

SENATE BILL No. 45

January 30, 2001, Introduced by Senators JAYE and GOSCHKA and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 27a (MCL 211.27a), as amended by 2000 PA
260.

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 lessee a bargain
2 purchase option. As used in this subdivision, "bargain purchase
3 option" means the right to purchase the property at the termina-
4 tion 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 (10), 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, 1961 PA 236, MCL 600.3101 to 600.3280 and
21 MCL 600.5701 to 600.5785, or through deed or conveyance in lieu
22 of a foreclosure or forfeiture, until the mortgagee or land con-
23 tract vendor subsequently transfers the property. If a mortgagee
24 does not transfer the property within 1 year of the expiration of
25 any applicable redemption period, the property shall be adjusted
26 under subsection (3).

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

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

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

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

22 (i) A transfer for security or an assignment or discharge of
23 a security interest.

24 (j) A transfer of real property or other ownership interests
25 among members of an affiliated group. As used in this subsec-
26 tion, "affiliated group" means 1 or more corporations connected
27 by stock ownership to a common parent corporation. Upon request

1 by the state tax commission, a corporation shall furnish proof
2 within 45 days that a transfer meets the requirements of this
3 subdivision. A corporation that fails to comply with a request
4 by the state tax commission under this subdivision is subject to
5 a fine of \$200.00.

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

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

24 (m) A direct or indirect transfer of real property or other
25 ownership interests resulting from a transaction that qualifies
26 as a tax-free reorganization under section 368 of the internal
27 revenue code of 1986. Upon request by the state tax commission,

1 a property owner shall furnish proof within 45 days that a
2 transfer meets the requirements of this subdivision. A property
3 owner who fails to comply with a request by the state tax commis-
4 sion under this subdivision is subject to a fine of \$200.00.

5 (n) A transfer of qualified agricultural property, if the
6 person to whom the qualified agricultural property is transferred
7 files an affidavit with the assessor of the local tax collecting
8 unit in which the qualified agricultural property is located and
9 with the register of deeds for the county in which the qualified
10 agricultural property is located attesting that the qualified
11 agricultural property shall remain qualified agricultural
12 property. The affidavit under this subdivision shall be in a
13 form prescribed by the department of treasury. An owner of qual-
14 ified agricultural property shall inform a prospective buyer of
15 that qualified agricultural property that the qualified agricul-
16 tural property is subject to the recapture tax provided in the
17 agricultural property recapture act, 2000 PA 261, MCL 211.1001 TO
18 211.1007, if the qualified agricultural property is converted by
19 a change in use. If property ceases to be qualified agricultural
20 property at any time after being transferred, all of the follow-
21 ing shall occur:

22 (i) The taxable value of that property shall be adjusted
23 under subsection (3) as of the December 31 in the year that the
24 property ceases to be qualified agricultural property.

25 (ii) The property is subject to the recapture tax provided
26 for under the agricultural property recapture act, 2000 PA 261,
27 MCL 211.1001 TO 211.1007.

1 (O) THE TRANSFER OF BUSINESS PROPERTY WITH A TAXABLE VALUE
2 OF NOT MORE THAN \$2,500,000.00 FROM A PERSON TO A FAMILY MEMBER
3 OF THAT PERSON. AS USED IN THIS SUBDIVISION:

4 (i) "BUSINESS PROPERTY" MEANS PROPERTY CLASSIFIED AS COMMER-
5 CIAL REAL PROPERTY OR INDUSTRIAL REAL PROPERTY UNDER
6 SECTION 34C.

7 (ii) "FAMILY MEMBER" MEANS ALL OF THE FOLLOWING:

8 (A) SPOUSE.

9 (B) CHILD, STEPCHILD, OR ADOPTED CHILD.

10 (C) GRANDCHILD, STEP-GRANDCHILD, OR ADOPTED GRANDCHILD.

11 (D) PARENT, STEPPARENT, OR ADOPTIVE PARENT.

12 (E) GRANDPARENT, STEP-GRANDPARENT, OR ADOPTIVE GRANDPARENT.

13 (F) BROTHER, STEPBROTHER, OR ADOPTIVE BROTHER.

14 (G) SISTER, STEPSISTER, OR ADOPTIVE SISTER.

15 (P) A TRANSFER OF RESIDENTIAL PROPERTY WITH A TAXABLE VALUE
16 OF NOT MORE THAN \$2,500,000.00 FROM A PERSON TO A FAMILY MEMBER
17 OF THAT PERSON. AS USED IN THIS SUBDIVISION:

18 (i) "FAMILY MEMBER" MEANS ALL OF THE FOLLOWING:

19 (A) SPOUSE.

20 (B) CHILD, STEPCHILD, OR ADOPTED CHILD.

21 (C) GRANDCHILD, STEP-GRANDCHILD, OR ADOPTED GRANDCHILD.

22 (D) PARENT, STEPPARENT, OR ADOPTIVE PARENT.

23 (E) GRANDPARENT, STEP-GRANDPARENT, OR ADOPTIVE GRANDPARENT.

24 (F) BROTHER, STEPBROTHER, OR ADOPTIVE BROTHER.

25 (G) SISTER, STEPSISTER, OR ADOPTIVE SISTER.

26 (ii) "RESIDENTIAL PROPERTY" MEANS PROPERTY CLASSIFIED AS
27 RESIDENTIAL REAL PROPERTY UNDER SECTION 34C.

1 (8) If all of the following conditions are satisfied, the
2 local tax collecting unit shall revise the taxable value of qual-
3 ified agricultural property taxable on the tax roll in the pos-
4 session of that local tax collecting unit to the taxable value
5 that qualified agricultural property would have had if there had
6 been no transfer of ownership of that qualified agricultural
7 property since December 31, 1999 and there had been no adjustment
8 of that qualified agricultural property's taxable value under
9 subsection (3) since December 31, 1999:

10 (a) The qualified agricultural property was qualified agri-
11 cultural property for taxes levied in 1999 and each year after
12 1999.

13 (b) The owner of the qualified agricultural property files
14 an affidavit with the assessor of the local tax collecting unit
15 under subsection (7)(n).

16 (9) If the taxable value of qualified agricultural property
17 is adjusted under subsection (8), the owner of that qualified
18 agricultural property shall not be entitled to a refund for any
19 property taxes collected under this act on that qualified agri-
20 cultural property before the adjustment under subsection (8).

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

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

15 (11) As used in this section:

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

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

20 (c) "Converted by a change in use" means that term as
21 defined in the agricultural property recapture act, 2000 PA 261,
22 MCL 211.1001 TO 211.1007.

23 (d) "Inflation rate" means that term as defined in section
24 34d.

25 (e) "Losses" means that term as defined in section 34d.

26 (f) "Qualified agricultural property" means that term as
27 defined in section 7dd.