

SENATE BILL No. 524

September 29, 2015, Introduced by Senators CASPERSON, BOOHER, NOFS and MARLEAU and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27 (MCL 211.27), as amended by 2013 PA 162.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 27. (1) As used in this act, "true cash value" means the
2 usual selling price at the place where the property to which the
3 term is applied is at the time of assessment, being the price that
4 could be obtained for the property at private sale, and not at
5 auction sale except as otherwise provided in this section, or at
6 forced sale. The usual selling price may include sales at public
7 auction held by a nongovernmental agency or person if those sales
8 have become a common method of acquisition in the jurisdiction for
9 the class of property being valued. The usual selling price does
10 not include sales at public auction if the sale is part of a
11 liquidation of the seller's assets in a bankruptcy proceeding or if

1 the seller is unable to use common marketing techniques to obtain
2 the usual selling price for the property. A sale or other
3 disposition by this state or an agency or political subdivision of
4 this state of land acquired for delinquent taxes or an appraisal
5 made in connection with the sale or other disposition or the value
6 attributed to the property of regulated public utilities by a
7 governmental regulatory agency for rate-making purposes is not
8 controlling evidence of true cash value for assessment purposes. In
9 determining the true cash value, the assessor shall also consider
10 the advantages and disadvantages of location; quality of soil;
11 zoning; existing use; present economic income of structures,
12 including farm structures; present economic income of land if the
13 land is being farmed or otherwise put to income producing use;
14 quantity and value of standing timber; water power and privileges;
15 minerals, quarries, or other valuable deposits not otherwise exempt
16 under this act known to be available in the land and their value.
17 In determining the true cash value of personal property owned by an
18 electric utility cooperative, the assessor shall consider the
19 number of kilowatt hours of electricity sold per mile of
20 distribution line compared to the average number of kilowatt hours
21 of electricity sold per mile of distribution line for all electric
22 utilities. **A DETERMINATION OF TRUE CASH VALUE UNDER THIS ACT SHALL
23 CONSIDER THE HIGHEST AND BEST USE OF THE PROPERTY AND SHALL STATE A
24 VALUE OF THE PROPERTY AS VACANT AND A VALUE OF THE PROPERTY AS
25 IMPROVED. FOR LIMITED USE PROPERTY, THE HIGHEST AND BEST USE IS
26 CONTINUED USE OF THE PROPERTY AS IMPROVED. THERE IS A REBUTTABLE
27 PRESUMPTION THAT THE COST LESS DEPRECIATION IS THE BEST EVIDENCE OF**

1 THE USUAL SELLING PRICE OF LIMITED USE PROPERTY. AS USED IN THIS
2 SUBSECTION:

3 (A) "HIGHEST AND BEST USE" MEANS THE REASONABLY PROBABLE USE
4 TO WHICH PROPERTY CAN BE EXPECTED TO BE PUT IN THE IMMEDIATE FUTURE
5 AND THE PRESENT USE OF THE PROPERTY THAT RESULTS IN THE HIGHEST
6 VALUE, TAKING INTO CONSIDERATION THE LEGALLY PERMISSIBLE USE OF THE
7 PROPERTY UNDER APPLICABLE LOCAL OR STATE LAND USE REGULATION,
8 ZONING ORDINANCE, OR HISTORIC PRESERVATION ORDINANCE BUT EXCLUDING
9 CONSIDERATION OF A PRIVATE RESTRICTION OR COVENANT IN A DEED,
10 LEASE, CONTRACT FOR THE SALE OF REAL PROPERTY, OR OTHER WRITTEN
11 AGREEMENT THAT OPERATES TO PROHIBIT OR LIMIT THE USE OF PROPERTY BY
12 A SUBSEQUENT OWNER OR OCCUPANT THAT WOULD OTHERWISE BE LAWFUL.

13 (B) "LIMITED USE PROPERTY" MEANS PROPERTY THAT HAS A VIABLE
14 AND SUPPORTED ECONOMIC DEMAND FOR ITS CONTINUED USE AS DESIGNED AND
15 OCCUPIED BUT LACKS A SUFFICIENT MARKET OF COMPARABLE SALES AS
16 ORIGINALLY DESIGNED OR USED. THE TERM INCLUDES STAND-ALONE
17 COMMERCIAL RETAIL PROPERTY OF A UNIQUE DESIGN OR OF A SIZE GREATER
18 THAN 25,000 SQUARE FEET.

19 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, "PRIVATE
20 SALE" MEANS A SALE OF PROPERTY IN AN ARM'S LENGTH TRANSACTION THAT
21 IS USED FOR THE SAME PURPOSE AND SAME HIGHEST AND BEST USE AS THE
22 PROPERTY SUBJECT TO ASSESSMENT. FOR STAND-ALONE COMMERCIAL RETAIL
23 PROPERTY THAT IS NOT MORE THAN 10 YEARS OLD AND IS OF A UNIQUE
24 DESIGN OR OF A SIZE GREATER THAN 25,000 SQUARE FEET, THE TERM MEANS
25 A SALE OF IMPROVED PROPERTY THAT IS USED FOR THE SAME PURPOSE, OR A
26 SIMILAR PURPOSE, AS THE PROPERTY SUBJECT TO ASSESSMENT, THAT WAS
27 USED BY THE ORIGINAL OCCUPANT OR TENANT FOR THAT SAME OR SIMILAR

1 PURPOSE, AND THAT HAS NOT BEEN VACANT FOR MORE THAN 1 YEAR. FOR
2 INDUSTRIAL PROPERTY, THE TERM MEANS A SALE OF IMPROVED PROPERTY
3 THAT IS USED FOR THE SAME PURPOSE, OR A SIMILAR PURPOSE, AS THE
4 PROPERTY SUBJECT TO ASSESSMENT AND THAT HAS NOT BEEN VACANT FOR
5 MORE THAN 5 YEARS AS OF THE TAX DAY. THIS SUBDIVISION IS
6 RETROACTIVE AND EFFECTIVE FOR ASSESSMENTS UNDER THIS ACT COMPLETED
7 ON AND AFTER MARCH 1, 2014.

8 (2) The assessor shall not consider the increase in true cash
9 value that is a result of expenditures for normal repairs,
10 replacement, and maintenance in determining the true cash value of
11 property for assessment purposes until the property is sold. For
12 the purpose of implementing this subsection, the assessor shall not
13 increase the construction quality classification or reduce the
14 effective age for depreciation purposes, except if the appraisal of
15 the property was erroneous before nonconsideration of the normal
16 repair, replacement, or maintenance, and shall not assign an
17 economic condition factor to the property that differs from the
18 economic condition factor assigned to similar properties as defined
19 by appraisal procedures applied in the jurisdiction. The increase
20 in value attributable to the items included in subdivisions (a) to
21 (o) that is known to the assessor and excluded from true cash value
22 shall be indicated on the assessment roll. This subsection applies
23 only to residential property. The following repairs are considered
24 normal maintenance if they are not part of a structural addition or
25 completion:

26 (a) Outside painting.

27 (b) Repairing or replacing siding, roof, porches, steps,

1 sidewalks, or drives.

2 (c) Repainting, repairing, or replacing existing masonry.

3 (d) Replacing awnings.

4 (e) Adding or replacing gutters and downspouts.

5 (f) Replacing storm windows or doors.

6 (g) Insulating or weatherstripping.

7 (h) Complete rewiring.

8 (i) Replacing plumbing and light fixtures.

9 (j) Replacing a furnace with a new furnace of the same type or
10 replacing an oil or gas burner.

11 (k) Repairing plaster, inside painting, or other redecorating.

12 (l) New ceiling, wall, or floor surfacing.

13 (m) Removing partitions to enlarge rooms.

14 (n) Replacing an automatic hot water heater.

15 (o) Replacing dated interior woodwork.

16 (3) A city or township assessor, a county equalization
17 department, or the state tax commission before utilizing real
18 estate sales data on real property purchases, including purchases
19 by land contract, to determine assessments or in making sales ratio
20 studies to assess property or equalize assessments shall exclude
21 from the sales data the following amounts allowed by subdivisions
22 (a), (b), and (c) to the extent that the amounts are included in
23 the real property purchase price and are so identified in the real
24 estate sales data or certified to the assessor as provided in
25 subdivision (d):

26 (a) Amounts paid for obtaining financing of the purchase price
27 of the property or the last conveyance of the property.

1 (b) Amounts attributable to personal property that were
2 included in the purchase price of the property in the last
3 conveyance of the property.

4 (c) Amounts paid for surveying the property pursuant to the
5 last conveyance of the property. The legislature may require local
6 units of government, including school districts, to submit reports
7 of revenue lost under subdivisions (a) and (b) and this subdivision
8 so that the state may reimburse those units for that lost revenue.

9 (d) The purchaser of real property, including a purchaser by
10 land contract, may file with the assessor of the city or township
11 in which the property is located 2 copies of the purchase agreement
12 or of an affidavit that identifies the amount, if any, for each
13 item listed in subdivisions (a) to (c). One copy shall be forwarded
14 by the assessor to the county equalization department. The
15 affidavit shall be prescribed by the state tax commission.

16 (4) In finalizing sales studies for property classified as
17 agricultural real property under section 34c, an assessor and
18 equalization director shall determine if an affidavit for the
19 property has been filed under section 27a(7)(n). If an affidavit
20 has not been filed, the property shall be reviewed to determine if
21 classification as agricultural real property under section 34c is
22 correct or should be changed. The assessor for the local tax
23 collecting unit in which the property is located shall contact the
24 property owner to determine why the property owner did not file an
25 affidavit under section 27a(7)(n). Unless there are convincing
26 facts to the contrary, the sale of property classified as
27 agricultural real property under section 34c for which an affidavit

1 under section 27a(7)(n) has not been filed shall not be included in
2 a sales study.

3 (5) As used in subsection (1), "present economic income" means
4 for leased or rented property the ordinary, general, and usual
5 economic return realized from the lease or rental of property
6 negotiated under current, contemporary conditions between parties
7 equally knowledgeable and familiar with real estate values. The
8 actual income generated by the lease or rental of property is not
9 the controlling indicator of its true cash value in all cases. This
10 subsection does not apply to property subject to a lease entered
11 into before January 1, 1984 for which the terms of the lease
12 governing the rental rate or tax liability have not been
13 renegotiated after December 31, 1983. This subsection does not
14 apply to a nonprofit housing cooperative subject to regulatory
15 agreements between the state or federal government entered into
16 before January 1, 1984. As used in this subsection, "nonprofit
17 cooperative housing corporation" means a nonprofit cooperative
18 housing corporation that is engaged in providing housing services
19 to its stockholders and members and that does not pay dividends or
20 interest upon stock or membership investment but that does
21 distribute all earnings to its stockholders or members.

22 (6) Except as otherwise provided in subsection (7), the
23 purchase price paid in a transfer of property is not the
24 presumptive true cash value of the property transferred. In
25 determining the true cash value of transferred property, an
26 assessing officer shall assess that property using the same
27 valuation method used to value all other property of that same

1 classification in the assessing jurisdiction. As used in this
2 subsection and subsection (7), "purchase price" means the total
3 consideration agreed to in an arms-length transaction and not at a
4 forced sale paid by the purchaser of the property, stated in
5 dollars, whether or not paid in dollars.

6 (7) The purchase price paid in a transfer of eligible
7 nonprofit housing property from a charitable nonprofit housing
8 organization to a low-income person that occurs after December 31,
9 2010 is the presumptive true cash value of the eligible nonprofit
10 housing property transferred. In the year immediately succeeding
11 the year in which the transfer of eligible nonprofit housing
12 property occurs and each year thereafter, the taxable value of the
13 eligible nonprofit housing property shall be adjusted as provided
14 under section 27a. As used in this subsection:

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

19 (b) "Eligible nonprofit housing property" means property owned
20 by a charitable nonprofit housing organization, the ownership of
21 which the charitable nonprofit housing organization intends to
22 transfer to a low-income person after construction or renovation of
23 the property is completed.

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

27 (d) "Low-income person" means a person with a family income of

1 not more than 60% of the statewide median gross income who is
2 eligible to participate in the charitable nonprofit housing
3 organization's program based on criteria established by the
4 charitable nonprofit housing organization.

5 (8) For purposes of a statement submitted under section 19,
6 the true cash value of a standard tool is the net book value of
7 that standard tool as of December 31 in each tax year as determined
8 using generally accepted accounting principles in a manner
9 consistent with the established depreciation method used by the
10 person submitting that statement. The net book value of a standard
11 tool for federal income tax purposes is not the presumptive true
12 cash value of that standard tool. As used in this subsection,
13 "standard tool" means that term as defined in section 9b.