profit 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 1994 PA 415.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27. (1) As used in this act, "cash value" means the
2 usual selling price at the place where the property to which the
3 term is applied is at the time of assessment AND FOR THE EXISTING
4 USE OF THE PROPERTY AT THE TIME OF THE ASSESSMENT, being the
5 price that could be obtained for the property at private sale,
6 and not at auction sale except as otherwise provided in this sec-
7 tion, or at forced sale. The usual selling price may include
8 sales at public auction held by a nongovernmental agency or
9 person when those sales have become a common method of
10 acquisition in the jurisdiction for the class of property being
11 valued. The usual selling price does not include sales at public

1 auction ~~where~~ IF the sale is part of a liquidation of the
2 seller's assets in a bankruptcy proceeding or ~~where~~ IF the
3 seller is unable to use common marketing techniques to obtain the
4 usual selling price for the property. A sale or other disposi-
5 tion by the state or an agency or political subdivision of the
6 state of land acquired for delinquent taxes or an appraisal made
7 in connection with the sale or other disposition or the value
8 attributed to the property of regulated public utilities by a
9 governmental regulatory agency for rate-making purposes ~~shall~~
10 IS not ~~be considered~~ controlling evidence of true cash value
11 for assessment purposes. In determining the value, the assessor
12 shall also consider the advantages and disadvantages of location;
13 quality of soil; zoning; existing use; present economic income of
14 structures, including farm structures; present economic income of
15 land if the land is being farmed or otherwise put to income
16 producing use; quantity and value of standing timber; water power
17 and privileges; and mines, minerals, quarries, or other valuable
18 deposits known to be available in the land and their value. IN
19 DETERMINING THE VALUE, THE ASSESSOR SHALL CONSIDER ONLY THE
20 EXISTING USE OF THE PROPERTY AT THE TIME OF THE DETERMINATION
21 WITHOUT REGARD TO THE HIGHEST AND BEST USE OF THE PROPERTY.

22 (2) The assessor shall not consider the increase in true
23 cash value that is a result of expenditures for normal repairs,
24 replacement, and maintenance in determining the true cash value
25 of property for assessment purposes until the property is sold.
26 For the purpose of implementing this subsection, the assessor
27 shall not increase the construction quality classification or

1 reduce the effective age for depreciation purposes, except if the
2 appraisal of the property was erroneous before nonconsideration
3 of the normal repair, replacement, or maintenance, and shall not
4 assign an economic condition factor to the property that differs
5 from the economic condition factor assigned to similar properties
6 as defined by appraisal procedures applied in the jurisdiction.
7 The increase in value attributable to the items included in sub-
8 divisions (a) to (o) that is known to the assessor and excluded
9 from true cash value shall be indicated on the assessment roll.
10 This subsection applies only to residential property. The fol-
11 lowing repairs ~~shall be~~ ARE considered normal maintenance if
12 they are not part of a structural addition or completion:

- 13 (a) Outside painting.
- 14 (b) Repairing or replacing siding, roof, porches, steps,
15 sidewalks, and drives.
- 16 (c) Repainting, repairing, or replacing existing masonry.
- 17 (d) Replacement of awnings.
- 18 (e) Adding or replacing gutters and downspouts.
- 19 (f) Replacing storm windows or doors.
- 20 (g) Insulation or weatherstripping.
- 21 (h) Complete rewiring.
- 22 (i) Replacing plumbing and light fixtures.
- 23 (j) New furnace replacing a furnace of the same type or
24 replacing oil or gas burner.
- 25 (k) Plaster repairs, inside painting, or other
26 redecorating.

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

2 (m) Removing partitions to enlarge rooms.

3 (n) Replacing automatic hot water heater.

4 (o) Replacing dated interior woodwork.

5 (3) A city or township assessor, a county equalization
6 department, or the state tax commission before utilizing real
7 estate sales data on real property purchases, including purchases
8 by land contract, for the purpose of determining assessments or
9 in making sales ratio studies for the purpose of assessing or
10 equalizing assessments shall exclude from the sales data the fol-
11 lowing amounts allowed by subdivisions (a), (b), and (c) to the
12 extent that the amounts are included in the real property pur-
13 chase price and are so identified in the real estate sales data
14 or certified to the assessor as provided in subdivision (d):

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

17 (b) Amounts attributable to personal property that were
18 included in the purchase price of the property in the last con-
19 veyance of the property.

20 (c) Amounts paid for surveying the property pursuant to the
21 last conveyance of the property. The legislature may require
22 local units of government, including school districts, to submit
23 reports of revenue lost under subdivisions (a) and (b) and this
24 subdivision so that the state may reimburse those units for that
25 lost revenue.

26 (d) The purchaser of real property, including a purchaser by
27 land contract, may file with the assessor of the city or township

1 in which the property is located 2 copies of the purchase
2 agreement or of an affidavit that ~~shall identify~~ IDENTIFIES the
3 amount, if any, for each item listed in subdivisions (a) to (c).
4 One copy shall be forwarded by the assessor to the county equali-
5 zation department. The affidavit shall be prescribed by the
6 state tax commission.

7 (4) As used in subsection (1), "present economic income"
8 means for leased or rented property the ordinary, general, and
9 usual economic return realized from the lease or rental of prop-
10 erty negotiated under current, contemporary conditions between
11 parties equally knowledgeable and familiar with real estate
12 values. The actual income generated by the lease or rental of
13 property is not the controlling indicator of its cash value in
14 all cases. This subsection does not apply to property subject to
15 a lease entered into before January 1, 1984 for which the terms
16 of the lease governing the rental rate or tax liability have not
17 been renegotiated after December 31, 1983. This subsection does
18 not apply to a nonprofit housing cooperative subject to regula-
19 tory agreements between the state or federal government entered
20 into before January 1, 1984. As used in this subsection,
21 "nonprofit cooperative housing corporation" means a nonprofit
22 cooperative housing corporation that is engaged in providing
23 housing services to its stockholders and members and that does
24 not pay dividends or interest upon stock or membership investment
25 but that does distribute all earnings to its stockholders or
26 members.

1 (5) Beginning December 31, 1994, the purchase price paid in
2 a transfer of property is not the presumptive true cash value of
3 the property transferred. In determining the true cash value of
4 transferred property, an assessing officer shall assess that
5 property using the same valuation method used to value all other
6 property of that same classification in the assessing
7 jurisdiction. As used in this subsection, "purchase price" means
8 the total consideration agreed to in an arms-length transaction
9 and not at a forced sale paid by the purchaser of the property,
10 stated in dollars, whether or not paid in dollars.