

HOUSE BILL No. 4942

July 2, 2003, Introduced by Reps. Tobocman, Hunter, Kooiman, Dennis, Gillard and Woronchak and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled "The general property tax act," by amending sections 27a and 34d (MCL 211.27a and 211.34d), section 27a as amended by 2000 PA 260 and section 34d as amended by 1996 PA 476.

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,

1 the property's taxable value in the immediately preceding year is
2 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
9 subsection (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
21 inapplicability shall continue until levy of taxes to pay
22 principal and interest on the bonds is no longer required. The
23 assessment of property required by this act shall be applicable
24 for all other 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
16 beneficiaries 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 beneficiaries
21 of a trust, except a change that adds or substitutes the spouse
22 of the sole present beneficiary.

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

25 (g) A conveyance by lease if the total duration of the lease,
26 including the initial term and all options for renewal, is more
27 than 35 years or the lease grants the lessee a bargain purchase

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

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

27 (i) A transfer of property held as a tenancy in common,

1 except that portion of the property not subject to the ownership
2 interest conveyed.

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

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

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

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

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

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

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

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

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

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

20 (i) A transfer for security or an assignment or discharge of
21 a security interest.

22 (j) A transfer of real property or other ownership interests
23 among members of an affiliated group. As used in this
24 subsection, "affiliated group" means 1 or more corporations
25 connected by stock ownership to a common parent corporation.
26 Upon request by the state tax commission, a corporation shall
27 furnish proof within 45 days that a transfer meets the

1 requirements of this subdivision. A corporation that fails to
2 comply with a request by the state tax commission under this
3 subdivision is subject to a fine of \$200.00.

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

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

22 (m) A direct or indirect transfer of real property or other
23 ownership interests resulting from a transaction that qualifies
24 as a tax-free reorganization under section 368 of the internal
25 revenue code of 1986. Upon request by the state tax commission,
26 a property owner shall furnish proof within 45 days that a
27 transfer meets the requirements of this subdivision. A property

1 owner who fails to comply with a request by the state tax
2 commission under this subdivision is subject to a fine of
3 \$200.00.

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

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

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

27 (o) **A transfer of real property classified as residential**

1 real property under section 34c to a charitable housing
2 organization.

3 (p) A transfer of real property classified as residential
4 real property under section 34c from a charitable housing
5 organization to a low income person.

6 (q) A transfer of real property classified as residential
7 real property under section 34c from a low income person who
8 received that real property in a conveyance from a charitable
9 housing organization to another low income person.

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

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

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

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

1 property taxes collected under this act on that qualified
2 agricultural property before the adjustment under subsection
3 (8).

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

25 (11) As used in this section:

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

27 (b) "Beneficial use" means the right to possession, use, and

1 enjoyment of property, limited only by encumbrances, easements,
2 and restrictions of record.

3 (c) "Charitable housing organization" means a nonprofit
4 charitable organization the primary purpose of which is the
5 construction or renovation of residential housing for conveyance
6 to a low income person.

7 (d) ~~(e)~~ "Converted by a change in use" means that term as
8 defined in the agricultural property recapture act, 2000 PA 261,
9 MCL 211.1001 to 211.1007.

10 (e) "Family income" and "statewide median gross income" mean
11 those terms as defined in section 11 of the state housing
12 development authority act of 1966, 1966 PA 346, MCL 125.1411.

13 (f) ~~(d)~~ "Inflation rate" means that term as defined in
14 section 34d.

15 (g) ~~(e)~~ "Losses" means that term as defined in section
16 34d.

17 (h) "Low income person" means a person with a family income
18 of not more than 60% of the statewide median gross income and who
19 is eligible to participate in the charitable housing
20 organization's program based on criteria established by the
21 charitable housing organization.

22 (i) ~~(f)~~ "Qualified agricultural property" means that term
23 as defined in section 7dd.

24 Sec. 34d. (1) As used in this section or section 27a, or
25 section 3 or 31 of article IX of the state constitution of 1963:

26 (a) For taxes levied before 1995, "additions" means all
27 increases in value caused by new construction or a physical

1 addition of equipment or furnishings, and the value of property
2 that was exempt from taxes or not included on the assessment
3 unit's immediately preceding year's assessment roll.

4 (b) For taxes levied after 1994, "additions" means, except as
5 provided in subdivision (c), all of the following:

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

23 (ii) Omitted personal property. As used in this
24 subparagraph, "omitted personal property" means previously
25 existing tangible personal property not included in the
26 assessment. Omitted personal property shall be added to the tax
27 roll pursuant to section 154.

1 (iii) New construction. As used in this subparagraph **and**
2 **subdivision (c)(iv)**, "new construction" means property not in
3 existence on the immediately preceding tax day and not
4 replacement construction. New construction includes the physical
5 addition of equipment or furnishings, subject to the provisions
6 set forth in section 27(2)(a) to (o). For purposes of
7 determining the taxable value of property under section 27a, the
8 value of new construction is the true cash value of the new
9 construction multiplied by 0.50.

10 (iv) Previously exempt property. As used in this
11 subparagraph, "previously exempt property" means property that
12 was exempt from ad valorem taxation under this act on the
13 immediately preceding tax day but is subject to ad valorem
14 taxation on the current tax day under this act. For purposes of
15 determining the taxable value of real property under section
16 27a:

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

22 (B) The taxable value of property that is a facility as that
23 term is defined in section 2 of ~~Act No. 198 of the Public Acts~~
24 ~~of 1974, being section 207.552 of the Michigan Compiled Laws~~
25 **1974 PA 198, MCL 207.552**, that was previously exempt under
26 section 7k is the taxable value that property would have had
27 under this act if it had not been exempt.

1 (C) The value of property previously exempt under any other
2 section of law is the true cash value of the previously exempt
3 property multiplied by 0.50.

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

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

1 determination. The increase in taxable value attributable to the
2 remediation is the increase in true cash value attributable to
3 the remediation multiplied by a fraction the numerator of which
4 is the taxable value of the property had it not been contaminated
5 and the denominator of which is the true cash value of the
6 property had it not been 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
12 of determining the taxable value of property under section 27a,
13 the 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,
22 "public services" means water service, sewer service, a primary
23 access road, natural gas service, electrical service, telephone
24 service, sidewalks, or street lighting. For purposes of
25 determining the taxable value of real property under section 27a,
26 the value of public services is the amount of increase in true
27 cash value of the property attributable to the available public

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

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

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

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

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

12 (iv) **New construction on real property classified as**
13 **residential real property under section 34c that is owned by a**
14 **charitable housing organization. As used in this subdivision:**

15 (A) **"Charitable housing organization" means a nonprofit**
16 **charitable organization the primary purpose of which is the**
17 **construction or renovation of residential housing for conveyance**
18 **to a low income person.**

19 (B) **"Family income" and "statewide median gross income" mean**
20 **those terms as defined in section 11 of the state housing**
21 **development authority act of 1966, 1966 PA 346, MCL 125.1411.**

22 (C) **"Low income person" means a person with a family income**
23 **of not more than 60% of the statewide median gross income.**

24 (d) **"Assessed valuation of property as finally equalized"**
25 **means taxable value under section 27a.**

26 (e) **"Financial officer" means the officer responsible for**
27 **preparing the budget of a unit of local government.**

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

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

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

12 (i) Property that has been destroyed or removed. For
13 purposes of determining the taxable value of property under
14 section 27a, the value of property destroyed or removed is the
15 product of the true cash value of that property multiplied by a
16 fraction the numerator of which is the taxable value of that
17 property in the immediately preceding year and the denominator of
18 which is the true cash value of that property in the immediately
19 preceding year.

20 (ii) Property that was subject to ad valorem taxation under
21 this act in the immediately preceding year that is now exempt
22 from ad valorem taxation under this act. For purposes of
23 determining the taxable value of property under section 27a, the
24 value of property exempted from ad valorem taxation under this
25 act is the amount exempted.

26 (iii) An adjustment in value, if any, because of a decrease
27 in the property's occupancy rate, to the extent provided by law.

1 For purposes of determining the taxable value of real property
2 under section 27a, the value of a loss for a decrease in the
3 property's occupancy rate is the product of the decrease in the
4 true cash value of the property attributable to the decreased
5 occupancy rate multiplied by a fraction the numerator of which is
6 the taxable value of the property in the immediately preceding
7 year and the denominator of which is the true cash value of the
8 property in the immediately preceding year.

9 (iv) A decrease in taxable value attributable to
10 environmental contamination existing on the immediately preceding
11 tax day. The department of environmental quality shall determine
12 the degree to which environmental contamination limits the use of
13 property based on information available in existing department of
14 environmental quality records or information made available to
15 the department of environmental quality if the appropriate
16 assessing officer for a local tax collecting unit requests that
17 determination. The department of environmental quality's
18 determination of the degree to which environmental contamination
19 limits the use of property shall be based on the criteria
20 established for the ~~classifications~~ **categories** set forth in
21 section 20120a(1) of part 201 ~~(environmental remediation)~~ of
22 the natural resources and environmental protection act, ~~Act~~
23 ~~No. 451 of the Public Acts of 1994, being section 324.20120a of~~
24 ~~the Michigan Compiled Laws~~ **1994 PA 451, MCL 324.20120a**. The
25 decrease in taxable value attributable to the contamination is
26 the decrease in true cash value attributable to the contamination
27 multiplied by a fraction the numerator of which is the taxable

1 value of the property had it not been contaminated and the
2 denominator of which is the true cash value of the property had
3 it not been contaminated.

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

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

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

8 (j) "New construction and improvements" means additions less
9 losses.

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

12 (l) "Inflation rate" means the ratio of the general price
13 level for the state fiscal year ending in the calendar year
14 immediately preceding the current year divided by the general
15 price level for the state fiscal year ending in the calendar year
16 before the year immediately preceding the current year.

17 (2) On or before the first Monday in May of each year, the
18 assessing officer of each township or city shall tabulate the
19 tentative taxable value as approved by the local board of review
20 and as modified by county equalization for each classification of
21 property that is separately equalized for each unit of local
22 government and provide the tabulated tentative taxable values to
23 the county equalization director. The tabulation by the
24 assessing officer shall contain additions and losses for each
25 classification of property that is separately equalized for each
26 unit of local government or part of a unit of local government in
27 the township or city. If as a result of state equalization the

1 taxable value of property changes, the assessing officer of each
2 township or city shall revise the calculations required by this
3 subsection on or before the Friday following the fourth Monday in
4 May. The county equalization director shall compute these
5 amounts and the current and immediately preceding year's taxable
6 values for each classification of property that is separately
7 equalized for each unit of local government that levies taxes
8 under this act within the boundary of the county. The county
9 equalization director shall cooperate with equalization directors
10 of neighboring counties, as necessary, to make the computation
11 for units of local government located in more than 1 county. The
12 county equalization director shall calculate the millage
13 reduction fraction for each unit of local government in the
14 county for the current year. The financial officer for each
15 taxing jurisdiction shall calculate the compounded millage
16 reduction fractions beginning in 1980 resulting from the
17 multiplication of successive millage reduction fractions and
18 shall recognize a local voter action to increase the compounded
19 millage reduction fraction to a maximum of 1 as a new beginning
20 fraction. Upon request of the superintendent of the intermediate
21 school district, the county equalization director shall transmit
22 the complete computations of the taxable values to the
23 superintendent of the intermediate school district within that
24 county. At the request of the presidents of community colleges,
25 the county equalization director shall transmit the complete
26 computations of the taxable values to the presidents of community
27 colleges within the county.

1 (3) On or before the first Monday in June of each year, the
2 county equalization director shall deliver the statement of the
3 computations signed by the county equalization director to the
4 county treasurer.

5 (4) On or before the second Monday in June of each year, the
6 treasurer of each county shall certify the immediately preceding
7 year's taxable values, the current year's taxable values, the
8 amount of additions and losses for the current year, and the
9 current year's millage reduction fraction for each unit of local
10 government that levies a property tax in the county.

11 (5) The financial officer of each unit of local government
12 shall make the computation of the tax rate using the data
13 certified by the county treasurer and the state tax commission.
14 At the annual session in October, the county board of
15 commissioners shall not authorize the levy of a tax unless the
16 governing body of the taxing jurisdiction has certified that the
17 requested millage has been reduced, if necessary, in compliance
18 with section 31 of article IX of the state constitution of 1963.

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

26 (7) A millage reduction fraction shall be determined for each
27 year for each local unit of government. For ad valorem property

1 taxes that became a lien before January 1, 1983, the numerator of
2 the fraction shall be the total state equalized valuation for the
3 immediately preceding year multiplied by the inflation rate and
4 the denominator of the fraction shall be the total state
5 equalized valuation for the current year minus new construction
6 and improvements. For ad valorem property taxes that become a
7 lien after December 31, 1982 and through December 31, 1994, the
8 numerator of the fraction shall be the product of the difference
9 between the total state equalized valuation for the immediately
10 preceding year minus losses multiplied by the inflation rate and
11 the denominator of the fraction shall be the total state
12 equalized valuation for the current year minus additions. For ad
13 valorem property taxes that are levied after December 31, 1994,
14 the numerator of the fraction shall be the product of the
15 difference between the total taxable value for the immediately
16 preceding year minus losses multiplied by the inflation rate and
17 the denominator of the fraction shall be the total taxable value
18 for the current year minus additions. For each year after 1993,
19 a millage reduction fraction shall not exceed 1.

20 (8) The compounded millage reduction fraction for each year
21 after 1980 shall be calculated by multiplying the local unit's
22 previous year's compounded millage reduction fraction by the
23 current year's millage reduction fraction. Beginning with 1980
24 tax levies, the compounded millage reduction fraction for the
25 year shall be multiplied by the maximum millage rate authorized
26 by law or charter for the unit of local government for the year,
27 except as provided by subsection (9). A compounded millage

1 reduction fraction shall not exceed 1.

2 (9) The millage reduction shall be determined separately for
3 authorized millage approved by the voters. The limitation on
4 millage authorized by the voters on or before May 31 of a year
5 shall be calculated beginning with the millage reduction fraction
6 for that year. Millage authorized by the voters after May 31
7 shall not be subject to a millage reduction until the year
8 following the voter authorization which shall be calculated
9 beginning with the millage reduction fraction for the year
10 following the authorization. The first millage reduction
11 fraction used in calculating the limitation on millage approved
12 by the voters after January 1, 1979 shall not exceed 1.

13 (10) A millage reduction fraction shall be applied separately
14 to the aggregate maximum millage rate authorized by a charter and
15 to each maximum millage rate authorized by state law for a
16 specific purpose.

17 (11) A unit of local government may submit to the voters for
18 their approval the levy in that year of a tax rate in excess of
19 the limit set by this section. The ballot question shall ask the
20 voters to approve the levy of a specific number of mills in
21 excess of the limit. The provisions of this section do not allow
22 the levy of a millage rate in excess of the maximum rate
23 authorized by law or charter. If the authorization to levy
24 millage expires after 1993 and a local governmental unit is
25 asking voters to renew the authorization to levy the millage, the
26 ballot question shall ask for renewed authorization for the
27 number of expiring mills as reduced by the millage reduction

1 required by this section. If the election occurs before June 1
2 of a year, the millage reduction is based on the immediately
3 preceding year's millage reduction applicable to that millage.
4 If the election occurs after May 31 of a year, the millage
5 reduction shall be based on that year's millage reduction
6 applicable to that millage had it not expired.

7 (12) A reduction or limitation under this section shall not
8 be applied to taxes imposed for the payment of principal and
9 interest on bonds or other evidence of indebtedness or for the
10 payment of assessments or contract obligations in anticipation of
11 which bonds are issued that were authorized before December 23,
12 1978, as provided by former section 4 of chapter I of the
13 municipal finance act, ~~Act No. 202 of the Public Acts of 1943~~
14 **1943 PA 202**, or to taxes imposed for the payment of principal and
15 interest on bonds or other evidence of indebtedness or for the
16 payment of assessments or contract obligations in anticipation of
17 which bonds are issued that are approved by the voters after
18 December 22, 1978.

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

25 (14) If as a result of an appeal of county equalization or
26 state equalization the taxable value of a unit of local
27 government changes, the millage reduction fraction for the year

1 shall be recalculated. The financial officer shall effectuate an
2 addition or reduction of tax revenue in the same manner as
3 prescribed in subsection (13).

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

9 (16) Beginning with taxes levied in 1994, the millage
10 reduction required by section 31 of article IX of the state
11 constitution of 1963 shall permanently reduce the maximum rate or
12 rates authorized by law or charter. The reduced maximum
13 authorized rate or rates for 1994 shall equal the product of the
14 maximum rate or rates authorized by law or charter before
15 application of this section multiplied by the ~~compound~~
16 **compounded** millage reduction applicable to that millage in 1994
17 pursuant to subsections (8) to (12). The reduced maximum
18 authorized rate or rates for 1995 and each year after 1995 shall
19 equal the product of the immediately preceding year's reduced
20 maximum authorized rate or rates multiplied by the current year's
21 millage reduction fraction and shall be adjusted for millage for
22 which authorization has expired and new authorized millage
23 approved by the voters pursuant to subsections (8) to (12).