Property tax; assessments; calculation of additions and losses; revise.
Property tax: assessments

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:
10 (*i*) Omitted real property. As used in this subparagraph,

1 "omitted real property" means previously existing tangible real
2 property not included in the assessment. Omitted real property
3 shall not increase taxable value as an addition unless the
4 assessing jurisdiction has a property record card or other
5 documentation showing that the omitted real property was not
6 previously included in the assessment. The assessing jurisdiction
7 has the burden of proof in establishing whether the omitted real
8 property is included in the assessment. Omitted real property for
9 the current and the 2 immediately preceding years, discovered after
10 the assessment roll has been completed, shall be added to the tax
11 roll pursuant to the procedures established in section 154. For
12 purposes of determining the taxable value of real property under
13 section 27a, the value of omitted real property is based on the
14 value and the ratio of taxable value to true cash value the omitted
15 real property would have had if the property had not been omitted.
16 (*ii*) Omitted personal property. As used in this subparagraph,
17 "omitted personal property" means previously existing tangible
18 personal property not included in the assessment. Omitted personal
19 property shall be added to the tax roll pursuant to section 154.
20 (*iii*) New construction. As used in this subparagraph, "new
21 construction" means property not in existence on the immediately
22 preceding tax day and not replacement construction. New
23 construction includes the physical addition of equipment or
24 furnishings, subject to the provisions set forth in section
25 27(2)(a) to (o). For purposes of determining the taxable value of
26 property under section 27a, the value of new construction is the
27 true cash value of the new construction multiplied by 0.50.

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

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

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

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

(*v*) Replacement construction. As used in this subparagraph, "replacement construction" means construction that replaced property damaged or destroyed by accident or act of God and that occurred after the immediately preceding tax day to the extent the construction's true cash value does not exceed the true cash value of property that was damaged or destroyed by accident or act of God in the immediately preceding 3 years. For purposes of determining

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

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

23 (*vii*) ~~An~~ **PRIOR TO DECEMBER 31, 2001, AN** increase in the value
24 attributable to the property's occupancy rate if either a loss, as
25 that term is defined in this section, had been previously allowed
26 because of a decrease in the property's occupancy rate or if the
27 value of new construction was reduced because of a below-market

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

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

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

21 (*i*) Platting, splits, or combinations of property.

22 (*ii*) A change in the zoning of property.

23 (*iii*) For the purposes of the calculation of the millage
24 reduction fraction under subsection (7) only, increased taxable
25 value under section 27a(3) after a transfer of ownership of
26 property.

27 (d) "Assessed valuation of property as finally equalized"

1 means taxable value under section 27a.

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

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

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

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

15 (*i*) Property that has been destroyed or removed. For purposes
16 of determining the taxable value of property under section 27a, the
17 value of property destroyed or removed is the product of the true
18 cash value of that property multiplied by a fraction the numerator
19 of which is the taxable value of that property in the immediately
20 preceding year and the denominator of which is the true cash value
21 of that property in the immediately preceding year.

22 (*ii*) Property that was subject to ad valorem taxation under
23 this act in the immediately preceding year that is now exempt from
24 ad valorem taxation under this act. For purposes of determining the
25 taxable value of property under section 27a, the value of property
26 exempted from ad valorem taxation under this act is the amount
27 exempted.

(*iii*) ~~An~~ **PRIOR TO DECEMBER 31, 2001, AN** adjustment in value, if any, because of a decrease in the property's occupancy rate, to the extent provided by law. For purposes of determining the taxable value of real property under section 27a, the value of a loss for a decrease in the property's occupancy rate is the product of the decrease in the true cash value of the property attributable to the decreased occupancy rate multiplied by a fraction the numerator of which is the taxable value of the property in the immediately preceding year and the denominator of which is the true cash value of the property in the immediately preceding year.

(*iv*) A decrease in taxable value attributable to environmental contamination existing on the immediately preceding tax day. The department of environmental quality shall determine the degree to which environmental contamination limits the use of property based on information available in existing department of environmental quality records or information made available to the department of environmental quality if the appropriate assessing officer for a local tax collecting unit requests that determination. The department of environmental quality's determination of the degree to which environmental contamination limits the use of property shall be based on the criteria established for the ~~classifications~~ **CATEGORIES** set forth in section 20120a(1) ~~of part 201 (environmental remediation)~~ of the natural resources and environmental protection act, ~~Act No. 451 of the Public Acts of 1994, being section 324.20120a of the Michigan Compiled Laws~~ **1994 PA 451, MCL 324.20120A**. The decrease in taxable value attributable to the contamination is the decrease in true cash value

1 attributable to the contamination multiplied by a fraction the
2 numerator of which is the taxable value of the property had it not
3 been contaminated and the denominator of which is the true cash
4 value of the property had it not been contaminated.
5 (i) For taxes levied after 1994, losses do not include
6 decreased value attributable to either of the following:
7 (*i*) Platting, splits, or combinations of property.
8 (*ii*) A change in the zoning of property.
9 (j) "New construction and improvements" means additions less
10 losses.
11 (k) "Current year" means the year for which the millage
12 limitation is being calculated.
13 (*l*) "Inflation rate" means the ratio of the general price level
14 for the state fiscal year ending in the calendar year immediately
15 preceding the current year divided by the general price level for
16 the state fiscal year ending in the calendar year before the year
17 immediately preceding the current year.
18 (2) On or before the first Monday in May of each year, the
19 assessing officer of each township or city shall tabulate the
20 tentative taxable value as approved by the local board of review
21 and as modified by county equalization for each classification of
22 property that is separately equalized for each unit of local
23 government and provide the tabulated tentative taxable values to
24 the county equalization director. The tabulation by the assessing
25 officer shall contain additions and losses for each classification
26 of property that is separately equalized for each unit of local
27 government or part of a unit of local government in the township or

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

1 (3) On or before the first Monday in June of each year, the
2 county equalization director shall deliver the statement of the
3 computations signed by the county equalization director to the
4 county treasurer.
5 (4) On or before the second Monday in June of each year, the
6 treasurer of each county shall certify the immediately preceding
7 year's taxable values, the current year's taxable values, the
8 amount of additions and losses for the current year, and the
9 current year's millage reduction fraction for each unit of local
10 government that levies a property tax in the county.
11 (5) The financial officer of each unit of local government
12 shall make the computation of the tax rate using the data certified
13 by the county treasurer and the state tax commission. At the annual
14 session in October, the county board of commissioners shall not
15 authorize the levy of a tax unless the governing body of the taxing
16 jurisdiction has certified that the requested millage has been
17 reduced, if necessary, in compliance with section 31 of article IX
18 of the state constitution of 1963.
19 (6) The number of mills permitted to be levied in a tax year
20 is limited as provided in this section pursuant to section 31 of
21 article IX of the state constitution of 1963. A unit of local
22 government shall not levy a tax rate greater than the rate
23 determined by reducing its maximum rate or rates authorized by law
24 or charter by a millage reduction fraction as provided in this
25 section without voter approval.
26 (7) A millage reduction fraction shall be determined for each
27 year for each local unit of government. For ad valorem property

1 taxes that became a lien before January 1, 1983, the numerator of
2 the fraction shall be the total state equalized valuation for the
3 immediately preceding year multiplied by the inflation rate and the
4 denominator of the fraction shall be the total state equalized
5 valuation for the current year minus new construction and
6 improvements. For ad valorem property taxes that become a lien
7 after December 31, 1982 and through December 31, 1994, the
8 numerator of the fraction shall be the product of the difference
9 between the total state equalized valuation for the immediately
10 preceding year minus losses multiplied by the inflation rate and
11 the denominator of the fraction shall be the total state equalized
12 valuation for the current year minus additions. For ad valorem
13 property taxes that are levied after December 31, 1994, the
14 numerator of the fraction shall be the product of the difference
15 between the total taxable value for the immediately preceding year
16 minus losses multiplied by the inflation rate and the denominator
17 of the fraction shall be the total taxable value for the current
18 year minus additions. For each year after 1993, a millage reduction
19 fraction shall not exceed 1.
20 (8) The compounded millage reduction fraction for each year
21 after 1980 shall be calculated by multiplying the local unit's
22 previous year's compounded millage reduction fraction by the
23 current year's millage reduction fraction. Beginning with 1980 tax
24 levies, the compounded millage reduction fraction for the year
25 shall be multiplied by the maximum millage rate authorized by law
26 or charter for the unit of local government for the year, except as
27 provided by subsection (9). A compounded millage reduction fraction

1 shall not exceed 1.

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

13 (10) A millage reduction fraction shall be applied separately
14 to the aggregate maximum millage rate authorized by a charter and
15 to each maximum millage rate authorized by state law for a specific
16 purpose.

17 (11) A unit of local government may submit to the voters for
18 their approval the levy in that year of a tax rate in excess of the
19 limit set by this section. The ballot question shall ask the voters
20 to approve the levy of a specific number of mills in excess of the
21 limit. The provisions of this section do not allow the levy of a
22 millage rate in excess of the maximum rate authorized by law or
23 charter. If the authorization to levy millage expires after 1993
24 and a local governmental unit is asking voters to renew the
25 authorization to levy the millage, the ballot question shall ask
26 for renewed authorization for the number of expiring mills as
27 reduced by the millage reduction required by this section. If the

1 election occurs before June 1 of a year, the millage reduction is
2 based on the immediately preceding year's millage reduction
3 applicable to that millage. If the election occurs after May 31 of
4 a year, the millage reduction shall be based on that year's millage
5 reduction applicable to that millage had it not expired.
6 (12) A reduction or limitation under this section shall not be
7 applied to taxes imposed for the payment of principal and interest
8 on bonds or other evidence of indebtedness or for the payment of
9 assessments or contract obligations in anticipation of which bonds
10 are issued that were authorized before December 23, 1978, as
11 provided by ~~former~~ section 4 of chapter I of ~~the municipal~~
12 ~~finance act, Act No. 202 of the Public Acts of 1943~~ **FORMER 1943 PA**
13 **202**, or to taxes imposed for the payment of principal and interest
14 on bonds or other evidence of indebtedness or for the payment of
15 assessments or contract obligations in anticipation of which bonds
16 are issued that are approved by the voters after December 22, 1978.
17 (13) If it is determined subsequent to the levy of a tax that
18 an incorrect millage reduction fraction has been applied, the
19 amount of additional tax revenue or the shortage of tax revenue
20 shall be deducted from or added to the next regular tax levy for
21 that unit of local government after the determination of the
22 authorized rate pursuant to this section.
23 (14) If as a result of an appeal of county equalization or
24 state equalization the taxable value of a unit of local government
25 changes, the millage reduction fraction for the year shall be
26 recalculated. The financial officer shall effectuate an addition or
27 reduction of tax revenue in the same manner as prescribed in

1 subsection (13).

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

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

22 Enacting section 1. This amendatory act is curative and shall
23 be retroactively applied to reflect the original intention of the
24 legislature that the provisions of section 34d(1)(h)(*iii*) of the
25 general property tax act, 1893 PA 206, MCL 211.34d, were intended
26 to apply only in conjunction with the provisions of section
27 34d(1)(b)(*vii*) of the general property tax act, 1893 PA 206, MCL

1 211.34d, and only when section 34d(1)(b)(*vii*) of the general property
2 tax act, 1893 PA 206, MCL 211.34d, was in effect.
3 Enacting section 2. This amendatory act does not take effect
4 unless Senate Bill No.____ or House Bill No.____ (request no.
5 01992'05) of the 93rd Legislature is enacted into law.