

SENATE BILL NO. 1125

November 14, 2024, Introduced by Senators SHINK and POLEHANKI and referred to the Committee on Finance, Insurance, and Consumer Protection.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27 (MCL 211.27), as amended by 2022 PA 240.

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

1 forced sale. The usual selling price may include sales at public
2 auction held by a nongovernmental agency or person if those sales
3 have become a common method of acquisition in the jurisdiction for
4 the class of property being valued. The usual selling price does
5 not include sales at public auction if the sale is part of a
6 liquidation of the seller's assets in a bankruptcy proceeding or if
7 the seller is unable to use common marketing techniques to obtain
8 the usual selling price for the property. A sale or other
9 disposition by this state or an agency or political subdivision of
10 this state of land acquired for delinquent taxes or an appraisal
11 made in connection with the sale or other disposition or the value
12 attributed to the property of regulated public utilities by a
13 governmental regulatory agency for rate-making purposes is not
14 controlling evidence of true cash value for assessment purposes. In
15 determining the true cash value, the assessor shall also consider
16 the advantages and disadvantages of location; quality of soil;
17 zoning; existing use; **limitations on use in the form of a**
18 **restriction, easement, covenant, or condition in a deed, will, or**
19 **other instrument, including, but not limited to, a conservation**
20 **easement under subpart 11 of part 21 of the natural resources and**
21 **environmental protection act, 1994 PA 451, MCL 324.2140 to**
22 **324.2144;** present economic income of structures, including farm
23 structures; present economic income of land if the land is being
24 farmed or otherwise put to income producing use; quantity and value
25 of standing timber; water power and privileges; **and** minerals,
26 quarries, or other valuable deposits not otherwise exempt under
27 this act known to be available in the land and their value. In
28 determining the true cash value of personal property owned by an
29 electric utility cooperative, the assessor shall consider the

1 number of kilowatt hours of electricity sold per mile of
2 distribution line compared to the average number of kilowatt hours
3 of electricity sold per mile of distribution line for all electric
4 utilities.

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

- 23 (a) Outside painting.
24 (b) Repairing or replacing siding, roof, porches, steps,
25 sidewalks, or drives.
26 (c) Repainting, repairing, or replacing existing masonry.
27 (d) Replacing awnings.
28 (e) Adding or replacing gutters and downspouts.
29 (f) Replacing storm windows or doors.

1 (g) Insulating or weatherstripping.

2 (h) Complete rewiring.

3 (i) Replacing plumbing and light fixtures.

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

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

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

8 (m) Removing partitions to enlarge rooms.

9 (n) Replacing an automatic hot water heater.

10 (o) Replacing dated interior woodwork.

11 (p) Installing, replacing, or repairing an alternative energy
12 system, without regard to ownership of the system, with a
13 generating capacity of not more than 150 kilowatts, the annual
14 energy output of which does not exceed the annual energy
15 consumption measured by the utility-provided electrical meter on
16 the system to which it is connected. As used in this subdivision,
17 "alternative energy system" means that term as defined in section 2
18 of the Michigan next energy authority act, 2002 PA 593, MCL
19 207.822.

20 (q) Installing, replacing, or repairing a whole-home
21 generator.

22 (3) A city or township assessor, a county equalization
23 department, or the state tax commission before utilizing real
24 estate sales data on real property purchases, including purchases
25 by land contract, to determine assessments or in making sales ratio
26 studies to assess property or equalize assessments shall exclude
27 from the sales data the following amounts allowed by subdivisions
28 (a), (b), and (c) to the extent that the amounts are included in
29 the real property purchase price and are so identified in the real

1 estate sales data or certified to the assessor as provided in
2 subdivision (d):

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

5 (b) Amounts attributable to personal property that were
6 included in the purchase price of the property in the last
7 conveyance of the property.

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

13 (d) The purchaser of real property, including a purchaser by
14 land contract, may file with the assessor of the city or township
15 in which the property is located 2 copies of the purchase agreement
16 or of an affidavit that identifies the amount, if any, for each
17 item listed in subdivisions (a) to (c). The assessor shall forward
18 1 copy to the county equalization department. The affidavit must be
19 as prescribed by the state tax commission.

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

1 facts to the contrary, the sale of property classified as
2 agricultural real property under section 34c for which an affidavit
3 under section 27a(7)(o) has not been filed must not be included in
4 a sales study.

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

24 (6) Except as otherwise provided in subsection (7), the
25 purchase price paid in a transfer of property is not the
26 presumptive true cash value of the property transferred. In
27 determining the true cash value of transferred property, an
28 assessing officer shall assess that property using the same
29 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) For a transfer of eligible nonprofit housing property from
7 a charitable nonprofit housing organization to a low-income person
8 that occurs after December 31, 2010 through December 30, 2021, the
9 purchase price paid is the presumptive true cash value of the
10 eligible nonprofit housing property transferred. For a transfer of
11 eligible nonprofit housing property from a charitable nonprofit
12 housing organization to a low-income person that occurs on or after
13 December 31, 2021, the loan amount stated in the closing disclosure
14 form for the transfer is the presumptive true cash value of the
15 eligible nonprofit housing property transferred. In the year
16 immediately succeeding the year in which the transfer of eligible
17 nonprofit housing property occurs and each year thereafter, the
18 taxable value of the eligible nonprofit housing property must be
19 adjusted as provided under section 27a. As used in this subsection:

20 (a) "Charitable nonprofit housing organization" means a
21 charitable nonprofit organization the primary purpose of which is
22 the construction or renovation of residential housing for
23 conveyance to a low-income person.

24 (b) "Eligible nonprofit housing property" means property owned
25 by a charitable nonprofit housing organization, the ownership of
26 which the charitable nonprofit housing organization intends to
27 transfer to a low-income person after construction or renovation of
28 the property is completed.

29 (c) "Family income" and "statewide median gross income" mean

1 those terms as defined in section 11 of the state housing
2 development authority act of 1966, 1966 PA 346, MCL 125.1411.

3 (d) "Low-income person" means a person with a family income of
4 not more than 80% of the statewide median gross income who is
5 eligible to participate in the charitable nonprofit housing
6 organization's program based on criteria established by the
7 charitable nonprofit housing organization.

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