

# HOUSE BILL No. 4466

March 8, 2005, Introduced by Reps. Condino, Vagnozzi, Meisner, Kathleen Law, Bieda, Donigan, Alma Smith, Kolb, Tobocman, Lemmons, III and Zelenko and referred to the Committee on Tax Policy.

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  
5 addition of equipment or furnishings, and the value of property  
6 that 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 as  
9 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  
6 documentation showing that the omitted real property was not  
7 previously included in the assessment. The assessing jurisdiction  
8 has the burden of proof in establishing whether the omitted real  
9 property is included in the assessment. Omitted real property for  
10 the current and the 2 immediately preceding years, discovered after  
11 the assessment roll has been completed, shall be added to the tax  
12 roll pursuant to the procedures established in section 154. For  
13 purposes of determining the taxable value of real property under  
14 section 27a, the value of omitted real property is based on the  
15 value and the ratio of taxable value to true cash value the omitted  
16 real property would have had if the property had not been omitted.

17           (ii) Omitted personal property. As used in this subparagraph,  
18 "omitted personal property" means previously existing tangible  
19 personal property not included in the assessment. Omitted personal  
20 property shall be added to the tax roll pursuant to section 154.

21           (iii) New construction. As used in this subparagraph, "new  
22 construction" means property not in existence on the immediately  
23 preceding tax day and not replacement construction. New  
24 construction includes the physical addition of equipment or  
25 furnishings, subject to the provisions set forth in section  
26 27(2)(a) to (o). For purposes of determining the taxable value of  
27 property under section 27a, the value of new construction is the

1 true cash value of the new construction multiplied by 0.50.

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

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

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

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

22 (v) Replacement construction. As used in this subparagraph,  
23 "replacement construction" means construction that replaced  
24 property damaged or destroyed by accident or act of God and that  
25 occurred after the immediately preceding tax day to the extent the  
26 construction's true cash value does not exceed the true cash value  
27 of property that was damaged or destroyed by accident or act of God

1 in the immediately preceding 3 years. For purposes of determining  
2 the taxable value of property under section 27a, the value of the  
3 replacement construction is the true cash value of the replacement  
4 construction multiplied by a fraction the numerator of which is the  
5 taxable value of the property to which the construction was added  
6 in the immediately preceding year and the denominator of which is  
7 the true cash value of the property to which the construction was  
8 added in the immediately preceding year, and then multiplied by the  
9 lesser of 1.05 or the inflation rate.

10 (vi) An increase in taxable value attributable to the complete  
11 or partial remediation of environmental contamination existing on  
12 the immediately preceding tax day. The department of environmental  
13 quality shall determine the degree of remediation based on  
14 information available in existing department of environmental  
15 quality records or information made available to the department of  
16 environmental quality if the appropriate assessing officer for a  
17 local tax collecting unit requests that determination. The increase  
18 in taxable value attributable to the remediation is the increase in  
19 true cash value attributable to the remediation multiplied by a  
20 fraction the numerator of which is the taxable value of the  
21 property had it not been contaminated and the denominator of which  
22 is the true cash value of the property had it not been  
23 contaminated.

24 (vii) An increase in the value attributable to the property's  
25 occupancy rate if either a loss, as that term is defined in this  
26 section, had been previously allowed because of a decrease in the  
27 property's occupancy rate or if the value of new construction was

1 reduced because of a below-market occupancy rate. For purposes of  
2 determining the taxable value of property under section 27a, the  
3 value of an addition for the increased occupancy rate is the  
4 product of the increase in the true cash value of the property  
5 attributable to the increased occupancy rate multiplied by a  
6 fraction the numerator of which is the taxable value of the  
7 property in the immediately preceding year and the denominator of  
8 which is the true cash value of the property in the immediately  
9 preceding year, and then multiplied by the lesser of 1.05 or the  
10 inflation rate.

11 (viii) Public services. As used in this subparagraph, "public  
12 services" means water service, sewer service, a primary access  
13 road, natural gas service, electrical service, telephone service,  
14 sidewalks, or street lighting. For purposes of determining the  
15 taxable value of real property under section 27a, the value of  
16 public services is the amount of increase in true cash value of the  
17 property attributable to the available public services multiplied  
18 by 0.50 and shall be added in the calendar year following the  
19 calendar year when those public services are initially available.

20 **(ix) FOR THE PURPOSES OF THE CALCULATION OF THE MILLAGE**  
21 **REDUCTION FRACTION UNDER SUBSECTION (7) ONLY, INCREASED TAXABLE**  
22 **VALUE UNDER SECTION 27A(3) AFTER A TRANSFER OF OWNERSHIP OF**  
23 **PROPERTY.**

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

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

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

1 ~~—— (iii) For the purposes of the calculation of the millage~~  
2 ~~reduction fraction under subsection (7) only, increased taxable~~  
3 ~~value under section 27a(3) after a transfer of ownership of~~  
4 ~~property.~~

5 (d) "Assessed valuation of property as finally equalized"  
6 means taxable value under section 27a.

7 (e) "Financial officer" means the officer responsible for  
8 preparing the budget of a unit of local government.

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

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

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

20 (i) Property that has been destroyed or removed. For purposes  
21 of determining the taxable value of property under section 27a, the  
22 value of property destroyed or removed is the product of the true  
23 cash value of that property multiplied by a fraction the numerator  
24 of which is the taxable value of that property in the immediately  
25 preceding year and the denominator of which is the true cash value  
26 of that property in the immediately preceding year.

27 (ii) Property that was subject to ad valorem taxation under

1 this act in the immediately preceding year that is now exempt from  
2 ad valorem taxation under this act. For purposes of determining the  
3 taxable value of property under section 27a, the value of property  
4 exempted from ad valorem taxation under this act is the amount  
5 exempted.

6 (iii) An adjustment in value, if any, because of a decrease in  
7 the property's occupancy rate, to the extent provided by law. For  
8 purposes of determining the taxable value of real property under  
9 section 27a, the value of a loss for a decrease in the property's  
10 occupancy rate is the product of the decrease in the true cash  
11 value of the property attributable to the decreased occupancy rate  
12 multiplied by a fraction the numerator of which is the taxable  
13 value of the property in the immediately preceding year and the  
14 denominator of which is the true cash value of the property in the  
15 immediately preceding year.

16 (iv) A decrease in taxable value attributable to environmental  
17 contamination existing on the immediately preceding tax day. The  
18 department of environmental quality shall determine the degree to  
19 which environmental contamination limits the use of property based  
20 on information available in existing department of environmental  
21 quality records or information made available to the department of  
22 environmental quality if the appropriate assessing officer for a  
23 local tax collecting unit requests that determination. The  
24 department of environmental quality's determination of the degree  
25 to which environmental contamination limits the use of property  
26 shall be based on the criteria established for the ~~classifications~~  
27 **CATEGORIES** set forth in section 20120a(1) ~~of part 201~~

1 ~~(environmental remediation)~~ of the natural resources and  
2 environmental protection act, ~~Act No. 451 of the Public Acts of~~  
3 ~~1994, being section 324.20120a of the Michigan Compiled Laws~~ **1994**  
4 **PA 451, MCL 324.20120A.** The decrease in taxable value attributable  
5 to the contamination is the decrease in true cash value  
6 attributable to the contamination multiplied by a fraction the  
7 numerator of which is the taxable value of the property had it not  
8 been contaminated and the denominator of which is the true cash  
9 value of the property had it not been contaminated.

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

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

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

14 (j) "New construction and improvements" means additions less  
15 losses.

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

18 (l) "Inflation rate" means the ratio of the general price level  
19 for the state fiscal year ending in the calendar year immediately  
20 preceding the current year divided by the general price level for  
21 the state fiscal year ending in the calendar year before the year  
22 immediately preceding the current year.

23 (2) On or before the first Monday in May of each year, the  
24 assessing officer of each township or city shall tabulate the  
25 tentative taxable value as approved by the local board of review  
26 and as modified by county equalization for each classification of  
27 property that is separately equalized for each unit of local

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

1 of the intermediate school district within that county. At the  
2 request of the presidents of community colleges, the county  
3 equalization director shall transmit the complete computations of  
4 the taxable values to the presidents of community colleges within  
5 the county.

6 (3) On or before the first Monday in June of each year, the  
7 county equalization director shall deliver the statement of the  
8 computations signed by the county equalization director to the  
9 county treasurer.

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

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

24 (6) The number of mills permitted to be levied in a tax year  
25 is limited as provided in this section pursuant to section 31 of  
26 article IX of the state constitution of 1963. A unit of local  
27 government shall not levy a tax rate greater than the rate

1 determined by reducing its maximum rate or rates authorized by law  
2 or charter by a millage reduction fraction as provided in this  
3 section without voter approval.

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

25 (8) The compounded millage reduction fraction for each year  
26 after 1980 shall be calculated by multiplying the local unit's  
27 previous year's compounded millage reduction fraction by the

1 current year's millage reduction fraction. Beginning with 1980 tax  
2 levies, the compounded millage reduction fraction for the year  
3 shall be multiplied by the maximum millage rate authorized by law  
4 or charter for the unit of local government for the year, except as  
5 provided by subsection (9). A compounded millage reduction fraction  
6 shall not exceed 1.

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

18 (10) A millage reduction fraction shall be applied separately  
19 to the aggregate maximum millage rate authorized by a charter and  
20 to each maximum millage rate authorized by state law for a specific  
21 purpose.

22 (11) A unit of local government may submit to the voters for  
23 their approval the levy in that year of a tax rate in excess of the  
24 limit set by this section. The ballot question shall ask the voters  
25 to approve the levy of a specific number of mills in excess of the  
26 limit. The provisions of this section do not allow the levy of a  
27 millage rate in excess of the maximum rate authorized by law or

1 charter. If the authorization to levy millage expires after 1993  
2 and a local governmental unit is asking voters to renew the  
3 authorization to levy the millage, the ballot question shall ask  
4 for renewed authorization for the number of expiring mills as  
5 reduced by the millage reduction required by this section. If the  
6 election occurs before June 1 of a year, the millage reduction is  
7 based on the immediately preceding year's millage reduction  
8 applicable to that millage. If the election occurs after May 31 of  
9 a year, the millage reduction shall be based on that year's millage  
10 reduction applicable to that millage had it not expired.

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

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

1           (14) If as a result of an appeal of county equalization or  
2 state equalization the taxable value of a unit of local government  
3 changes, the millage reduction fraction for the year shall be  
4 recalculated. The financial officer shall effectuate an addition or  
5 reduction of tax revenue in the same manner as prescribed in  
6 subsection (13).

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

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