

SENATE BILL No. 726

September 24, 2003, Introduced by Senators SWITALSKI, OLSHOVE and SANBORN and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled "The general property tax act," by amending section 27a (MCL 211.27a), as amended by 2000 PA 260.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

SENATE BILL No. 726

1 Sec. 27a. (1) Except as otherwise provided in this section,
2 property shall be assessed at 50% of its true cash value under
3 section 3 of article IX of the state constitution of 1963. **The**
4 **taxable value of a park owned by a county, township, city,**
5 **village, or school district that is not exempt under section 7m**
6 **shall be considered to be included as a portion of the taxable**
7 **value of the real property subject to the collection of taxes**
8 **under this act located in the county, township, city, village, or**
9 **school district in which the park is located and the taxable**
10 **value of the park shall be zero.**

1 (2) Except as otherwise provided in subsection (3), for taxes
2 levied in 1995 and for each year after 1995, the taxable value of
3 each parcel of property is the lesser of the following:

4 (a) The property's taxable value in the immediately preceding
5 year minus any losses, multiplied by the lesser of 1.05 or the
6 inflation rate, plus all additions. For taxes levied in 1995,
7 the property's taxable value in the immediately preceding year is
8 the property's state equalized valuation in 1994.

9 (b) The property's current state equalized valuation.

10 (3) Upon a transfer of ownership of property after 1994, the
11 property's taxable value for the calendar year following the year
12 of the transfer is the property's state equalized valuation for
13 the calendar year following the transfer.

14 (4) If the taxable value of property is adjusted under
15 subsection (3), a subsequent increase in the property's taxable
16 value is subject to the limitation set forth in subsection (2)
17 until a subsequent transfer of ownership occurs.

18 (5) Assessment of property, as required in this section and
19 section 27, is inapplicable to the assessment of property subject
20 to the levy of ad valorem taxes within voted tax limitation
21 increases to pay principal and interest on limited tax bonds
22 issued by any governmental unit, including a county, township,
23 community college district, or school district, before January 1,
24 1964, if the assessment required to be made under this act would
25 be less than the assessment as state equalized prevailing on the
26 property at the time of the issuance of the bonds. This
27 inapplicability shall continue until levy of taxes to pay

1 principal and interest on the bonds is no longer required. The
2 assessment of property required by this act shall be applicable
3 for all other purposes.

4 (6) As used in this act, "transfer of ownership" means the
5 conveyance of title to or a present interest in property,
6 including the beneficial use of the property, the value of which
7 is substantially equal to the value of the fee interest.

8 Transfer of ownership of property includes, but is not limited
9 to, the following:

10 (a) A conveyance by deed.

11 (b) A conveyance by land contract. The taxable value of
12 property conveyed by a land contract executed after December 31,
13 1994 shall be adjusted under subsection (3) for the calendar year
14 following the year in which the contract is entered into and
15 shall not be subsequently adjusted under subsection (3) when the
16 deed conveying title to the property is recorded in the office of
17 the register of deeds in the county in which the property is
18 located.

19 (c) A conveyance to a trust after December 31, 1994, except
20 if the settlor or the settlor's spouse, or both, conveys the
21 property to the trust and the sole present beneficiary or
22 beneficiaries are the settlor or the settlor's spouse, or both.

23 (d) A conveyance by distribution from a trust, except if the
24 distributee is the sole present beneficiary or the spouse of the
25 sole present beneficiary, or both.

26 (e) A change in the sole present beneficiary or beneficiaries
27 of a trust, except a change that adds or substitutes the spouse

1 of the sole present beneficiary.

2 (f) A conveyance by distribution under a will or by intestate
3 succession, except if the distributee is the decedent's spouse.

4 (g) A conveyance by lease if the total duration of the lease,
5 including the initial term and all options for renewal, is more
6 than 35 years or the lease grants the lessee a bargain purchase
7 option. As used in this subdivision, "bargain purchase option"
8 means the right to purchase the property at the termination of
9 the lease for not more than 80% of the property's projected true
10 cash value at the termination of the lease. After December 31,
11 1994, the taxable value of property conveyed by a lease with a
12 total duration of more than 35 years or with a bargain purchase
13 option shall be adjusted under subsection (3) for the calendar
14 year following the year in which the lease is entered into. This
15 subdivision does not apply to personal property except buildings
16 described in section 14(6) and personal property described in
17 section 8(h), (i), and (j). This subdivision does not apply to
18 that portion of the property not subject to the leasehold
19 interest conveyed.

20 (h) A conveyance of an ownership interest in a corporation,
21 partnership, sole proprietorship, limited liability company,
22 limited liability partnership, or other legal entity if the
23 ownership interest conveyed is more than 50% of the corporation,
24 partnership, sole proprietorship, limited liability company,
25 limited liability partnership, or other legal entity. Unless
26 notification is provided under subsection (10), the corporation,
27 partnership, sole proprietorship, limited liability company,

1 limited liability partnership, or other legal entity shall notify
2 the assessing officer on a form provided by the state tax
3 commission not more than 45 days after a conveyance of an
4 ownership interest that constitutes a transfer of ownership under
5 this subdivision.

6 (i) A transfer of property held as a tenancy in common,
7 except that portion of the property not subject to the ownership
8 interest conveyed.

9 (j) A conveyance of an ownership interest in a cooperative
10 housing corporation, except that portion of the property not
11 subject to the ownership interest conveyed.

12 (7) Transfer of ownership does not include the following:

13 (a) The transfer of property from 1 spouse to the other
14 spouse or from a decedent to a surviving spouse.

15 (b) A transfer from a husband, a wife, or a husband and wife
16 creating or disjoining a tenancy by the entireties in the
17 grantors or the grantor and his or her spouse.

18 (c) A transfer of that portion of property subject to a life
19 estate or life lease retained by the transferor, until expiration
20 or termination of the life estate or life lease. That portion of
21 property transferred that is not subject to a life lease shall be
22 adjusted under subsection (3).

23 (d) A transfer through foreclosure or forfeiture of a
24 recorded instrument under chapter 31, 32, or 57 of the revised
25 judicature act of 1961, 1961 PA 236, MCL 600.3101 to 600.3280 and
26 MCL 600.5701 to 600.5785, or through deed or conveyance in lieu
27 of a foreclosure or forfeiture, until the mortgagee or land

1 contract vendor subsequently transfers the property. If a
2 mortgagee does not transfer the property within 1 year of the
3 expiration of any applicable redemption period, the property
4 shall be adjusted under subsection (3).

5 (e) A transfer by redemption by the person to whom taxes are
6 assessed of property previously sold for delinquent taxes.

7 (f) A conveyance to a trust if the settlor or the settlor's
8 spouse, or both, conveys the property to the trust and the sole
9 present beneficiary of the trust is the settlor or the settlor's
10 spouse, or both.

11 (g) A transfer pursuant to a judgment or order of a court of
12 record making or ordering a transfer, unless a specific monetary
13 consideration is specified or ordered by the court for the
14 transfer.

15 (h) A transfer creating or terminating a joint tenancy
16 between 2 or more persons if at least 1 of the persons was an
17 original owner of the property before the joint tenancy was
18 initially created and, if the property is held as a joint tenancy
19 at the time of conveyance, at least 1 of the persons was a joint
20 tenant when the joint tenancy was initially created and that
21 person has remained a joint tenant since the joint tenancy was
22 initially created. A joint owner at the time of the last
23 transfer of ownership of the property is an original owner of the
24 property. For purposes of this subdivision, a person is an
25 original owner of property owned by that person's spouse.

26 (i) A transfer for security or an assignment or discharge of
27 a security interest.

1 (j) A transfer of real property or other ownership interests
2 among members of an affiliated group. As used in this
3 subsection, "affiliated group" means 1 or more corporations
4 connected by stock ownership to a common parent corporation.
5 Upon request by the state tax commission, a corporation shall
6 furnish proof within 45 days that a transfer meets the
7 requirements of this subdivision. A corporation that fails to
8 comply with a request by the state tax commission under this
9 subdivision is subject to a fine of \$200.00.

10 (k) Normal public trading of shares of stock or other
11 ownership interests that, over any period of time, cumulatively
12 represent more than 50% of the total ownership interest in a
13 corporation or other legal entity and are traded in multiple
14 transactions involving unrelated individuals, institutions, or
15 other legal entities.

16 (l) A transfer of real property or other ownership interests
17 among corporations, partnerships, limited liability companies,
18 limited liability partnerships, or other legal entities if the
19 entities involved are commonly controlled. Upon request by the
20 state tax commission, a corporation, partnership, limited
21 liability company, limited liability partnership, or other legal
22 entity shall furnish proof within 45 days that a transfer meets
23 the requirements of this subdivision. A corporation,
24 partnership, limited liability company, limited liability
25 partnership, or other legal entity that fails to comply with a
26 request by the state tax commission under this subdivision is
27 subject to a fine of \$200.00.

1 (m) A direct or indirect transfer of real property or other
2 ownership interests resulting from a transaction that qualifies
3 as a tax-free reorganization under section 368 of the internal
4 revenue code of 1986. Upon request by the state tax commission,
5 a property owner shall furnish proof within 45 days that a
6 transfer meets the requirements of this subdivision. A property
7 owner who fails to comply with a request by the state tax
8 commission under this subdivision is subject to a fine of
9 \$200.00.

10 (n) A transfer of qualified agricultural property, if the
11 person to whom the qualified agricultural property is transferred
12 files an affidavit with the assessor of the local tax collecting
13 unit in which the qualified agricultural property is located and
14 with the register of deeds for the county in which the qualified
15 agricultural property is located attesting that the qualified
16 agricultural property shall remain qualified agricultural
17 property. The affidavit under this subdivision shall be in a
18 form prescribed by the department of treasury. An owner of
19 qualified agricultural property shall inform a prospective buyer
20 of that qualified agricultural property that the qualified
21 agricultural property is subject to the recapture tax provided in
22 the agricultural property recapture act, if the qualified
23 agricultural property is converted by a change in use. If
24 property ceases to be qualified agricultural property at any time
25 after being transferred, all of the following shall occur:

26 (i) The taxable value of that property shall be adjusted
27 under subsection (3) as of the December 31 in the year that the

1 property ceases to be qualified agricultural property.

2 (ii) The property is subject to the recapture tax provided
3 for under the agricultural property recapture act.

4 (8) If all of the following conditions are satisfied, the
5 local tax collecting unit shall revise the taxable value of
6 qualified agricultural property taxable on the tax roll in the
7 possession of that local tax collecting unit to the taxable value
8 that qualified agricultural property would have had if there had
9 been no transfer of ownership of that qualified agricultural
10 property since December 31, 1999 and there had been no adjustment
11 of that qualified agricultural property's taxable value under
12 subsection (3) since December 31, 1999:

13 (a) The qualified agricultural property was qualified
14 agricultural property for taxes levied in 1999 and each year
15 after 1999.

16 (b) The owner of the qualified agricultural property files an
17 affidavit with the assessor of the local tax collecting unit
18 under subsection (7)(n).

19 (9) If the taxable value of qualified agricultural property
20 is adjusted under subsection (8), the owner of that qualified
21 agricultural property shall not be entitled to a refund for any
22 property taxes collected under this act on that qualified
23 agricultural property before the adjustment under subsection
24 (8).

25 (10) The register of deeds of the county where deeds or other
26 title documents are recorded shall notify the assessing officer
27 of the appropriate local taxing unit not less than once each

1 month of any recorded transaction involving the ownership of
2 property and shall make any recorded deeds or other title
3 documents available to that county's tax or equalization
4 department. Unless notification is provided under subsection
5 (6), the buyer, grantee, or other transferee of the property
6 shall notify the appropriate assessing office in the local unit
7 of government in which the property is located of the transfer of
8 ownership of the property within 45 days of the transfer of
9 ownership, on a form prescribed by the state tax commission that
10 states the parties to the transfer, the date of the transfer, the
11 actual consideration for the transfer, and the property's parcel
12 identification number or legal description. Forms filed in the
13 assessing office of a local unit of government under this
14 subsection shall be made available to the county tax or
15 equalization department for the county in which that local unit
16 of government is located. This subsection does not apply to
17 personal property except buildings described in section 14(6) and
18 personal property described in section 8(h), (i), and (j).

19 (11) As used in this section:

20 (a) "Additions" means that term as defined in section 34d.

21 (b) "Beneficial use" means the right to possession, use, and
22 enjoyment of property, limited only by encumbrances, easements,
23 and restrictions of record.

24 (c) "Converted by a change in use" means that term as defined
25 in the agricultural property recapture act.

26 (d) "Inflation rate" means that term as defined in section
27 34d.

1 (e) "Losses" means that term as defined in section 34d.

2 (f) "Qualified agricultural property" means that term as

3 defined in section 7dd.