

HOUSE BILL NO. 5865

June 26, 2024, Introduced by Reps. Hill, Brixie, Wilson, Xiong, Wegela, Tsernoglou, Hope, Rheingans, Rogers, Hood, Steckloff, Breen, Brabec, Paiz, McKinney, Price, McFall, Mentzer, Byrnes, Dievendorf, Edwards, Roth and Morgan 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 2022 PA 240.

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

1 forced sale. The usual selling price may include sales at public
2 auction held by a nongovernmental agency or person if those sales
3 have become a common method of acquisition in the jurisdiction for
4 the class of property being valued. The usual selling price does
5 not include sales at public auction if the sale is part of a
6 liquidation of the seller's assets in a bankruptcy proceeding or if
7 the seller is unable to use common marketing techniques to obtain
8 the usual selling price for the property. A sale or other
9 disposition by this state or an agency or political subdivision of
10 this state of land acquired for delinquent taxes or an appraisal
11 made in connection with the sale or other disposition or the value
12 attributed to the property of regulated public utilities by a
13 governmental regulatory agency for rate-making purposes is not
14 controlling evidence of true cash value for assessment purposes. In
15 determining the true cash value, the assessor shall also consider
16 the advantages and disadvantages of location; quality of soil;
17 zoning; existing use; present economic income of structures,
18 including farm structures; present economic income of land if the
19 land is being farmed or otherwise put to income producing use;
20 quantity and value of standing timber; water power and privileges;
21 minerals, quarries, or other valuable deposits not otherwise exempt
22 under this act known to be available in the land and their value.
23 In determining the true cash value of personal property owned by an
24 electric utility cooperative, the assessor shall consider the
25 number of kilowatt hours of electricity sold per mile of
26 distribution line compared to the average number of kilowatt hours
27 of electricity sold per mile of distribution line for all electric
28 utilities.

29 (2) The assessor shall not consider the increase in true cash

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

- 18 (a) Outside painting.
- 19 (b) Repairing or replacing siding, roof, porches, steps,
20 sidewalks, or drives.
- 21 (c) Repainting, repairing, or replacing existing masonry.
- 22 (d) Replacing awnings.
- 23 (e) Adding or replacing gutters and downspouts.
- 24 (f) Replacing storm windows or doors.
- 25 (g) Insulating or weatherstripping.
- 26 (h) Complete rewiring.
- 27 (i) Replacing plumbing and light fixtures.
- 28 (j) Replacing a furnace with a new furnace of the same type or
29 replacing an oil or gas burner.

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

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

3 (m) Removing partitions to enlarge rooms.

4 (n) Replacing an automatic hot water heater.

5 (o) Replacing dated interior woodwork.

6 (p) Installing, replacing, or repairing an alternative energy
7 system, without regard to ownership of the system, with a
8 generating capacity of not more than 150 kilowatts, the annual
9 energy output of which does not exceed the annual energy
10 consumption measured by the utility-provided electrical meter on
11 the system to which it is connected. As used in this subdivision,
12 "alternative energy system" means that term as defined in section 2
13 of the Michigan next energy authority act, 2002 PA 593, MCL
14 207.822.

15 (q) Installing, replacing, or repairing a whole-home
16 generator.

17 (3) A city or township assessor, a county equalization
18 department, or the state tax commission before utilizing real
19 estate sales data on real property purchases, including purchases
20 by land contract, to determine assessments or in making sales ratio
21 studies to assess property or equalize assessments shall exclude
22 from the sales data the following amounts allowed by subdivisions
23 (a), (b), and (c) to the extent that the amounts are included in
24 the real property purchase price and are so identified in the real
25 estate sales data or certified to the assessor as provided in
26 subdivision (d):

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

29 (b) Amounts attributable to personal property that were

1 included in the purchase price of the property in the last
2 conveyance of the property.

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

8 (d) The purchaser of real property, including a purchaser by
9 land contract, may file with the assessor of the city or township
10 in which the property is located 2 copies of the purchase agreement
11 or of an affidavit that identifies the amount, if any, for each
12 item listed in subdivisions (a) to (c). The assessor shall forward
13 1 copy to the county equalization department. The affidavit must be
14 as prescribed by the state tax commission.

15 (4) In finalizing sales studies for property classified as
16 agricultural real property under section 34c, an assessor and
17 equalization director shall determine if an affidavit for the
18 property has been filed under section 27a(7)(o). If an affidavit
19 has not been filed, the property must be reviewed to determine if
20 classification as agricultural real property under section 34c is
21 correct or should be changed. The assessor for the local tax
22 collecting unit in which the property is located shall contact the
23 property owner to determine why the property owner did not file an
24 affidavit under section 27a(7)(o). Unless there are convincing
25 facts to the contrary, the sale of property classified as
26 agricultural real property under section 34c for which an affidavit
27 under section 27a(7)(o) has not been filed must not be included in
28 a sales study.

29 (5) As used in subsection (1), "present economic income" means

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

19 (6) Except as otherwise provided in subsection (7), the
20 purchase price paid in a transfer of property is not the
21 presumptive true cash value of the property transferred. In
22 determining the true cash value of transferred property, an
23 assessing officer shall assess that property using the same
24 valuation method used to value all other property of that same
25 classification in the assessing jurisdiction. As used in this
26 subsection and subsection (7), "purchase price" means the total
27 consideration agreed to in an arms-length transaction and not at a
28 forced sale paid by the purchaser of the property, stated in
29 dollars, whether or not paid in dollars.

1 (7) For a transfer of eligible nonprofit housing property from
2 a charitable nonprofit housing organization to a low-income person
3 that occurs after December 31, 2010 through December 30, 2021, the
4 purchase price paid is the presumptive true cash value of the
5 eligible nonprofit housing property transferred. For a transfer of
6 eligible nonprofit housing property from a charitable nonprofit
7 housing organization to a low-income person that occurs on or after
8 December 31, 2021, the loan amount stated in the closing disclosure
9 form for the transfer is the presumptive true cash value of the
10 eligible nonprofit housing property transferred. In the year
11 immediately succeeding the year in which the transfer of eligible
12 nonprofit housing property occurs and each year thereafter, the
13 taxable value of the eligible nonprofit housing property must be
14 adjusted as provided under section 27a. As used in this subsection:

15 (a) "Charitable nonprofit housing organization" means a
16 charitable nonprofit organization the primary purpose of which is
17 the construction or renovation of residential housing for
18 conveyance to a low-income person.

19 (b) "Eligible nonprofit housing property" means property owned
20 by a charitable nonprofit housing organization, the ownership of
21 which the charitable nonprofit housing organization intends to
22 transfer to a low-income person after construction or renovation of
23 the property is completed.

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

27 (d) "Low-income person" means a person with a family income of
28 not more than 80% of the statewide median gross income who is
29 eligible to participate in the charitable nonprofit housing

1 organization's program based on criteria established by the
2 charitable nonprofit housing organization.

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

12 (9) **When using the comparable-sales method of assessing the**
13 **true cash value of real property, an assessor shall not consider as**
14 **comparable a sale or rental of property made subject to a private**
15 **restriction or covenant that prohibits the use to which the**
16 **property under assessment is actually employed or, if the property**
17 **under assessment is not being used, any use for which it is readily**
18 **adapted. As used in this subsection, "private restriction or**
19 **covenant" means a requirement, provision, or statement in a deed,**
20 **lease, or contract that restrains or limits the use of the property**
21 **or requires a use of the property.**