



# HOUSE BILL No. 5680

April 25, 2000, Introduced by Reps. DeWeese, Kuipers, Richardville, Birkholz, Voorhees, Julian, Gilbert, Richner, Ehardt and Schauer and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled "The general property tax act," by amending sections 27a and 34d (MCL 211.27a and 211.34d), as amended by 1996 PA 476.

**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  
5 taxes levied in 1995 and for each year after 1995, the taxable  
6 value of each parcel of property is the lesser of the following:

7       (a) The property's taxable value in the immediately preced-  
8 ing year minus any losses, multiplied by the lesser of 1.05 or  
9 the inflation rate, plus all additions. For taxes levied in

1 1995, the property's taxable value in the immediately preceding  
2 year is the property's state equalized valuation in 1994.

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

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

8 (4) If the taxable value of property is adjusted under sub-  
9 section (3), a subsequent increase in the property's taxable  
10 value is subject to the limitation set forth in subsection (2)  
11 until a subsequent transfer of ownership occurs.

12 (5) Assessment of property, as required in this section and  
13 section 27, is inapplicable to the assessment of property subject  
14 to the levy of ad valorem taxes within voted tax limitation  
15 increases to pay principal and interest on limited tax bonds  
16 issued by any governmental unit, including a county, township,  
17 community college district, or school district, before January 1,  
18 1964, if the assessment required to be made under this act would  
19 be less than the assessment as state equalized prevailing on the  
20 property at the time of the issuance of the bonds. This inappli-  
21 cability shall continue until levy of taxes to pay principal and  
22 interest on the bonds is no longer required. The assessment of  
23 property required by this act shall be applicable for all other  
24 purposes.

25 (6) As used in this act, "transfer of ownership" means the  
26 conveyance of title to or a present interest in property,  
27 including the beneficial use of the property, the value of which

1 is substantially equal to the value of the fee interest.

2 Transfer of ownership of property includes, but is not limited  
3 to, the following:

4 (a) A conveyance by deed.

5 (b) A conveyance by land contract. The taxable value of  
6 property conveyed by a land contract executed after December 31,  
7 1994 shall be adjusted under subsection (3) for the calendar year  
8 following the year in which the contract is entered into and  
9 shall not be subsequently adjusted under subsection (3) when the  
10 deed conveying title to the property is recorded in the office of  
11 the register of deeds in the county in which the property is  
12 located.

13 (c) A conveyance to a trust after December 31, 1994, except  
14 if the settlor or the settlor's spouse, or both, conveys the  
15 property to the trust and the sole present beneficiary or benefi-  
16 ciaries are the settlor or the settlor's spouse, or both.

17 (d) A conveyance by distribution from a trust, except if the  
18 distributee is the sole present beneficiary or the spouse of the  
19 sole present beneficiary, or both.

20 (e) A change in the sole present beneficiary or beneficia-  
21 ries of a trust, except a change that adds or substitutes the  
22 spouse of the sole present beneficiary.

23 (f) A conveyance by distribution under a will or by intes-  
24 tate succession, except if the distributee is the decedent's  
25 spouse.

26 (g) A conveyance by lease if the total duration of the  
27 lease, including the initial term and all options for renewal, is

1 more than 35 years or the lease grants the ~~leasee~~ LESSEE a  
2 bargain purchase option. As used in this subdivision, "bargain  
3 purchase option" means the right to purchase the property at the  
4 termination of the lease for not more than 80% of the property's  
5 projected true cash value at the termination of the lease. After  
6 December 31, 1994, the taxable value of property conveyed by a  
7 lease with a total duration of more than 35 years or with a bar-  
8 gain purchase option shall be adjusted under subsection (3) for  
9 the calendar year following the year in which the lease is  
10 entered into. This subdivision does not apply to personal prop-  
11 erty except buildings described in section 14(6) and personal  
12 property described in section 8(h), (i), and (j). This subdivi-  
13 sion does not apply to that portion of the property not subject  
14 to the leasehold interest conveyed.

15 (h) A conveyance of an ownership interest in a corporation,  
16 partnership, sole proprietorship, limited liability company,  
17 limited liability partnership, or other legal entity if the  
18 ownership interest conveyed is more than 50% of the corporation,  
19 partnership, sole proprietorship, limited liability company,  
20 limited liability partnership, or other legal entity. Unless  
21 notification is provided under subsection (8), the corporation,  
22 partnership, sole proprietorship, limited liability company,  
23 limited liability partnership, or other legal entity shall notify  
24 the assessing officer on a form provided by the state tax commis-  
25 sion not more than 45 days after a conveyance of an ownership  
26 interest that constitutes a transfer of ownership under this  
27 subdivision.

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

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

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

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

10 (b) A transfer from a husband, a wife, or a husband and wife  
11 creating or disjoining a tenancy by the entirety in the grant-  
12 ors or the grantor and his or her spouse.

13 (c) A transfer of that portion of property subject to a life  
14 estate or life lease retained by the transferor, until expiration  
15 or termination of the life estate or life lease. That portion of  
16 property transferred that is not subject to a life lease shall be  
17 adjusted under subsection (3).

18 (d) A transfer through foreclosure or forfeiture of a  
19 recorded instrument under chapter 31, 32, or 57 of the revised  
20 judicature act of 1961, ~~Act No. 236 of the Public Acts of 1961,~~  
21 ~~being sections 600.3101 to 600.3280 and 600.5701 to 600.5785 of~~  
22 ~~the Michigan Compiled Laws 1961 PA 236, MCL 600.3101 TO 600.3280~~  
23 AND MCL 600.5701 TO 600.5785, or through deed or conveyance in  
24 lieu of a foreclosure or forfeiture, until the mortgagee or land  
25 contract vendor subsequently transfers the property. If a mort-  
26 gagee does not transfer the property within 1 year of the

1 expiration of any applicable redemption period, the property  
2 shall be adjusted under subsection (3).

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

5 (f) A conveyance to a trust if the settlor or the settlor's  
6 spouse, or both, conveys the property to the trust and the sole  
7 present beneficiary of the trust is the settlor or the settlor's  
8 spouse, or both.

9 (g) A transfer pursuant to a judgment or order of a court of  
10 record making or ordering a transfer, unless a specific monetary  
11 consideration is specified or ordered by the court for the  
12 transfer.

13 (h) A transfer creating or terminating a joint tenancy  
14 between 2 or more persons if at least 1 of the persons was an  
15 original owner of the property before the joint tenancy was ini-  
16 tially created and, if the property is held as a joint tenancy at  
17 the time of conveyance, at least 1 of the persons was a joint  
18 tenant when the joint tenancy was initially created and that  
19 person has remained a joint tenant since the joint tenancy was  
20 initially created. A joint owner at the time of the last trans-  
21 fer of ownership of the property is an original owner of the  
22 property. For purposes of this subdivision, a person is an orig-  
23 inal owner of property owned by that person's spouse.

24 (i) A transfer for security or an assignment or discharge of  
25 a security interest.

26 (j) A transfer of real property or other ownership interests  
27 among members of an affiliated group. As used in this

1 subsection, "affiliated group" means 1 or more corporations  
2 connected by stock ownership to a common parent corporation.  
3 Upon request by the state tax commission, a corporation shall  
4 furnish proof within 45 days that a transfer meets the require-  
5 ments of this subdivision. A corporation that fails to comply  
6 with a request by the state tax commission under this subdivision  
7 is subject to a fine of \$200.00.

8 (k) Normal public trading of shares of stock or other owner-  
9 ship interests that, over any period of time, cumulatively repre-  
10 sent more than 50% of the total ownership interest in a corpora-  
11 tion or other legal entity and are traded in multiple transac-  
12 tions involving unrelated individuals, institutions, or other  
13 legal entities.

14 (l) A transfer of real property or other ownership interests  
15 among corporations, partnerships, limited liability companies,  
16 limited liability partnerships, or other legal entities if the  
17 entities involved are commonly controlled. Upon request by the  
18 state tax commission, a corporation, partnership, limited liabil-  
19 ity company, limited liability partnership, or other legal entity  
20 shall furnish proof within 45 days that a transfer meets the  
21 requirements of this subdivision. A corporation, partnership,  
22 limited liability company, limited liability partnership, or  
23 other legal entity that fails to comply with a request by the  
24 state tax commission under this subdivision is subject to a fine  
25 of \$200.00.

26 (m) A direct or indirect transfer of real property or other  
27 ownership interests resulting from a transaction that qualifies

1 as a tax-free reorganization under section 368 of the internal  
2 revenue code of 1986, 26 U.S.C. 368. Upon request by the state  
3 tax commission, a property owner shall furnish proof within 45  
4 days that a transfer meets the requirements of this subdivision.  
5 A property owner who fails to comply with a request by the state  
6 tax commission under this subdivision is subject to a fine of  
7 \$200.00.

8 (N) A TRANSFER OF REAL PROPERTY CLASSIFIED AS RESIDENTIAL  
9 REAL PROPERTY UNDER SECTION 34C TO A CHARITABLE HOUSING  
10 ORGANIZATION.

11 (O) A TRANSFER OF REAL PROPERTY CLASSIFIED AS RESIDENTIAL  
12 REAL PROPERTY UNDER SECTION 34C FROM A CHARITABLE HOUSING ORGANI-  
13 ZATION TO A LOW INCOME PERSON.

14 (P) A TRANSFER OF REAL PROPERTY CLASSIFIED AS RESIDENTIAL  
15 REAL PROPERTY UNDER SECTION 34C FROM A LOW INCOME PERSON WHO  
16 RECEIVED THAT REAL PROPERTY IN A CONVEYANCE FROM A CHARITABLE  
17 HOUSING ORGANIZATION TO ANOTHER LOW INCOME PERSON.

18 (8) The register of deeds of the county where deeds or other  
19 title documents are recorded shall notify the assessing officer  
20 of the appropriate local taxing unit not less than once each  
21 month of any recorded transaction involving the ownership of  
22 property and shall make any recorded deeds or other title docu-  
23 ments available to that county's tax or equalization department.  
24 Unless notification is provided under subsection (6), the buyer,  
25 grantee, or other transferee of the property shall notify the  
26 appropriate assessing office in the local unit of government in  
27 which the property is located of the transfer of ownership of the



1 property within 45 days of the transfer of ownership, on a form  
2 prescribed by the state tax commission that states the parties to  
3 the transfer, the date of the transfer, the actual consideration  
4 for the transfer, and the property's parcel identification number  
5 or legal description. Forms filed in the assessing office of a  
6 local unit of government under this subsection shall be made  
7 available to the county tax or equalization department for the  
8 county in which that local unit of government is located. This  
9 subsection does not apply to personal property except buildings  
10 described in section 14(6) and personal property described in  
11 section 8(h), (i), and (j).

12 (9) As used in this section:

13 (a) "Additions" means that term as defined in section 34d.

14 (b) "Beneficial use" means the right to possession, use, and  
15 enjoyment of property, limited only by encumbrances, easements,  
16 and restrictions of record.

17 (C) "CHARITABLE HOUSING ORGANIZATION" MEANS A NONPROFIT  
18 CHARITABLE ORGANIZATION THE PRIMARY PURPOSE OF WHICH IS THE CON-  
19 STRUCTION OR RENOVATION OF RESIDENTIAL HOUSING FOR CONVEYANCE TO  
20 A LOW INCOME PERSON.

21 (D) "FAMILY INCOME" AND "STATEWIDE MEDIAN GROSS INCOME" MEAN  
22 THOSE TERMS AS DEFINED IN SECTION 11 OF THE STATE HOUSING DEVEL-  
23 OPMENT AUTHORITY ACT OF 1966, 1966 PA 346, MCL 125.1411.

24 (E) ~~(c)~~ "Inflation rate" means that term as defined in  
25 section 34d.

26 (F) ~~(d)~~ "Losses" means that term as defined in section  
27 34d.

1 (G) "LOW INCOME PERSON" MEANS A PERSON WITH A FAMILY INCOME  
2 OF NOT MORE THAN 60% OF THE STATEWIDE MEDIAN GROSS INCOME.

3 Sec. 34d. (1) As used in this section or section 27a, or  
4 section 3 or 31 of article IX of the state constitution of 1963:

5 (a) For taxes levied before 1995, "additions" means all  
6 increases in value caused by new construction or a physical addi-  
7 tion of equipment or furnishings, and the value of property that  
8 was exempt from taxes or not included on the assessment unit's  
9 immediately preceding year's assessment roll.

10 (b) For taxes levied after 1994, "additions" means, except  
11 as provided in subdivision (c), all of the following:

12 (i) Omitted real property. As used in this subparagraph,  
13 "omitted real property" means previously existing tangible real  
14 property not included in the assessment. Omitted real property  
15 shall not increase taxable value as an addition unless the  
16 assessing jurisdiction has a property record card or other docu-  
17 mentation showing that the omitted real property was not previ-  
18 ously included in the assessment. The assessing jurisdiction has  
19 the burden of proof in establishing whether the omitted real  
20 property is included in the assessment. Omitted real property  
21 for the current and the 2 immediately preceding years, discovered  
22 after the assessment roll has been completed, shall be added to  
23 the tax roll pursuant to the procedures established in section  
24 154. For purposes of determining the taxable value of real prop-  
25 erty under section 27a, the value of omitted real property is  
26 based on the value and the ratio of taxable value to true cash

1 value the omitted real property would have had if the property  
2 had not been omitted.

3       (ii) Omitted personal property. As used in this subpara-  
4 graph, "omitted personal property" means previously existing tan-  
5 gible personal property not included in the assessment. Omitted  
6 personal property shall be added to the tax roll pursuant to sec-  
7 tion 154.

8       (iii) New construction. As used in this subparagraph, SUB-  
9 PARAGRAPH (ix), AND SUBDIVISION (C)(iv), "new construction" means  
10 property not in existence on the immediately preceding tax day  
11 and not replacement construction. New construction includes the  
12 physical addition of equipment or furnishings, subject to the  
13 provisions set forth in section 27(2)(a) to (o). For purposes of  
14 determining the taxable value of property under section 27a, the  
15 value of new construction is the true cash value of the new con-  
16 struction multiplied by 0.50.

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

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

1 (B) The taxable value of property that is a facility as that  
2 term is defined in section 2 of ~~Act No. 198 of the Public Acts~~  
3 ~~of 1974, being section 207.552 of the Michigan Compiled Laws~~  
4 1974 PA 198, MCL 207.552, that was previously exempt under  
5 section 7k is the taxable value that property would have had  
6 under this act if it had not been exempt.

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

10 (v) Replacement construction. As used in this subparagraph,  
11 "replacement construction" means construction that replaced prop-  
12 erty damaged or destroyed by accident or act of God and that  
13 occurred after the immediately preceding tax day to the extent  
14 the construction's true cash value does not exceed the true cash  
15 value of property that was damaged or destroyed by accident or  
16 act of God in the immediately preceding 3 years. For purposes of  
17 determining the taxable value of property under section 27a, the  
18 value of the replacement construction is the true cash value of  
19 the replacement construction multiplied by a fraction the numera-  
20 tor of which is the taxable value of the property to which the  
21 construction was added in the immediately preceding year and the  
22 denominator of which is the true cash value of the property to  
23 which the construction was added in the immediately preceding  
24 year, and then multiplied by the lesser of 1.05 or the inflation  
25 rate.

26 (vi) An increase in taxable value attributable to the  
27 complete or partial remediation of environmental contamination

1 existing on the immediately preceding tax day. The department of  
2 environmental quality shall determine the degree of remediation  
3 based on information available in existing department of environ-  
4 mental quality records or information made available to the  
5 department of environmental quality if the appropriate assessing  
6 officer for a local tax collecting unit requests that  
7 determination. The increase in taxable value attributable to the  
8 remediation is the increase in true cash value attributable to  
9 the remediation multiplied by a fraction the numerator of which  
10 is the taxable value of the property had it not been contaminated  
11 and the denominator of which is the true cash value of the prop-  
12 erty had it not been contaminated.

13       (vii) An increase in the value attributable to the  
14 property's occupancy rate if either a loss, as that term is  
15 defined in this section, had been previously allowed because of a  
16 decrease in the property's occupancy rate or if the value of new  
17 construction was reduced because of a below-market occupancy  
18 rate. For purposes of determining the taxable value of property  
19 under section 27a, the value of an addition for the increased  
20 occupancy rate is the product of the increase in the true cash  
21 value of the property attributable to the increased occupancy  
22 rate multiplied by a fraction the numerator of which is the tax-  
23 able value of the property in the immediately preceding year and  
24 the denominator of which is the true cash value of the property  
25 in the immediately preceding year, and then multiplied by the  
26 lesser of 1.05 or the inflation rate.

1           (viii) Public services. As used in this subparagraph,  
2 "public services" means water service, sewer service, a primary  
3 access road, natural gas service, electrical service, telephone  
4 service, sidewalks, or street lighting. For purposes of deter-  
5 mining the taxable value of real property under section 27a, the  
6 value of public services is the amount of increase in true cash  
7 value of the property attributable to the available public serv-  
8 ices multiplied by 0.50 and shall be added in the calendar year  
9 following the calendar year when those public services are ini-  
10 tially available.

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

13           (i) Platting, splits, or combinations of property.

14           (ii) A change in the zoning of property.

15           (iii) For the purposes of the calculation of the millage  
16 reduction fraction under subsection (7) only, increased taxable  
17 value under section 27a(3) after a transfer of ownership of  
18 property.

19           (iv) NEW CONSTRUCTION ON REAL PROPERTY CLASSIFIED AS RESI-  
20 DENTIAL REAL PROPERTY UNDER SECTION 34C THAT IS OWNED BY A CHARI-  
21 TABLE HOUSING ORGANIZATION. AS USED IN THIS SUBDIVISION:

22           (A) "CHARITABLE HOUSING ORGANIZATION" MEANS A NONPROFIT  
23 CHARITABLE ORGANIZATION THE PRIMARY PURPOSE OF WHICH IS THE CON-  
24 STRUCTION OR RENOVATION OF RESIDENTIAL HOUSING FOR CONVEYANCE TO  
25 A LOW INCOME PERSON.

1 (B) "FAMILY INCOME" AND "STATEWIDE MEDIAN GROSS INCOME" MEAN  
2 THOSE TERMS AS DEFINED IN SECTION 11 OF THE STATE HOUSING  
3 DEVELOPMENT AUTHORITY ACT OF 1966, 1966 PA 346, MCL 125.1411.

4 (C) "LOW INCOME PERSON" MEANS A PERSON WITH A FAMILY INCOME  
5 OF NOT MORE THAN 60% OF THE STATEWIDE MEDIAN GROSS INCOME.

6 (d) "Assessed valuation of property as finally equalized"  
7 means taxable value under section 27a.

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

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

14 (g) For taxes levied before 1995, "losses" means a decrease  
15 in value caused by the removal or destruction of real or personal  
16 property and the value of property taxed in the immediately pre-  
17 ceding year that has been exempted or removed from the assessment  
18 unit's assessment roll.

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

21 (i) Property that has been destroyed or removed. For pur-  
22 poses of determining the taxable value of property under section  
23 27a, the value of property destroyed or removed is the product of  
24 the true cash value of that property multiplied by a fraction the  
25 numerator of which is the taxable value of that property in the  
26 immediately preceding year and the denominator of which is the

1 true cash value of that property in the immediately preceding  
2 year.

3       (ii) Property that was subject to ad valorem taxation under  
4 this act in the immediately preceding year that is now exempt  
5 from ad valorem taxation under this act. For purposes of deter-  
6 mining the taxable value of property under section 27a, the value  
7 of property exempted from ad valorem taxation under this act is  
8 the amount exempted.

9       (iii) An adjustment in value, if any, because of a decrease  
10 in the property's occupancy rate, to the extent provided by law.  
11 For purposes of determining the taxable value of real property  
12 under section 27a, the value of a loss for a decrease in the  
13 property's occupancy rate is the product of the decrease in the  
14 true cash value of the property attributable to the decreased  
15 occupancy rate multiplied by a fraction the numerator of which is  
16 the taxable value of the property in the immediately preceding  
17 year and the denominator of which is the true cash value of the  
18 property in the immediately preceding year.

19       (iv) A decrease in taxable value attributable to environmen-  
20 tal contamination existing on the immediately preceding tax day.  
21 The department of environmental quality shall determine the  
22 degree to which environmental contamination limits the use of  
23 property based on information available in existing department of  
24 environmental quality records or information made available to  
25 the department of environmental quality if the appropriate  
26 assessing officer for a local tax collecting unit requests that  
27 determination. The department of environmental quality's



1 determination of the degree to which environmental contamination  
2 limits the use of property shall be based on the criteria estab-  
3 lished for the ~~classifications~~ CATEGORIES set forth in section  
4 20120a(1) of part 201 ~~(environmental remediation)~~ of the natu-  
5 ral resources and environmental protection act, ~~Act No. 451 of~~  
6 ~~the Public Acts of 1994, being section 324.20120a of the Michigan~~  
7 ~~Compiled Laws~~ 1994 PA 451, MCL 324.20120A. The decrease in tax-  
8 able value attributable to the contamination is the decrease in  
9 true cash value attributable to the contamination multiplied by a  
10 fraction the numerator of which is the taxable value of the prop-  
11 erty had it not been contaminated and the denominator of which is  
12 the true cash value of the property had it not been  
13 contaminated.

14 (i) For taxes levied after 1994, losses do not include  
15 decreased value attributable to either of the following:

16 (i) Platting, splits, or combinations of property.

17 (ii) A change in the zoning of property.

18 (j) "New construction and improvements" means additions less  
19 losses.

20 (k) "Current year" means the year for which the millage lim-  
21 itation is being calculated.

22 (l) "Inflation rate" means the ratio of the general price  
23 level for the state fiscal year ending in the calendar year imme-  
24 diately preceding the current year divided by the general price  
25 level for the state fiscal year ending in the calendar year  
26 before the year immediately preceding the current year.

1           (2) On or before the first Monday in May of each year, the  
2 assessing officer of each township or city shall tabulate the  
3 tentative taxable value as approved by the local board of review  
4 and as modified by county equalization for each classification of  
5 property that is separately equalized for each unit of local gov-  
6 ernment and provide the tabulated tentative taxable values to the  
7 county equalization director. The tabulation by the assessing  
8 officer shall contain additions and losses for each classifica-  
9 tion of property that is separately equalized for each unit of  
10 local government or part of a unit of local government in the  
11 township or city. If as a result of state equalization the tax-  
12 able value of property changes, the assessing officer of each  
13 township or city shall revise the calculations required by this  
14 subsection on or before the Friday following the fourth Monday in  
15 May. The county equalization director shall compute these  
16 amounts and the current and immediately preceding year's taxable  
17 values for each classification of property that is separately  
18 equalized for each unit of local government that levies taxes  
19 under this act within the boundary of the county. The county  
20 equalization director shall cooperate with equalization directors  
21 of neighboring counties, as necessary, to make the computation  
22 for units of local government located in more than 1 county. The  
23 county equalization director shall calculate the millage reduc-  
24 tion fraction for each unit of local government in the county for  
25 the current year. The financial officer for each taxing juris-  
26 diction shall calculate the compounded millage reduction  
27 fractions beginning in 1980 resulting from the multiplication of

1 successive millage reduction fractions and shall recognize a  
2 local voter action to increase the compounded millage reduction  
3 fraction to a maximum of 1 as a new beginning fraction. Upon  
4 request of the superintendent of the intermediate school dis-  
5 trict, the county equalization director shall transmit the com-  
6 plete computations of the taxable values to the superintendent of  
7 the intermediate school district within that county. At the  
8 request of the presidents of community colleges, the county  
9 equalization director shall transmit the complete computations of  
10 the taxable values to the presidents of community colleges within  
11 the county.

12 (3) On or before the first Monday in June of each year, the  
13 county equalization director shall deliver the statement of the  
14 computations signed by the county equalization director to the  
15 county treasurer.

16 (4) On or before the second Monday in June of each year, the  
17 treasurer of each county shall certify the immediately preceding  
18 year's taxable values, the current year's taxable values, the  
19 amount of additions and losses for the current year, and the cur-  
20 rent year's millage reduction fraction for each unit of local  
21 government that levies a property tax in the county.

22 (5) The financial officer of each unit of local government  
23 shall make the computation of the tax rate using the data certi-  
24 fied by the county treasurer and the state tax commission. At  
25 the annual session in October, the county board of commissioners  
26 shall not authorize the levy of a tax unless the governing body  
27 of the taxing jurisdiction has certified that the requested

1 millage has been reduced, if necessary, in compliance with  
2 section 31 of article IX of the state constitution of 1963.

3       (6) The number of mills permitted to be levied in a tax year  
4 is limited as provided in this section pursuant to section 31 of  
5 article IX of the state constitution of 1963. A unit of local  
6 government shall not levy a tax rate greater than the rate deter-  
7 mined by reducing its maximum rate or rates authorized by law or  
8 charter by a millage reduction fraction as provided in this sec-  
9 tion without voter approval.

10       (7) A millage reduction fraction shall be determined for  
11 each year for each local unit of government. For ad valorem  
12 property taxes that became a lien before January 1, 1983, the  
13 numerator of the fraction shall be the total state equalized val-  
14 uation for the immediately preceding year multiplied by the  
15 inflation rate and the denominator of the fraction shall be the  
16 total state equalized valuation for the current year minus new  
17 construction and improvements. For ad valorem property taxes  
18 that become a lien after December 31, 1982 and through  
19 December 31, 1994, the numerator of the fraction shall be the  
20 product of the difference between the total state equalized valu-  
21 ation for the immediately preceding year minus losses multiplied  
22 by the inflation rate and the denominator of the fraction shall  
23 be the total state equalized valuation for the current year minus  
24 additions. For ad valorem property taxes that are levied after  
25 December 31, 1994, the numerator of the fraction shall be the  
26 product of the difference between the total taxable value for the  
27 immediately preceding year minus losses multiplied by the

1 inflation rate and the denominator of the fraction shall be the  
2 total taxable value for the current year minus additions. For  
3 each year after 1993, a millage reduction fraction shall not  
4 exceed 1.

5       (8) The compounded millage reduction fraction for each year  
6 after 1980 shall be calculated by multiplying the local unit's  
7 previous year's compounded millage reduction fraction by the cur-  
8 rent year's millage reduction fraction. Beginning with 1980 tax  
9 levies, the compounded millage reduction fraction for the year  
10 shall be multiplied by the maximum millage rate authorized by law  
11 or charter for the unit of local government for the year, except  
12 as provided by subsection (9). A compounded millage reduction  
13 fraction shall not exceed 1.

14       (9) The millage reduction shall be determined separately for  
15 authorized millage approved by the voters. The limitation on  
16 millage authorized by the voters on or before May 31 of a year  
17 shall be calculated beginning with the millage reduction fraction  
18 for that year. Millage authorized by the voters after May 31  
19 shall not be subject to a millage reduction until the year fol-  
20 lowing the voter authorization which shall be calculated begin-  
21 ning with the millage reduction fraction for the year following  
22 the authorization. The first millage reduction fraction used in  
23 calculating the limitation on millage approved by the voters  
24 after January 1, 1979 shall not exceed 1.

25       (10) A millage reduction fraction shall be applied sepa-  
26 rately to the aggregate maximum millage rate authorized by a

1 charter and to each maximum millage rate authorized by state law  
2 for a specific purpose.

3       (11) A unit of local government may submit to the voters for  
4 their approval the levy in that year of a tax rate in excess of  
5 the limit set by this section. The ballot question shall ask the  
6 voters to approve the levy of a specific number of mills in  
7 excess of the limit. The provisions of this section do not allow  
8 the levy of a millage rate in excess of the maximum rate autho-  
9 rized by law or charter. If the authorization to levy millage  
10 expires after 1993 and a local governmental unit is asking voters  
11 to renew the authorization to levy the millage, the ballot ques-  
12 tion shall ask for renewed authorization for the number of expir-  
13 ing mills as reduced by the millage reduction required by this  
14 section. If the election occurs before June 1 of a year, the  
15 millage reduction is based on the immediately preceding year's  
16 millage reduction applicable to that millage. If the election  
17 occurs after May 31 of a year, the millage reduction shall be  
18 based on that year's millage reduction applicable to that millage  
19 had it not expired.

20       (12) A reduction or limitation under this section shall not  
21 be applied to taxes imposed for the payment of principal and  
22 interest on bonds or other evidence of indebtedness or for the  
23 payment of assessments or contract obligations in anticipation of  
24 which bonds are issued that were authorized before December 23,  
25 1978, as provided by former section 4 of chapter I of the municipi-  
26 pal finance act, ~~Act No. 202 of the Public Acts of 1943~~ 1943  
27 PA 202, or to taxes imposed for the payment of principal and

1 interest on bonds or other evidence of indebtedness or for the  
2 payment of assessments or contract obligations in anticipation of  
3 which bonds are issued that are approved by the voters after  
4 December 22, 1978.

5       (13) If it is determined subsequent to the levy of a tax  
6 that an incorrect millage reduction fraction has been applied,  
7 the amount of additional tax revenue or the shortage of tax reve-  
8 nue shall be deducted from or added to the next regular tax levy  
9 for that unit of local government after the determination of the  
10 authorized rate pursuant to this section.

11       (14) If as a result of an appeal of county equalization or  
12 state equalization the taxable value of a unit of local govern-  
13 ment changes, the millage reduction fraction for the year shall  
14 be recalculated. The financial officer shall effectuate an addi-  
15 tion or reduction of tax revenue in the same manner as prescribed  
16 in subsection (13).

17       (15) The fractions calculated pursuant to this section shall  
18 be rounded to 4 decimal places, except that the inflation rate  
19 shall be computed by the state tax commission and shall be  
20 rounded to 3 decimal places. The state tax commission shall pub-  
21 lish the inflation rate before March 1 of each year.

22       (16) Beginning with taxes levied in 1994, the millage reduc-  
23 tion required by section 31 of article IX of the state constitu-  
24 tion of 1963 shall permanently reduce the maximum rate or rates  
25 authorized by law or charter. The reduced maximum authorized  
26 rate or rates for 1994 shall equal the product of the maximum  
27 rate or rates authorized by law or charter before application of

1 this section multiplied by the ~~compound~~ COMPOUNDED millage  
2 reduction applicable to that millage in 1994 pursuant to subsec-  
3 tions (8) to (12). The reduced maximum authorized rate or rates  
4 for 1995 and each year after 1995 shall equal the product of the  
5 immediately preceding year's reduced maximum authorized rate or  
6 rates multiplied by the current year's millage reduction fraction  
7 and shall be adjusted for millage for which authorization has  
8 expired and new authorized millage approved by the voters pursu-  
9 ant to subsections (8) to (12).