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BILL ANALYSIS

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House Bill 4065 (Substitute H-1 as passed by the House)
Sponsor: Representative Bruce Caswell
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 4-26-05

CONTENT

The bill would amend the General Property Tax Act to specify that, if the taxable value of property were adjusted to the property's State equalized valuation following a transfer of ownership and the assessor determined that there had not been a transfer of ownership, the taxable value of the property would have to be readjusted at the July or December meeting of the board of review.

Under Article IX, Section 3 of the State Constitution, the assessed value (or State equalized valuation) of a parcel of property must be based on 50% of its true cash value. Assessed value, however, is not usually the same as taxable value, which determines the amount of taxes the owner must pay. Under Article IX, Section 3, taxable value (adjusted for additions and losses) may not increase from one year to the next by more than 5% of the increase in the consumer price index, whichever is lower, until there is a transfer of ownership. At that time, the assessment is "uncapped" and the parcel again is taxed at 50% of its true cash value.

These provisions are reflected in the General Property Tax Act, which provides that, upon a transfer of ownership of property, the property's taxable value for the calendar year following the year of the transfer is the property's State equalized valuation for that year.

Under the bill, if the taxable value of property had been adjusted for a transfer of ownership (or uncapped) and the assessor determined that there had not been a transfer of ownership, the taxable value of the property would have to be adjusted at the July or December board of review. Notwithstanding the limitation provided in Section 53b(1) of the Act on the number of years for which a correction may be made, the July or December board of review could correct the taxable value of property for the current year and for the immediately preceding calendar year. (Under Section 53b(1), corrections for clerical errors may be made only in the year in which the error was made or the following year, except that corrections granting a homestead exemption may be made for the year the appeal was filed and the three immediately preceding tax years.)

A corrected bill would have to be issued for each tax year for which the taxable value was adjusted by the local tax collecting unit if it had possession of the tax roll, or by the county treasurer if the county had possession of the tax roll. For the purposes of Section 53b (which addresses procedures for correcting clerical errors), the adjustment would be considered the correction of a clerical error.

MCL 211.27a

BACKGROUND

The General Property Tax Act provides for the establishment of local boards of review to receive and review the tax assessment roll. The March board of review is charged with hearing taxpayer appeals and making corrections to the assessment roll, as appropriate, regarding the assessment and valuation of property.

The Act also allows the board of review to meet in July and December to correct a clerical error or mutual mistake of fact related to assessment figures, tax rates, and mathematical computations.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would have a negligible impact on State and local revenue.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.