

HOUSE BILL No. 6488

November 8, 2018, Introduced by Rep. VanderWall 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 2013 PA 162.

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
11 liquidation of the seller's assets in a bankruptcy proceeding or if

1 the seller is unable to use common marketing techniques to obtain
2 the usual selling price for the property. A sale or other
3 disposition by this state or an agency or political subdivision of
4 this state of land acquired for delinquent taxes or an appraisal
5 made in connection with the sale or other disposition or the value
6 attributed to the property of regulated public utilities by a
7 governmental regulatory agency for rate-making purposes is not
8 controlling evidence of true cash value for assessment purposes. In
9 determining the true cash value, the assessor shall also consider
10 the advantages and disadvantages of location; quality of soil;
11 zoning; existing use; present economic income of structures,
12 including farm structures; present economic income of land if the
13 land is being farmed or otherwise put to income producing use;
14 quantity and value of standing timber; water power and privileges;
15 minerals, quarries, or other valuable deposits not otherwise exempt
16 under this act known to be available in the land and their value.
17 In determining the true cash value of personal property owned by an
18 electric utility cooperative, the assessor shall consider the
19 number of kilowatt hours of electricity sold per mile of
20 distribution line compared to the average number of kilowatt hours
21 of electricity sold per mile of distribution line for all electric
22 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) In finalizing sales studies for property classified as
5 agricultural real property under section 34c, an assessor and
6 equalization director shall determine if an affidavit for the
7 property has been filed under section ~~27a(7)(n)~~. **27A(7)(O)**. If an
8 affidavit has not been filed, the property shall be reviewed to
9 determine if classification as agricultural real property under
10 section 34c is correct or should be changed. The assessor for the
11 local tax collecting unit in which the property is located shall
12 contact the property owner to determine why the property owner did
13 not file an affidavit under section ~~27a(7)(n)~~. **27A(7)(O)**. Unless
14 there are convincing facts to the contrary, the sale of property
15 classified as agricultural real property under section 34c for
16 which an affidavit under section ~~27a(7)(n)~~ **27A(7)(O)** has not been
17 filed shall not be included in a sales study.

18 (5) As used in subsection (1), "present economic income" means
19 for leased or rented property the ordinary, general, and usual
20 economic return realized from the lease or rental of property
21 negotiated under current, contemporary conditions between parties
22 equally knowledgeable and familiar with real estate values. The
23 actual income generated by the lease or rental of property is not
24 the controlling indicator of its true cash value in all cases. This
25 subsection does not apply to property subject to a lease entered
26 into before January 1, 1984 for which the terms of the lease
27 governing the rental rate or tax liability have not been

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

10 (6) Except as otherwise provided in subsection (7), the
11 purchase price paid in a transfer of property is not the
12 presumptive true cash value of the property transferred. In
13 determining the true cash value of transferred property, an
14 assessing officer shall assess that property using the same
15 valuation method used to value all other property of that same
16 classification in the assessing jurisdiction. As used in this
17 subsection and subsection (7), "purchase price" means the total
18 consideration agreed to in an arms-length transaction and not at a
19 forced sale paid by the purchaser of the property, stated in
20 dollars, whether or not paid in dollars.

21 (7) The purchase price paid in a transfer of eligible
22 nonprofit housing property from a charitable nonprofit housing
23 organization to a low-income person that occurs after December 31,
24 2010 is the presumptive true cash value of the eligible nonprofit
25 housing property transferred. In the year immediately succeeding
26 the year in which the transfer of eligible nonprofit housing
27 property occurs and each year thereafter, the taxable value of the

1 eligible nonprofit housing property shall be adjusted as provided
2 under section 27a. As used in this subsection:

3 (a) "Charitable nonprofit housing organization" means a
4 charitable nonprofit organization the primary purpose of which is
5 the construction or renovation of residential housing for
6 conveyance to a low-income person.

7 (b) "Eligible nonprofit housing property" means property owned
8 by a charitable nonprofit housing organization, the ownership of
9 which the charitable nonprofit housing organization intends to
10 transfer to a low-income person after construction or renovation of
11 the property is completed.

12 (c) "Family income" and "statewide median gross income" mean
13 those terms as defined in section 11 of the state housing
14 development authority act of 1966, 1966 PA 346, MCL 125.1411.

15 (d) "Low-income person" means a person with a family income of
16 not more than 60% of the statewide median gross income who is
17 eligible to participate in the charitable nonprofit housing
18 organization's program based on criteria established by the
19 charitable nonprofit housing organization.

20 (8) For purposes of a statement submitted under section 19,
21 the true cash value of a standard tool is the net book value of
22 that standard tool as of December 31 in each tax year as determined
23 using generally accepted accounting principles in a manner
24 consistent with the established depreciation method used by the
25 person submitting that statement. The net book value of a standard
26 tool for federal income tax purposes is not the presumptive true
27 cash value of that standard tool. As used in this subsection,

1 "standard tool" means that term as defined in section 9b.

2 (9) FOR PURPOSES OF A STATEMENT SUBMITTED UNDER SECTION 19,
3 THE TRUE CASH VALUE OF A WIND ENERGY SYSTEM IS THE SUM OF ITS
4 ORIGINAL (HISTORICAL) INSTALLED COST MULTIPLIED BY THE APPLICABLE
5 MULTIPLIER, PLUS THE VALUE OF ANY APPLICABLE EASEMENTS, RIGHTS-OF-
6 WAY, OR LEASEHOLD INTERESTS PRORATED PER MEGAWATT FOR EACH WIND
7 TURBINE, BUT NOT LESS THAN \$29,067.00 PER MEGAWATT. AS USED IN THIS
8 SUBSECTION:

9 (A) "APPLICABLE MULTIPLIER" MEANS 1 OF THE FOLLOWING:

10 (i) FOR EACH WIND ENERGY SYSTEM REPORTED, A MULTIPLIER SET
11 FORTH IN A TABLE OF MULTIPLIERS ADOPTED BY THE STATE TAX COMMISSION
12 ON OR BEFORE NOVEMBER 30, 2018 BASED ON THE FOLLOWING ASSUMPTIONS:

13 (A) THE AVERAGE SERVICE LIFE OF A WIND ENERGY SYSTEM IS AT
14 LEAST 30 YEARS.

15 (B) THE APPROPRIATE MULTIPLIER FOR THE YEAR IMMEDIATELY
16 SUCCEEDING COMPLETED INSTALLATION OF A WIND ENERGY SYSTEM IS 1.0;
17 FOR EACH YEAR THAT PASSES THEREAFTER, THE APPROPRIATE REDUCTION OF
18 THE MULTIPLIER MUST NOT EXCEED 0.04; AND, NO MATTER HOW MANY YEARS
19 PASS AFTER INSTALLATION, THE MULTIPLIER MUST BE AT LEAST 0.4 UNTIL
20 THE WIND ENERGY SYSTEM IS PHYSICALLY REMOVED.

21 (C) NO ADJUSTMENTS TO MULTIPLIERS ARE TO BE MADE FOR TAX OR
22 OTHER GOVERNMENTAL INCENTIVES.

23 (ii) IF THE STATE TAX COMMISSION FAILS TO ADOPT THE MULTIPLIER
24 TABLE DESCRIBED IN SUBPARAGRAPH (i) ON OR BEFORE NOVEMBER 30, 2018,
25 FOR EACH WIND ENERGY SYSTEM REPORTED, A MULTIPLIER SET FORTH IN A
26 TABLE THAT THE STATE TAX COMMISSION SHALL ADOPT ON OR BEFORE
27 DECEMBER 31, 2018 BASED ON THE FOLLOWING ASSUMPTIONS:

1 (A) THE AVERAGE SERVICE LIFE OF A WIND ENERGY SYSTEM IS AT
2 LEAST 30 YEARS.

3 (B) THE APPROPRIATE MULTIPLIER FOR THE YEAR IMMEDIATELY
4 SUCCEEDING COMPLETED INSTALLATION OF A WIND ENERGY SYSTEM IS 1.0;
5 FOR EACH YEAR THAT PASSES THEREAFTER, THE APPROPRIATE REDUCTION OF
6 THE MULTIPLIER IS 0.04; AND, ONCE THE MULTIPLIER FOR A WIND ENERGY
7 SYSTEM IS REDUCED TO 0.4, IT REMAINS 0.4 FOR ALL SUBSEQUENT YEARS
8 UNTIL THE WIND ENERGY SYSTEM IS PHYSICALLY REMOVED.

9 (C) NO ADJUSTMENTS TO MULTIPLIERS ARE TO BE MADE FOR TAX OR
10 OTHER GOVERNMENTAL INCENTIVES.

11 (B) "ORIGINAL (HISTORICAL) INSTALLED COST" MEANS THE ORIGINAL
12 COST NEW OF ALL SITE IMPROVEMENTS IN THE YEAR INCURRED REPORTED IN
13 ACCORDANCE WITH THE ASSET RECORDING METHODS REQUIRED UNDER
14 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, INCLUDING, BUT NOT
15 LIMITED TO, THOSE COSTS DESCRIBED IN SUBPARAGRAPHS (i) AND (ii),
16 AND SUBJECT TO SUBPARAGRAPH (iii), AS FOLLOWS:

17 (i) DIRECT COSTS, INCLUDING, BUT NOT LIMITED TO, COSTS OF
18 INSTALLATION, EQUIPMENT, MATERIALS, AND LABOR; COSTS OF THE ROTOR,
19 DRIVE TRAIN, TOWER, CONTROLS, ELECTRIC INTERFACE, AND TOWER
20 FOUNDATION; COSTS OF ALL LAND IMPROVEMENTS OTHER THAN BUILDINGS,
21 INCLUDING, BUT NOT LIMITED TO, ROADS AND FENCES; COSTS OF COMPUTER
22 EQUIPMENT AND COMMUNICATION FACILITIES; AND THE CONTRACTOR'S PROFIT
23 REQUIRED TO CONSTRUCT THE WIND ENERGY SYSTEM.

24 (ii) INDIRECT COSTS, INCLUDING, BUT NOT LIMITED TO,
25 ADMINISTRATIVE COSTS, OVERHEAD, FREIGHT, WIND STUDIES, AND
26 PROFESSIONAL FEES; FINANCING COSTS, INCLUDING INTEREST PAID ON
27 CONSTRUCTION LOANS; TAXES, INCLUDING SALES TAX; AND THE BUILDER'S

1 OR DEVELOPER'S ALL-RISK INSURANCE DURING CONSTRUCTION.

2 (iii) COSTS UNDER THIS SUBDIVISION SHALL BE DETERMINED WITHOUT
3 ADJUSTMENT FOR PURCHASE-METHOD, FRESH-START, OR PUSH-DOWN
4 ACCOUNTING AND WITHOUT REDUCTION FOR THE VALUE OF ANY TAX OR OTHER
5 GOVERNMENTAL INCENTIVES.

6 (C) "WIND ENERGY SYSTEM" MEANS THAT TERM AS DEFINED IN SECTION
7 8 (l) .