

Property tax; classification; property no longer subject to agricultural tax abatement districts act; clarify status as an "addition".

PROPERTY TAX: Classification; ECONOMIC DEVELOPMENT: Other;
AGRICULTURE: Other

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 34d (MCL 211.34d), as amended by 1996
PA 476.

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 addi-
5 tion of equipment or furnishings, and the value of property that
6 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
9 as provided in subdivision (c), all of the following:

1 (i) Omitted real property. As used in this subparagraph,
2 "omitted real property" means previously existing tangible real
3 property not included in the assessment. Omitted real property
4 shall not increase taxable value as an addition unless the
5 assessing jurisdiction has a property record card or other docu-
6 mentation showing that the omitted real property was not previ-
7 ously included in the assessment. The assessing jurisdiction has
8 the burden of proof in establishing whether the omitted real
9 property is included in the assessment. Omitted real property
10 for the current and the 2 immediately preceding years, discovered
11 after the assessment roll has been completed, shall be added to
12 the tax roll pursuant to the procedures established in section
13 154. For purposes of determining the taxable value of real prop-
14 erty under section 27a, the value of omitted real property is
15 based on the value and the ratio of taxable value to true cash
16 value the omitted real property would have had if the property
17 had not been omitted.

18 (ii) Omitted personal property. As used in this subpara-
19 graph, "omitted personal property" means previously existing tan-
20 gible personal property not included in the assessment. Omitted
21 personal property shall be added to the tax roll pursuant to sec-
22 tion 154.

23 (iii) New construction. As used in this subparagraph, "new
24 construction" means property not in existence on the immediately
25 preceding tax day and not replacement construction. New con-
26 struction includes the physical addition of equipment or
27 furnishings, subject to the provisions set forth in section

1 27(2)(a) to (o). For purposes of determining the taxable value
2 of property under section 27a, the value of new construction is
3 the true cash value of the new construction multiplied by 0.50.

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

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

15 (B) The taxable value of property that is a facility as that
16 term is defined in section 2 of ~~Act No. 198 of the Public Acts~~
17 ~~of 1974, being section 207.552 of the Michigan Compiled Laws~~
18 1974 PA 198, MCL 207.552, that was previously exempt under
19 section 7k is the taxable value that property would have had
20 under this act if it had not been exempt.

21 (C) The value of property previously exempt under any other
22 section of law is the true cash value of the previously exempt
23 property multiplied by 0.50.

24 (D) THE TAXABLE VALUE OF QUALIFIED AGRICULTURAL PROPERTY AS
25 THAT TERM IS DEFINED IN SECTION 2 OF THE AGRICULTURAL TAX ABATE-
26 MENT DISTRICTS ACT, THAT WAS PREVIOUSLY EXEMPT, IS THE TAXABLE

1 VALUE THAT PROPERTY WOULD HAVE HAD UNDER THIS ACT IF IT HAD NOT
2 BEEN EXEMPT.

3 (v) Replacement construction. As used in this subparagraph,
4 "replacement construction" means construction that replaced prop-
5 erty damaged or destroyed by accident or act of God and that
6 occurred after the immediately preceding tax day to the extent
7 the construction's true cash value does not exceed the true cash
8 value of property that was damaged or destroyed by accident or
9 act of God in the immediately preceding 3 years. For purposes of
10 determining the taxable value of property under section 27a, the
11 value of the replacement construction is the true cash value of
12 the replacement construction multiplied by a fraction the numera-
13 tor of which is the taxable value of the property to which the
14 construction was added in the immediately preceding year and the
15 denominator of which is the true cash value of the property to
16 which the construction was added in the immediately preceding
17 year, and then multiplied by the lesser of 1.05 or the inflation
18 rate.

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

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

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

20 (viii) Public services. As used in this subparagraph,
21 "public services" means water service, sewer service, a primary
22 access road, natural gas service, electrical service, telephone
23 service, sidewalks, or street lighting. For purposes of deter-
24 mining the taxable value of real property under section 27a, the
25 value of public services is the amount of increase in true cash
26 value of the property attributable to the available public
27 services multiplied by 0.50 and shall be added in the calendar

1 year following the calendar year when those public services are
2 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
20 in value caused by the removal or destruction of real or personal
21 property and the value of property taxed in the immediately pre-
22 ceding year that has been exempted or removed from the assessment
23 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
27 purposes of determining the taxable value of property under

1 section 27a, the value of property destroyed or removed is the
2 product of the true cash value of that property multiplied by a
3 fraction the numerator of which is the taxable value of that
4 property in the immediately preceding year and the denominator of
5 which is the true cash value of that property in the immediately
6 preceding year.

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

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

23 (iv) A decrease in taxable value attributable to environmen-
24 tal contamination existing on the immediately preceding tax day.
25 The department of environmental quality shall determine the
26 degree to which environmental contamination limits the use of
27 property based on information available in existing department of

1 environmental quality records or information made available to
2 the department of environmental quality if the appropriate
3 assessing officer for a local tax collecting unit requests that
4 determination. The department of environmental quality's deter-
5 mination of the degree to which environmental contamination
6 limits the use of property shall be based on the criteria estab-
7 lished for the ~~classifications~~ CATEGORIES set forth in section
8 20120a(1) of part 201 (environmental remediation) of the natural
9 resources and environmental protection act, ~~Act No. 451 of the~~
10 ~~Public Acts of 1994, being section 324.20120a of the Michigan~~
11 ~~Compiled Laws~~ 1994 PA 451, MCL 324.20120A. The decrease in tax-
12 able value attributable to the contamination is the decrease in
13 true cash value attributable to the contamination multiplied by a
14 fraction the numerator of which is the taxable value of the prop-
15 erty had it not been contaminated and the denominator of which is
16 the true cash value of the property had it not been
17 contaminated.

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

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

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

22 (j) "New construction and improvements" means additions less
23 losses.

24 (k) "Current year" means the year for which the millage lim-
25 itation is being calculated.

26 (l) "Inflation rate" means the ratio of the general price
27 level for the state fiscal year ending in the calendar year

1 immediately preceding the current year divided by the general
2 price level for the state fiscal year ending in the calendar year
3 before the year immediately preceding the current year.

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

1 county for the current year. The financial officer for each
2 taxing jurisdiction shall calculate the compounded millage reduc-
3 tion fractions beginning in 1980 resulting from the multiplica-
4 tion of successive millage reduction fractions and shall recog-
5 nize a local voter action to increase the compounded millage
6 reduction fraction to a maximum of 1 as a new beginning
7 fraction. Upon request of the superintendent of the intermediate
8 school district, the county equalization director shall transmit
9 the complete computations of the taxable values to the superin-
10 tendent of the intermediate school district within that county.
11 At the request of the presidents of community colleges, the
12 county equalization director shall transmit the complete computa-
13 tions of the taxable values to the presidents of community col-
14 leges within the county.

15 (3) On or before the first Monday in June of each year, the
16 county equalization director shall deliver the statement of the
17 computations signed by the county equalization director to the
18 county treasurer.

19 (4) On or before the second Monday in June of each year, the
20 treasurer of each county shall certify the immediately preceding
21 year's taxable values, the current year's taxable values, the
22 amount of additions and losses for the current year, and the cur-
23 rent year's millage reduction fraction for each unit of local
24 government that levies a property tax in the county.

25 (5) The financial officer of each unit of local government
26 shall make the computation of the tax rate using the data
27 certified by the county treasurer and the state tax commission.

1 At the annual session in October, the county board of
2 commissioners shall not authorize the levy of a tax unless the
3 governing body of the taxing jurisdiction has certified that the
4 requested millage has been reduced, if necessary, in compliance
5 with section 31 of article IX 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 deter-
10 mined by reducing its maximum rate or rates authorized by law or
11 charter by a millage reduction fraction as provided in this sec-
12 tion without voter approval.

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

1 December 31, 1994, the numerator of the fraction shall be the
2 product of the difference between the total taxable value for the
3 immediately preceding year minus losses multiplied by the infla-
4 tion rate and the denominator of the fraction shall be the total
5 taxable value for the current year minus additions. For each
6 year after 1993, a millage reduction fraction shall not exceed
7 1.

8 (8) The compounded millage reduction fraction for each year
9 after 1980 shall be calculated by multiplying the local unit's
10 previous year's compounded millage reduction fraction by the cur-
11 rent year's millage reduction fraction. Beginning with 1980 tax
12 levies, the compounded millage reduction fraction for the year
13 shall be multiplied by the maximum millage rate authorized by law
14 or charter for the unit of local government for the year, except
15 as provided by subsection (9). A compounded millage reduction
16 fraction shall not exceed 1.

17 (9) The millage reduction shall be determined separately for
18 authorized millage approved by the voters. The limitation on
19 millage authorized by the voters on or before May 31 of a year
20 shall be calculated beginning with the millage reduction fraction
21 for that year. Millage authorized by the voters after May 31
22 shall not be subject to a millage reduction until the year fol-
23 lowing the voter authorization which shall be calculated begin-
24 ning with the millage reduction fraction for the year following
25 the authorization. The first millage reduction fraction used in
26 calculating the limitation on millage approved by the voters
27 after January 1, 1979 shall not exceed 1.

1 (10) A millage reduction fraction shall be applied
2 separately to the aggregate maximum millage rate authorized by a
3 charter and to each maximum millage rate authorized by state law
4 for a specific purpose.

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

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

1 municipal finance act, ~~Act No. 202 of the Public Acts of 1943~~
2 1943 PA 202, or to taxes imposed for the payment of principal and
3 interest on bonds or other evidence of indebtedness or for the
4 payment of assessments or contract obligations in anticipation of
5 which bonds are issued that are approved by the voters after
6 December 22, 1978.

7 (13) If it is determined subsequent to the levy of a tax
8 that an incorrect millage reduction fraction has been applied,
9 the amount of additional tax revenue or the shortage of tax reve-
10 nue shall be deducted from or added to the next regular tax levy
11 for that unit of local government after the determination of the
12 authorized rate pursuant to this section.

13 (14) If as a result of an appeal of county equalization or
14 state equalization the taxable value of a unit of local govern-
15 ment changes, the millage reduction fraction for the year shall
16 be recalculated. The financial officer shall effectuate an addi-
17 tion or reduction of tax revenue in the same manner as prescribed
18 in subsection (13).

19 (15) The fractions calculated pursuant to this section shall
20 be rounded to 4 decimal places, except that the inflation rate
21 shall be computed by the state tax commission and shall be
22 rounded to 3 decimal places. The state tax commission shall pub-
23 lish the inflation rate before March 1 of each year.

24 (16) Beginning with taxes levied in 1994, the millage reduc-
25 tion required by section 31 of article IX of the state constitu-
26 tion of 1963 shall permanently reduce the maximum rate or rates
27 authorized by law or charter. The reduced maximum authorized

1 rate or rates for 1994 shall equal the product of the maximum
2 rate or rates authorized by law or charter before application of
3 this section multiplied by the ~~compound~~ COMPOUNDED millage
4 reduction applicable to that millage in 1994 pursuant to subsec-
5 tions (8) to (12). The reduced maximum authorized rate or rates
6 for 1995 and each year after 1995 shall equal the product of the
7 immediately preceding year's reduced maximum authorized rate or
8 rates multiplied by the current year's millage reduction fraction
9 and shall be adjusted for millage for which authorization has
10 expired and new authorized millage approved by the voters pursu-
11 ant to subsections (8) to (12).