HB 4456 AND HB 4457 IN A NUTSHELL

- The Headlee Amendment requires that local millages be reduced, subject to voter override, when the value of existing property, excluding new construction and improvements, increases by more than the rate of inflation.

- Implementing legislation created the terms "additions" – new construction and "losses" losses – the value of property removed or destroyed and provided that the required rollback be calculated by subtracting losses and adding additions before applying the inflation factor.

- Proposal A provided an individual parcel assessment cap that capped increases in taxable at the rate of inflation or 5%, **adjusted for additions and losses. This provision means that additions are added to the value of property and losses are subtracted before applying the inflation factor.**

- **Legislation implementing Proposal A, in addition to defining additions and losses to include new construction and improvements and losses to include property removed or destroyed, also defined losses to include occupancy declines and additions to include occupancy gains. This provision meant that value from occupancy gains is added to the value of property and the value of occupancy reductions is subtracted before applying the inflation factor.**

- **While occupancy was always a determinant in value this provision meant that occupancy declines produced bigger cuts and that occupancy increases produced a greater recovery in value.**

- **The Michigan Supreme Court, in what is known as the WPW case ruled that the legislature could not define occupancy increases as additions because the term as defined by statute when the electors voted on Proposal A did not include that definition.**

- Because the court only additions the decision turned a legislative determination to have exceptional but symmetrical treatment for commercial property occupancy changes to a situation where only the losses part of the statute applied.

- Article 9 Section 3 allows the legislature to determine alternative specific taxes of designated real property in lieu of general ad valormem taxation.

- **HB 4456 exempts commercial rental property from the general property tax and imposes a specific tax that allows this type of property to be treated in the manner provided by the legislature when it implemented Proposal A**