

HOUSE BILL No. 5955

April 8, 2008, Introduced by Rep. Calley 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 2003 PA 274, and
by adding sections 700 and 90.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 700. A RENEWABLE ENERGY SYSTEM THAT IS AFFIXED TO AND
2 MADE A STRUCTURAL PART OF REAL PROPERTY IS EXEMPT FROM THE
3 COLLECTION OF TAXES UNDER THIS ACT. AS USED IN THIS SECTION:

4 (A) "ALTERNATIVE ENERGY SYSTEM" MEANS THAT TERM AS DEFINED IN
5 SECTION 2 OF THE MICHIGAN NEXT ENERGY AUTHORITY ACT, 2002 PA 593,
6 MCL 207.822.

7 (B) "RENEWABLE ENERGY SYSTEM" MEANS BOTH OF THE FOLLOWING:

8 (i) AN ALTERNATIVE ENERGY SYSTEM.

1 (ii) A GEOTHERMAL ENERGY SYSTEM.

2 SEC. 90. PERSONAL PROPERTY THAT IS A RENEWABLE ENERGY SYSTEM
3 IS EXEMPT FROM THE COLLECTION OF TAXES UNDER THIS ACT. AS USED IN
4 THIS SECTION, "RENEWABLE ENERGY SYSTEM" MEANS THAT TERM AS DEFINED
5 IN SECTION 700.

6 Sec. 27. (1) As used in this act, "true cash value" means the
7 usual selling price at the place where the property to which the
8 term is applied is at the time of assessment, being the price that
9 could be obtained for the property at private sale, and not at
10 auction sale except as otherwise provided in this section, or at
11 forced sale. The usual selling price may include sales at public
12 auction held by a nongovernmental agency or person if those sales
13 have become a common method of acquisition in the jurisdiction for
14 the class of property being valued. The usual selling price does
15 not include sales at public auction if the sale is part of a
16 liquidation of the seller's assets in a bankruptcy proceeding or if
17 the seller is unable to use common marketing techniques to obtain
18 the usual selling price for the property. A sale or other
19 disposition by this state or an agency or political subdivision of
20 this state of land acquired for delinquent taxes or an appraisal
21 made in connection with the sale or other disposition or the value
22 attributed to the property of regulated public utilities by a
23 governmental regulatory agency for rate-making purposes is not
24 controlling evidence of true cash value for assessment purposes. In
25 determining the true cash value, the assessor shall also consider
26 the advantages and disadvantages of location; quality of soil;
27 zoning; existing use; present economic income of structures,

1 including farm structures; present economic income of land if the
2 land is being farmed or otherwise put to income producing use;
3 quantity and value of standing timber; water power and privileges;
4 and mines, minerals, quarries, or other valuable deposits known to
5 be available in the land and their value. In determining the true
6 cash value of personal property owned by an electric utility
7 cooperative, the assessor shall consider the number of kilowatt
8 hours of electricity sold per mile of distribution line compared to
9 the average number of kilowatt hours of electricity sold per mile
10 of distribution line for all electric utilities.

11 (2) The assessor shall not consider the increase in true cash
12 value that is a result of expenditures for normal repairs,
13 replacement, and maintenance in determining the true cash value of
14 property for assessment purposes until the property is sold. For
15 the purpose of implementing this subsection, the assessor shall not
16 increase the construction quality classification or reduce the
17 effective age for depreciation purposes, except if the appraisal of
18 the property was erroneous before nonconsideration of the normal
19 repair, replacement, or maintenance, and shall not assign an
20 economic condition factor to the property that differs from the
21 economic condition factor assigned to similar properties as defined
22 by appraisal procedures applied in the jurisdiction. The increase
23 in value attributable to the items included in subdivisions (a) to
24 (o) that is known to the assessor and excluded from true cash value
25 shall be indicated on the assessment roll. This subsection applies
26 only to residential property. The following repairs are considered
27 normal maintenance if they are not part of a structural addition or

1 completion:

2 (a) Outside painting.

3 (b) Repairing or replacing siding, roof, porches, steps,
4 sidewalks, or drives.

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

6 (d) Replacing awnings.

7 (e) Adding or replacing gutters and downspouts.

8 (f) Replacing storm windows or doors.

9 (g) Insulating or weatherstripping.

10 (h) Complete rewiring.

11 (i) Replacing plumbing and light fixtures.

12 (j) Replacing a furnace with a new furnace of the same type,
13 ~~or~~ replacing an oil or gas burner, **OR INSTALLING A RENEWABLE ENERGY**
14 **SYSTEM. AS USED IN THIS SUBDIVISION, "RENEWABLE ENERGY SYSTEM"**
15 **MEANS THAT TERM AS DEFINED IN SECTION 700.**

16 (k) Repairing plaster, inside painting, or other redecorating.

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

18 (m) Removing partitions to enlarge rooms.

19 (n) Replacing an automatic hot water heater.

20 (o) Replacing dated interior woodwork.

21 (3) A city or township assessor, a county equalization
22 department, or the state tax commission before utilizing real
23 estate sales data on real property purchases, including purchases
24 by land contract, to determine assessments or in making sales ratio
25 studies to assess property or equalize assessments shall exclude
26 from the sales data the following amounts allowed by subdivisions
27 (a), (b), and (c) to the extent that the amounts are included in

1 the real property purchase price and are so identified in the real
2 estate sales data or certified to the assessor as provided in
3 subdivision (d):

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

6 (b) Amounts attributable to personal property that were
7 included in the purchase price of the property in the last
8 conveyance of the property.

9 (c) Amounts paid for surveying the property pursuant to the
10 last conveyance of the property. The legislature may require local
11 units of government, including school districts, to submit reports
12 of revenue lost under subdivisions (a) and (b) and this subdivision
13 so that the state may reimburse those units for that lost revenue.

14 (d) The purchaser of real property, including a purchaser by
15 land contract, may file with the assessor of the city or township
16 in which the property is located 2 copies of the purchase agreement
17 or of an affidavit that identifies the amount, if any, for each
18 item listed in subdivisions (a) to (c). One copy shall be forwarded
19 by the assessor to the county equalization department. The
20 affidavit shall be prescribed by the state tax commission.

21 (4) As used in subsection (1), "present economic income" means
22 for leased or rented property the ordinary, general, and usual
23 economic return realized from the lease or rental of property
24 negotiated under current, contemporary conditions between parties
25 equally knowledgeable and familiar with real estate values. The
26 actual income generated by the lease or rental of property is not
27 the controlling indicator of its true cash value in all cases. This

1 subsection does not apply to property subject to a lease entered
2 into before January 1, 1984 for which the terms of the lease
3 governing the rental rate or tax liability have not been
4 renegotiated after December 31, 1983. This subsection does not
5 apply to a nonprofit housing cooperative subject to regulatory
6 agreements between the state or federal government entered into
7 before January 1, 1984. As used in this subsection, "nonprofit
8 cooperative housing corporation" means a nonprofit cooperative
9 housing corporation that is engaged in providing housing services
10 to its stockholders and members and that does not pay dividends or
11 interest upon stock or membership investment but that does
12 distribute all earnings to its stockholders or members.

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

23 (6) For purposes of a statement submitted under section 19,
24 the true cash value of a standard tool is the net book value of
25 that standard tool as of December 31 in each tax year as determined
26 using generally accepted accounting principles in a manner
27 consistent with the established depreciation method used by the

1 person submitting that statement. The net book value of a standard
2 tool for federal income tax purposes is not the presumptive true
3 cash value of that standard tool. As used in this subsection,
4 "standard tool" means that term as defined in section 9b.