

# HOUSE BILL No. 5638

February 14, 2002, Introduced by Rep. Hager and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 27a (MCL 211.27a), as amended by 2000 PA  
260.

**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  
5 taxes levied in 1995 and for each year after 1995, the taxable  
6 value of each parcel of property is the lesser of the following:

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

1 1995, the property's taxable value in the immediately preceding  
2 year is the property's state equalized valuation in 1994.

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

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

8 (4) If the taxable value of property is adjusted under sub-  
9 section (3), a subsequent increase in the property's taxable  
10 value is subject to the limitation set forth in subsection (2)  
11 until a subsequent transfer of ownership occurs.

12 (5) Assessment of property, as required in this section and  
13 section 27, is inapplicable to the assessment of property subject  
14 to the levy of ad valorem taxes within voted tax limitation  
15 increases to pay principal and interest on limited tax bonds  
16 issued by any governmental unit, including a county, township,  
17 community college district, or school district, before January 1,  
18 1964, if the assessment required to be made under this act would  
19 be less than the assessment as state equalized prevailing on the  
20 property at the time of the issuance of the bonds. This inappli-  
21 cability shall continue until levy of taxes to pay principal and  
22 interest on the bonds is no longer required. The assessment of  
23 property required by this act shall be applicable for all other  
24 purposes.

25 (6) As used in this act, "transfer of ownership" means the  
26 conveyance of title to or a present interest in property,  
27 including the beneficial use of the property, the value of which

1 is substantially equal to the value of the fee interest.

2 Transfer of ownership of property includes, but is not limited  
3 to, the following:

4 (a) A conveyance by deed.

5 (b) A conveyance by land contract. The taxable value of  
6 property conveyed by a land contract executed after December 31,  
7 1994 shall be adjusted under subsection (3) for the calendar year  
8 following the year in which the contract is entered into and  
9 shall not be subsequently adjusted under subsection (3) when the  
10 deed conveying title to the property is recorded in the office of  
11 the register of deeds in the county in which the property is  
12 located.

13 (c) A conveyance to a trust after December 31, 1994, except  
14 if the settlor or the settlor's spouse, or both, conveys the  
15 property to the trust and the sole present beneficiary or benefi-  
16 ciaries are the settlor or the settlor's spouse, or both.

17 (d) A conveyance by distribution from a trust, except if the  
18 distributee is the sole present beneficiary or the spouse of the  
19 sole present beneficiary, or both.

20 (e) A change in the sole present beneficiary or beneficia-  
21 ries of a trust, except a change that adds or substitutes the  
22 spouse of the sole present beneficiary.

23 (f) A conveyance by distribution under a will or by intes-  
24 tate succession, except if the distributee is the decedent's  
25 spouse.

26 (g) A conveyance by lease if the total duration of the  
27 lease, including the initial term and all options for renewal, is

1 more than 35 years or the lease grants the lessee a bargain  
2 purchase option. As used in this subdivision, "bargain purchase  
3 option" means the right to purchase the property at the termina-  
4 tion of the lease for not more than 80% of the property's  
5 projected true cash value at the termination of the lease. After  
6 December 31, 1994, the taxable value of property conveyed by a  
7 lease with a total duration of more than 35 years or with a bar-  
8 gain purchase option shall be adjusted under subsection (3) for  
9 the calendar year following the year in which the lease is  
10 entered into. This subdivision does not apply to personal prop-  
11 erty except buildings described in section 14(6) and personal  
12 property described in section 8(h), (i), and (j). This subdivi-  
13 sion does not apply to that portion of the property not subject  
14 to the leasehold interest conveyed.

15 (h) A conveyance of an ownership interest in a corporation,  
16 partnership, sole proprietorship, limited liability company,  
17 limited liability partnership, or other legal entity if the  
18 ownership interest conveyed is more than 50% of the corporation,  
19 partnership, sole proprietorship, limited liability company,  
20 limited liability partnership, or other legal entity. Unless  
21 notification is provided under subsection (10), the corporation,  
22 partnership, sole proprietorship, limited liability company,  
23 limited liability partnership, or other legal entity shall notify  
24 the assessing officer on a form provided by the state tax commis-  
25 sion not more than 45 days after a conveyance of an ownership  
26 interest that constitutes a transfer of ownership under this  
27 subdivision.

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

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

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

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

10 (b) A transfer from a husband, a wife, or a husband and wife  
11 creating or disjoining a tenancy by the entirety in the grant-  
12 ors or the grantor and his or her spouse.

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

18 (d) A transfer through foreclosure or forfeiture of a  
19 recorded instrument under chapter 31, 32, or 57 of the revised  
20 judicature act of 1961, 1961 PA 236, MCL 600.3101 to 600.3280 and  
21 MCL 600.5701 to 600.5785, or through deed or conveyance in lieu  
22 of a foreclosure or forfeiture, until the mortgagee or land con-  
23 tract vendor subsequently transfers the property. If a mortgagee  
24 does not transfer the property within 1 year of the expiration of  
25 any applicable redemption period, the property shall be adjusted  
26 under subsection (3).

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

3 (f) A conveyance to a trust if the settlor or the settlor's  
4 spouse, or both, conveys the property to the trust and the sole  
5 present beneficiary of the trust is the settlor or the settlor's  
6 spouse, or both.

7 (g) A transfer pursuant to a judgment or order of a court of  
8 record making or ordering a transfer, unless a specific monetary  
9 consideration is specified or ordered by the court for the  
10 transfer.

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

22 (i) A transfer for security or an assignment or discharge of  
23 a security interest.

24 (j) A transfer of real property or other ownership interests  
25 among members of an affiliated group. As used in this subsec-  
26 tion, "affiliated group" means 1 or more corporations connected  
27 by stock ownership to a common parent corporation. Upon request

1 by the state tax commission, a corporation shall furnish proof  
2 within 45 days that a transfer meets the requirements of this  
3 subdivision. A corporation that fails to comply with a request  
4 by the state tax commission under this subdivision is subject to  
5 a fine of \$200.00.

6 (k) Normal public trading of shares of stock or other owner-  
7 ship interests that, over any period of time, cumulatively repre-  
8 sent more than 50% of the total ownership interest in a corpora-  
9 tion or other legal entity and are traded in multiple transac-  
10 tions involving unrelated individuals, institutions, or other  
11 legal entities.

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

24 (m) A direct or indirect transfer of real property or other  
25 ownership interests resulting from a transaction that qualifies  
26 as a tax-free reorganization under section 368 of the internal  
27 revenue code of 1986. Upon request by the state tax commission,

1 a property owner shall furnish proof within 45 days that a  
2 transfer meets the requirements of this subdivision. A property  
3 owner who fails to comply with a request by the state tax commis-  
4 sion under this subdivision is subject to a fine of \$200.00.

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

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

25 (ii) The property is subject to the recapture tax provided  
26 for under the agricultural property recapture act, 2000 PA 261,  
27 MCL 211.1001 TO 211.1007.



1 (O) A TRANSFER OF REAL PROPERTY OR OTHER OWNERSHIP INTERESTS  
2 FROM 1 OR MORE INDIVIDUALS TO A CORPORATION, PARTNERSHIP, LIMITED  
3 LIABILITY COMPANY, LIMITED LIABILITY PARTNERSHIP, OR OTHER LEGAL  
4 ENTITY IF IMMEDIATELY AFTER THE TRANSFER NOT LESS THAN 80% OF THE  
5 TOTAL COMBINED VOTING POWER OF THE CORPORATION, PARTNERSHIP,  
6 LIMITED LIABILITY COMPANY, LIMITED LIABILITY PARTNERSHIP, OR  
7 OTHER LEGAL ENTITY IS CONTROLLED BY THE TRANSFERRING INDIVIDUAL  
8 OR INDIVIDUALS.

9 (8) If all of the following conditions are satisfied, the  
10 local tax collecting unit shall revise the taxable value of qual-  
11 ified agricultural property taxable on the tax roll in the pos-  
12 session of that local tax collecting unit to the taxable value  
13 that qualified agricultural property would have had if there had  
14 been no transfer of ownership of that qualified agricultural  
15 property since December 31, 1999 and there had been no adjustment  
16 of that qualified agricultural property's taxable value under  
17 subsection (3) since December 31, 1999:

18 (a) The qualified agricultural property was qualified agri-  
19 cultural property for taxes levied in 1999 and each year after  
20 1999.

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

24 (9) If the taxable value of qualified agricultural property  
25 is adjusted under subsection (8), the owner of that qualified  
26 agricultural property shall not be entitled to a refund for any  
27 property taxes collected under this act on that qualified

1 agricultural property before the adjustment under subsection  
2 (8).

3 (10) The register of deeds of the county where deeds or  
4 other title documents are recorded shall notify the assessing  
5 officer of the appropriate local taxing unit not less than once  
6 each month of any recorded transaction involving the ownership of  
7 property and shall make any recorded deeds or other title docu-  
8 ments available to that county's tax or equalization department.  
9 Unless notification is provided under subsection (6), the buyer,  
10 grantee, or other transferee of the property shall notify the  
11 appropriate assessing office in the local unit of government in  
12 which the property is located of the transfer of ownership of the  
13 property within 45 days of the transfer of ownership, on a form  
14 prescribed by the state tax commission that states the parties to  
15 the transfer, the date of the transfer, the actual consideration  
16 for the transfer, and the property's parcel identification number  
17 or legal description. Forms filed in the assessing office of a  
18 local unit of government under this subsection shall be made  
19 available to the county tax or equalization department for the  
20 county in which that local unit of government is located. This  
21 subsection does not apply to personal property except buildings  
22 described in section 14(6) and personal property described in  
23 section 8(h), (i), and (j).

24 (11) As used in this section:

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

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

4 (c) "Converted by a change in use" means that term as  
5 defined in the agricultural property recapture act, 2000 PA 261,  
6 MCL 211.1001 TO 211.1007.

7 (d) "Inflation rate" means that term as defined in section  
8 34d.

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

10 (f) "Qualified agricultural property" means that term as  
11 defined in section 7dd.