

# SENATE BILL No. 1416

June 26, 2008, Introduced by Senators JELINEK, JANSEN, VAN WOERKOM, KAHN and ALLEN and referred to the Committee on Economic Development and Regulatory Reform.

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.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

1 liquidation of the seller's assets in a bankruptcy proceeding or if  
2 the seller is unable to use common marketing techniques to obtain  
3 the usual selling price for the property. A sale or other  
4 disposition by this state or an agency or political subdivision of  
5 this state of land acquired for delinquent taxes or an appraisal  
6 made in connection with the sale or other disposition or the value  
7 attributed to the property of regulated public utilities by a  
8 governmental regulatory agency for rate-making purposes is not  
9 controlling 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 privileges;  
16 and mines, minerals, quarries, or other valuable deposits known to  
17 be available in the land and their value. In determining the true  
18 cash value of personal property owned by an electric utility  
19 cooperative, the assessor shall consider the number of kilowatt  
20 hours of electricity sold per mile of distribution line compared to  
21 the average number of kilowatt hours of electricity sold per mile  
22 of distribution line for all electric utilities.

23 (2) The assessor shall not consider the increase in true cash  
24 value that is a result of expenditures for normal repairs,  
25 replacement, and maintenance in determining the true cash value of  
26 property for assessment purposes until the property is sold. For  
27 the purpose of implementing this subsection, the assessor shall not

1 increase the construction quality classification or reduce the  
2 effective age for depreciation purposes, except if the appraisal of  
3 the property was erroneous before nonconsideration of the normal  
4 repair, replacement, or maintenance, and shall not assign an  
5 economic condition factor to the property that differs from the  
6 economic condition factor assigned to similar properties as defined  
7 by appraisal procedures applied in the jurisdiction. The increase  
8 in value attributable to the items included in subdivisions (a) to  
9 (o) that is known to the assessor and excluded from true cash value  
10 shall be indicated on the assessment roll. This subsection applies  
11 only to residential property. The following repairs are considered  
12 normal maintenance if they are not part of a structural addition or  
13 completion:

- 14 (a) Outside painting.
- 15 (b) Repairing or replacing siding, roof, porches, steps,  
16 sidewalks, or drives.
- 17 (c) Repainting, repairing, or replacing existing masonry.
- 18 (d) Replacing awnings.
- 19 (e) Adding or replacing gutters and downspouts.
- 20 (f) Replacing storm windows or doors.
- 21 (g) Insulating or weatherstripping.
- 22 (h) Complete rewiring.
- 23 (i) Replacing plumbing and light fixtures.
- 24 (j) Replacing a furnace with a new furnace of the same type or  
25 replacing an oil or gas burner.
- 26 (k) Repairing plaster, inside painting, or other redecorating.
- 27 (l) New ceiling, wall, or floor surfacing.

1 (m) Removing partitions to enlarge rooms.

2 (n) Replacing an automatic hot water heater.

3 (o) Replacing dated interior woodwork.

4 (3) A city or township assessor, a county equalization  
5 department, or the state tax commission before utilizing real  
6 estate sales data on real property purchases, including purchases  
7 by land contract, to determine assessments or in making sales ratio  
8 studies to assess property or equalize assessments shall exclude  
9 from the sales data the following amounts allowed by subdivisions  
10 (a), (b), and (c) to the extent that the amounts are included in  
11 the real property purchase price and are so identified in the real  
12 estate sales data or certified to the assessor as provided in  
13 subdivision (d):

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

16 (b) Amounts attributable to personal property that were  
17 included in the purchase price of the property in the last  
18 conveyance of the property.

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

24 (d) The purchaser of real property, including a purchaser by  
25 land contract, may file with the assessor of the city or township  
26 in which the property is located 2 copies of the purchase agreement  
27 or of an affidavit that identifies the amount, if any, for each

1 item listed in subdivisions (a) to (c). One copy shall be forwarded  
2 by the assessor to the county equalization department. The  
3 affidavit shall be prescribed by the state tax commission.

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

23 ~~(5) Beginning December 31, 1994~~ **EXCEPT AS OTHERWISE PROVIDED**  
24 **IN SUBSECTION (6)**, the purchase price paid in a transfer of  
25 property is not the presumptive true cash value of the property  
26 transferred. In determining the true cash value of transferred  
27 property, an assessing officer shall assess that property using the

1 same valuation method used to value all other property of that same  
2 classification in the assessing jurisdiction. As used in this  
3 subsection **AND SUBSECTION (6)**, "purchase price" means the total  
4 consideration agreed to in an arms-length transaction and not at a  
5 forced sale paid by the purchaser of the property, stated in  
6 dollars, whether or not paid in dollars.

7       **(6) THE PURCHASE PRICE PAID IN A TRANSFER OF ELIGIBLE**  
8 **NONPROFIT HOUSING PROPERTY FROM A CHARITABLE NONPROFIT HOUSING**  
9 **ORGANIZATION TO A LOW-INCOME PERSON IS THE PRESUMPTIVE TRUE CASH**  
10 **VALUE OF THE ELIGIBLE NONPROFIT HOUSING PROPERTY TRANSFERRED. AS**  
11 **USED IN THIS SUBSECTION:**

12       **(A) "CHARITABLE NONPROFIT HOUSING ORGANIZATION" MEANS A**  
13 **CHARITABLE NONPROFIT ORGANIZATION THE PRIMARY PURPOSE OF WHICH IS**  
14 **THE CONSTRUCTION OR RENOVATION OF RESIDENTIAL HOUSING FOR**  
15 **CONVEYANCE TO A LOW-INCOME PERSON.**

16       **(B) "ELIGIBLE NONPROFIT HOUSING PROPERTY" MEANS PROPERTY OWNED**  
17 **BY A CHARITABLE NONPROFIT HOUSING ORGANIZATION, THE OWNERSHIP OF**  
18 **WHICH THE CHARITABLE NONPROFIT HOUSING ORGANIZATION INTENDS TO**  
19 **TRANSFER TO A LOW-INCOME PERSON AFTER CONSTRUCTION OR RENOVATION OF**  
20 **THE PROPERTY IS COMPLETED.**

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

24       **(D) "LOW-INCOME PERSON" MEANS A PERSON WITH A FAMILY INCOME OF**  
25 **NOT MORE THAN 60% OF THE STATEWIDE MEDIAN GROSS INCOME WHO IS**  
26 **ELIGIBLE TO PARTICIPATE IN THE CHARITABLE NONPROFIT HOUSING**  
27 **ORGANIZATION'S PROGRAM BASED ON CRITERIA ESTABLISHED BY THE**

**1 CHARITABLE NONPROFIT HOUSING ORGANIZATION.**

2       (7) ~~(6)~~—For purposes of a statement submitted under section  
3 19, the true cash value of a standard tool is the net book value of  
4 that standard tool as of December 31 in each tax year as determined  
5 using generally accepted accounting principles in a manner  
6 consistent with the established depreciation method used by the  
7 person submitting that statement. The net book value of a standard  
8 tool for federal income tax purposes is not the presumptive true  
9 cash value of that standard tool. As used in this subsection,  
10 "standard tool" means that term as defined in section 9b.