

# HOUSE BILL No. 6015

September 15, 1998, Introduced by Rep. Profit and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 27 (MCL 211.27), as amended by 1994 PA 415.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

1 bankruptcy proceeding or ~~where~~ IF the seller is unable to use  
2 common marketing techniques to obtain the usual selling price for  
3 the property. A sale or other disposition by the state or an  
4 agency or political subdivision of the state of land acquired for  
5 delinquent taxes or an appraisal made in connection with the sale  
6 or other disposition or the value attributed to the property of  
7 regulated public utilities by a governmental regulatory agency  
8 for rate-making purposes ~~shall~~ IS not ~~be considered~~ control-  
9 ling evidence of true cash value for assessment purposes. In  
10 determining the TRUE CASH value, the assessor shall also consider  
11 the advantages and disadvantages of location; quality of soil;  
12 zoning; existing use; present economic income of structures,  
13 including farm structures; present economic income of land if the  
14 land is being farmed or otherwise put to income producing use;  
15 quantity and value of standing timber; water power and privi-  
16 leges; and mines, minerals, quarries, or other valuable deposits  
17 known to be available in the land and their value.

18 (2) The assessor shall not consider the increase in true  
19 cash value that is a result of expenditures for normal repairs,  
20 replacement, and maintenance in determining the true cash value  
21 of property for assessment purposes until the property is sold.  
22 For the purpose of implementing this subsection, the assessor  
23 shall not increase the construction quality classification or  
24 reduce the effective age for depreciation purposes, except if the  
25 appraisal of the property was erroneous before nonconsideration  
26 of the normal repair, replacement, or maintenance, and shall not  
27 assign an economic condition factor to the property that differs

1 from the economic condition factor assigned to similar properties  
2 as defined by appraisal procedures applied in the jurisdiction.  
3 The increase in value attributable to the items included in sub-  
4 divisions (a) to (o) that is known to the assessor and excluded  
5 from true cash value shall be indicated on the assessment roll.  
6 This subsection applies only to residential property. The fol-  
7 lowing repairs ~~shall be~~ ARE considered normal maintenance if  
8 they are not part of a structural addition or completion:

9 (a) Outside painting.

10 (b) Repairing or replacing siding, roof, porches, steps,  
11 sidewalks, ~~and~~ OR drives.

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

13 (d) ~~Replacement of~~ REPLACING awnings.

14 (e) Adding or replacing gutters and downspouts.

15 (f) Replacing storm windows or doors.

16 (g) ~~Insulation~~ INSULATING or weatherstripping.

17 (h) Complete rewiring.

18 (i) Replacing plumbing and light fixtures.

19 (j) ~~New furnace replacing~~ REPLACING a furnace WITH A NEW  
20 FURNACE of the same type or replacing AN oil or gas burner.

21 (k) ~~Plaster repairs~~ REPAIRING PLASTER, inside painting, or  
22 other redecorating.

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

24 (m) Removing partitions to enlarge rooms.

25 (n) Replacing AN automatic hot water heater.

26 (o) Replacing dated interior woodwork.

1 (3) A city or township assessor, a county equalization  
2 department, or the state tax commission before utilizing real  
3 estate sales data on real property purchases, including purchases  
4 by land contract, ~~for the purpose of determining~~ TO DETERMINE  
5 assessments or in making sales ratio studies ~~for the purpose of~~  
6 ~~assessing or equalizing~~ TO ASSESS PROPERTY OR EQUALIZE assess-  
7 ments shall exclude from the sales data the following amounts  
8 allowed by subdivisions (a), (b), and (c) to the extent that the  
9 amounts are included in the real property purchase price and are  
10 so identified in the real estate sales data or certified to the  
11 assessor as provided in subdivision (d):

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

14 (b) Amounts attributable to personal property that were  
15 included in the purchase price of the property in the last con-  
16 veyance of the property.

17 (c) Amounts paid for surveying the property pursuant to the  
18 last conveyance of the property. The legislature may require  
19 local units of government, including school districts, to submit  
20 reports of revenue lost under subdivisions (a) and (b) and this  
21 subdivision so that the state may reimburse those units for that  
22 lost revenue.

23 (d) The purchaser of real property, including a purchaser by  
24 land contract, may file with the assessor of the city or township  
25 in which the property is located 2 copies of the purchase agree-  
26 ment or of an affidavit that ~~shall identify~~ IDENTIFIES the  
27 amount, if any, for each item listed in subdivisions (a) to (c).

1 One copy shall be forwarded by the assessor to the county  
2 equalization department. The affidavit shall be prescribed by  
3 the state tax commission.

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

24 (5) IN DETERMINING THE TRUE CASH VALUE OF TANGIBLE PERSONAL  
25 PROPERTY FOR ASSESSMENT PURPOSES, AN ASSESSOR SHALL NOT CONSIDER  
26 EXPENDITURES FOR SALES TAX, USE TAX, SHIPPING CHARGES, OR  
27 INSTALLATION FEES, EXCLUDING THE COST OF TANGIBLE PERSONAL

1 PROPERTY USED OR CONSUMED IN THE INSTALLATION PROCESS. IN  
2 DETERMINING DEPRECIATION TABLES OR THE DEPRECIATION OF TANGIBLE  
3 PERSONAL PROPERTY, AN ASSESSOR, A COUNTY EQUALIZATION DEPARTMENT,  
4 OR THE STATE TAX COMMISSION SHALL NOT CONSIDER EXPENDITURES FOR  
5 SALES TAX, USE TAX, SHIPPING CHARGES, OR INSTALLATION FEES,  
6 EXCLUDING THE COST OF TANGIBLE PERSONAL PROPERTY USED OR CONSUMED  
7 IN THE INSTALLATION PROCESS.

8 (6) ~~-(5)-~~ Beginning December 31, 1994, the purchase price  
9 paid in a transfer of property is not the presumptive true cash  
10 value of the property transferred. In determining the true cash  
11 value of transferred property, an assessing officer shall assess  
12 that property using the same valuation method used to value all  
13 other property of that same classification in the assessing  
14 jurisdiction. As used in this subsection, "purchase price" means  
15 the total consideration agreed to in an arms-length transaction  
16 and not at a forced sale paid by the purchaser of the property,  
17 stated in dollars, whether or not paid in dollars.