

HOUSE BILL No. 4347

February 28, 2013, Introduced by Reps. Price, Denby, Jacobsen, Daley, O'Brien and Poleski
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 2012 PA 497.

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, the
10 property's taxable value in the immediately preceding year is the
11 property's state equalized valuation in 1994.

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

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

5 (4) If the taxable value of property is adjusted under
6 subsection (3), a subsequent increase in the property's taxable
7 value is subject to the limitation set forth in subsection (2)
8 until a subsequent transfer of ownership occurs. If the taxable
9 value of property is adjusted under subsection (3) and the assessor
10 determines that there had not been a transfer of ownership, the
11 taxable value of the property shall be adjusted at the July or
12 December board of review. Notwithstanding the limitation provided
13 in section 53b(1) on the number of years for which a correction may
14 be made, the July or December board of review may adjust the
15 taxable value of property under this subsection for the current
16 year and for the 3 immediately preceding calendar years. A
17 corrected tax bill shall be issued for each tax year for which the
18 taxable value is adjusted by the local tax collecting unit if the
19 local tax collecting unit has possession of the tax roll or by the
20 county treasurer if the county has possession of the tax roll. For
21 purposes of section 53b, an adjustment under this subsection shall
22 be considered the correction of a clerical error.

23 (5) Assessment of property, as required in this section and
24 section 27, is inapplicable to the assessment of property subject
25 to the levy of ad valorem taxes within voted tax limitation
26 increases to pay principal and interest on limited tax bonds issued
27 by any governmental unit, including a county, township, community

1 college district, or school district, before January 1, 1964, if
2 the assessment required to be made under this act would be less
3 than the assessment as state equalized prevailing on the property
4 at the time of the issuance of the bonds. This inapplicability
5 shall continue until levy of taxes to pay principal and interest on
6 the bonds is no longer required. The assessment of property
7 required by this act shall be applicable for all other purposes.

8 (6) As used in this act, "transfer of ownership" means the
9 conveyance of title to or a present interest in property, including
10 the beneficial use of the property, the value of which is
11 substantially equal to the value of the fee interest. Transfer of
12 ownership of property includes, but is not limited to, the
13 following:

14 (a) A conveyance by deed.

15 (b) A conveyance by land contract. The taxable value of
16 property conveyed by a land contract executed after December 31,
17 1994 shall be adjusted under subsection (3) for the calendar year
18 following the year in which the contract is entered into and shall
19 not be subsequently adjusted under subsection (3) when the deed
20 conveying title to the property is recorded in the office of the
21 register of deeds in the county in which the property is located.

22 (c) A conveyance to a trust after December 31, 1994, except if
23 the settlor or the settlor's spouse, or both, conveys the property
24 to the trust and the sole present beneficiary or beneficiaries are
25 the settlor or the settlor's spouse, or both.

26 (d) A conveyance by distribution from a trust, except if the
27 distributee is the sole present beneficiary or the spouse of the

1 sole present beneficiary, or both.

2 (e) A change in the sole present beneficiary or beneficiaries
3 of a trust, except a change that adds or substitutes the spouse of
4 the sole present beneficiary.

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

7 (g) A conveyance by lease if the total duration of the lease,
8 including the initial term and all options for renewal, is more
9 than 35 years or the lease grants the lessee a bargain purchase
10 option. As used in this subdivision, "bargain purchase option"
11 means the right to purchase the property at the termination of the
12 lease for not more than 80% of the property's projected true cash
13 value at the termination of the lease. After December 31, 1994, the
14 taxable value of property conveyed by a lease with a total duration
15 of more than 35 years or with a bargain purchase option shall be
16 adjusted under subsection (3) for the calendar year following the
17 year in which the lease is entered into. This subdivision does not
18 apply to personal property except buildings described in section
19 14(6) and personal property described in section 8(h), (i), and
20 (j). This subdivision does not apply to that portion of the
21 property not subject to the leasehold interest conveyed.

22 (h) Except as otherwise provided in this subdivision, a
23 conveyance of an ownership interest in a corporation, partnership,
24 sole proprietorship, limited liability company, limited liability
25 partnership, or other legal entity if the ownership interest
26 conveyed is more than 50% of the corporation, partnership, sole
27 proprietorship, limited liability company, limited liability

1 partnership, or other legal entity. Unless notification is provided
2 under subsection (10), the corporation, partnership, sole
3 proprietorship, limited liability company, limited liability
4 partnership, or other legal entity shall notify the assessing
5 officer on a form provided by the state tax commission not more
6 than 45 days after a conveyance of an ownership interest that
7 constitutes a transfer of ownership under this subdivision. Both of
8 the following apply to a corporation subject to 1897 PA 230, MCL
9 455.1 to 455.24:

10 (i) A transfer of stock of the corporation is a transfer of
11 ownership only with respect to the real property that is assessed
12 to the transferor lessee stockholder.

13 (ii) A cumulative conveyance of more than 50% of the
14 corporation's stock does not constitute a transfer of ownership of
15 the corporation's real property.

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

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

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

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

25 (b) A transfer from a husband, a wife, or a husband and wife
26 creating or disjoining a tenancy by the entireties in the grantors
27 or the grantor and his or her spouse.

1 (c) A transfer of that portion of property subject to a life
2 estate or life lease retained by the transferor, until expiration
3 or termination of the life estate or life lease. That portion of
4 property transferred that is not subject to a life lease shall be
5 adjusted under subsection (3).

6 (d) A transfer through foreclosure or forfeiture of a recorded
7 instrument under chapter 31, 32, or 57 of the revised judicature
8 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
9 to 600.5759, or through deed or conveyance in lieu of a foreclosure
10 or forfeiture, until the mortgagee or land contract vendor
11 subsequently transfers the property. If a mortgagee does not
12 transfer the property within 1 year of the expiration of any
13 applicable redemption period, the property shall be adjusted under
14 subsection (3).

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

17 (f) A conveyance to a trust if the settlor or the settlor's
18 spouse, or both, conveys the property to the trust and the sole
19 present beneficiary of the trust is the settlor or the settlor's
20 spouse, or both.

21 (g) A transfer pursuant to a judgment or order of a court of
22 record making or ordering a transfer, unless a specific monetary
23 consideration is specified or ordered by the court for the
24 transfer.

25 (h) A transfer creating or terminating a joint tenancy between
26 2 or more persons if at least 1 of the persons was an original
27 owner of the property before the joint tenancy was initially

1 created and, if the property is held as a joint tenancy at the time
2 of conveyance, at least 1 of the persons was a joint tenant when
3 the joint tenancy was initially created and that person has
4 remained a joint tenant since the joint tenancy was initially
5 created. A joint owner at the time of the last transfer of
6 ownership of the property is an original owner of the property. For
7 purposes of this subdivision, a person is an original owner of
8 property owned by that person's spouse.

9 (i) A transfer for security or an assignment or discharge of a
10 security interest.

11 (j) A transfer of real property or other ownership interests
12 among members of an affiliated group. As used in this subsection,
13 "affiliated group" means 1 or more corporations connected by stock
14 ownership to a common parent corporation. Upon request by the state
15 tax commission, a corporation shall furnish proof within 45 days
16 that a transfer meets the requirements of this subdivision. A
17 corporation that fails to comply with a request by the state tax
18 commission under this subdivision is subject to a fine of \$200.00.

19 (k) Normal public trading of shares of stock or other
20 ownership interests that, over any period of time, cumulatively
21 represent more than 50% of the total ownership interest in a
22 corporation or other legal entity and are traded in multiple
23 transactions involving unrelated individuals, institutions, or
24 other legal entities.

25 (l) A transfer of real property or other ownership interests
26 among corporations, partnerships, limited liability companies,
27 limited liability partnerships, or other legal entities if the

1 entities involved are commonly controlled. Upon request by the
2 state tax commission, a corporation, partnership, limited liability
3 company, limited liability partnership, or other legal entity shall
4 furnish proof within 45 days that a transfer meets the requirements
5 of this subdivision. A corporation, partnership, limited liability
6 company, limited liability partnership, or other legal entity that
7 fails to comply with a request by the state tax commission under
8 this subdivision is subject to a fine of \$200.00.

9 (m) A direct or indirect transfer of real property or other
10 ownership interests resulting from a transaction that qualifies as
11 a tax-free reorganization under section 368 of the internal revenue
12 code, 26 USC 368. Upon request by the state tax commission, a
13 property owner shall furnish proof within 45 days that a transfer
14 meets the requirements of this subdivision. A property owner who
15 fails to comply with a request by the state tax commission under
16 this subdivision is subject to a fine of \$200.00.

17 (n) A transfer of qualified agricultural property, if the
18 person to whom the qualified agricultural property is transferred
19 files an affidavit with the assessor of the local tax collecting
20 unit in which the qualified agricultural property is located and
21 with the register of deeds for the county in which the qualified
22 agricultural property is located attesting that the qualified
23 agricultural property shall remain qualified agricultural property.
24 The affidavit under this subdivision shall be in a form prescribed
25 by the department of treasury. An owner of qualified agricultural
26 property shall inform a prospective buyer of that qualified
27 agricultural property that the qualified agricultural property is

1 subject to the recapture tax provided in the agricultural property
2 recapture act, 2000 PA 261, MCL 211.1001 to 211.1007, if the
3 qualified agricultural property is converted by a change in use. If
4 property ceases to be qualified agricultural property at any time
5 after being transferred, all of the following shall occur:

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

9 (ii) The property is subject to the recapture tax provided for
10 under the agricultural property recapture act, 2000 PA 261, MCL
11 211.1001 to 211.1007.

12 (o) A transfer of qualified forest property, if the person to
13 whom the qualified forest property is transferred files an
14 affidavit with the assessor of the local tax collecting unit in
15 which the qualified forest property is located and with the
16 register of deeds for the county in which the qualified forest
17 property is located attesting that the qualified forest property
18 shall remain qualified forest property. The affidavit under this
19 subdivision shall be in a form prescribed by the department of
20 treasury. An owner of qualified forest property shall inform a
21 prospective buyer of that qualified forest property that the
22 qualified forest property is subject to the recapture tax provided
23 in the qualified forest property recapture tax act, 2006 PA 379,
24 MCL 211.1031 to 211.1036, if the qualified forest property is
25 converted by a change in use. If property ceases to be qualified
26 forest property at any time after being transferred, all of the
27 following shall occur:

1 (i) The taxable value of that property shall be adjusted under
2 subsection (3) as of the December 31 in the year that the property
3 ceases to be qualified forest property.

4 (ii) The property is subject to the recapture tax provided for
5 under the qualified forest property recapture tax act, 2006 PA 379,
6 MCL 211.1031 to 211.1036.

7 (p) Beginning on December 8, 2006, a transfer of land, but not
8 buildings or structures located on the land, which meets 1 or more
9 of the following requirements:

10 (i) The land is subject to a conservation easement under
11 subpart 11 of part 21 of the natural resources and environmental
12 protection act, 1994 PA 451, MCL 324.2140 to 324.2144. As used in
13 this subparagraph, "conservation easement" means that term as
14 defined in section 2140 of the natural resources and environmental
15 protection act, 1994 PA 451, MCL 324.2140.

16 (ii) A transfer of ownership of the land or a transfer of an
17 interest in the land is eligible for a deduction as a qualified
18 conservation contribution under section 170(h) of the internal
19 revenue code, 26 USC 170.

20 (q) A transfer of real property or other ownership interests
21 resulting from a consolidation or merger of a domestic nonprofit
22 corporation that is a boy or girl scout or camp fire girls
23 organization, a 4-H club or foundation, a young men's Christian
24 association, or a young women's Christian association and at least
25 50% of the members of that organization or association are
26 residents of this state.

27 (r) A change to the assessment roll or tax roll resulting from

1 the application of section 16a of 1897 PA 230, MCL 455.16a.

2 (s) Beginning December 31, 2013, a transfer of residential
3 real property if the transferee is related to the transferor by
4 blood or affinity to the first degree and the use of the
5 residential real property does not change following the transfer.
6 As used in this subdivision, "residential real property" means real
7 property classified as residential real property under section 34c.

8 **(T) BEGINNING DECEMBER 31, 2013, A TRANSFER OF REAL PROPERTY**
9 **TO A LIMITED LIABILITY COMPANY IF AT THE TIME OF THE TRANSFER THE**
10 **OWNERSHIP OF THE LIMITED LIABILITY COMPANY IS THE SAME AS THE**
11 **OWNERSHIP OF THE PROPERTY.**

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

21 (a) The qualified agricultural property was qualified
22 agricultural property for taxes levied in 1999 and each year after
23 1999.

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

27 (9) If the taxable value of qualified agricultural property is

1 adjusted under subsection (8), the owner of that qualified
2 agricultural property shall not be entitled to a refund for any
3 property taxes collected under this act on that qualified
4 agricultural property before the adjustment under subsection (8).

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

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

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

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

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

11 (g) "Qualified forest property" means that term as defined in
12 section 7jj[1].