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DEPARTMENT OF TREASURY  
LANSING

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**BULLETIN NO. 11  
CHANGES FOR 2008  
November 6, 2007**

TO: Assessors  
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2008 ASSESSMENT YEAR**

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2008 assessment year that Assessor's and Equalization Directors should be aware of.

**A. Inflation Rate Used in the 2008 Capped Value Formula.**

The inflation rate, expressed as a multiplier, to be used in the 2008 Capped Value formula is 1.023. The 2008 Capped Value Formula is as follows:

$$\mathbf{2008\ CAPPED\ VALUE = (2007\ Taxable\ Value - LOSSES) \times 1.023 + ADDITIONS}$$

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.023 is lower than 1.05.

**B. Reporting of State Equalized Value and Industrial/Commercial State Equalized Value.**

The State Assessor's Board annually determines certification levels required for Townships, Cities and Counties. These levels are based upon the equivalent State Equalized Value of the unit including the State Equalized Value carried on specific rolls such as the Industrial Facilities Tax Roll, etc. When an assessing officer is responsible for more than one unit of government, the certification level for those units of government is measured by using the combined value for all the units the assessing officer is responsible for.

MCL 211.10f indicates:

If a local assessing district does not have an assessment roll that has been certified by a qualified certified assessing officer, or if a certified assessor or a board of review for a local tax collecting unit is not in substantial compliance with the provisions of this act, the state tax commission shall assume jurisdiction over the assessment roll and provide for the preparation of a certified roll.

In order to assist the State Tax Commission and the State Assessors Board in making a determination whether local units have a properly certified assessor, beginning in 2008, **the State Tax Commission is requiring that all assessors file with the Commission a form that provides the Total Equivalent SEV and the Total Equivalent Industrial/Commercial SEV for their unit(s).** The Commercial/Industrial SEV figures are to include values for all commercial real, industrial real, commercial personal, industrial personal and utility personal property from both the ad valorem roll and specific rolls. This form must be submitted to the State Tax Commission by April 9, 2008. The required form will be available on the State Tax Commission website by January 1, 2008.

### **C. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2008.**

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002. Please see STC Bulletin No. 5 of 1995 and page 3 of STC Bulletin No. 1 of 2003 for more detailed information.

Local governing bodies are required to adopt guidelines that set income levels for their poverty exemption guidelines and those income levels **shall not be set lower** by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 3 persons **shall not** be set lower than \$17,170 which is the amount shown on the following chart for a family of 3 persons. The income level for a family of 3 persons may be set higher than \$17,170.

Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2008 assessments.

| <b>Size of Family Unit</b>      | <b>Poverty Guidelines</b> |
|---------------------------------|---------------------------|
| 1                               | \$ 10,210                 |
| 2                               | \$ 13,690                 |
| 3                               | \$ 17,170                 |
| 4                               | \$ 20,650                 |
| 5                               | \$ 24,130                 |
| 6                               | \$ 27,610                 |
| 7                               | \$ 31,090                 |
| 8                               | \$ 34,570                 |
| For each additional person, add | \$ 3,480                  |

**Note:** PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit shall also include an asset level test. An asset test means the amount of cash, fixed assets or other property that could be used, or converted to cash for use in the payment of property taxes. The asset test should calculate a maximum amount permitted and all other assets above that amount should be considered as available.

## D. Multipliers for the Valuation of Free-Standing Communication Towers.

State Tax Commission Bulletin No. 3 of 2000 (pages 7 to 9) provides guidance to assessors regarding the valuation of free-standing communication towers. Listed below are updated multipliers for the valuation of freestanding communication towers by the cost approach to value for assessment year 2008.

| AGE | MULTIPLIER | AGE | MULTIPLIER |
|-----|------------|-----|------------|
| 1   | .97        | 21  | .97        |
| 2   | .99        | 22  | .96        |
| 3   | 1.01       | 23  | .95        |
| 4   | 1.05       | 24  | .92        |
| 5   | 1.11       | 25  | .92        |
| 6   | 1.11       | 26  | .91        |
| 7   | 1.09       | 27  | .93        |
| 8   | 1.07       | 28  | .96        |
| 9   | 1.07       | 29  | .99        |
| 10  | 1.06       | 30  | 1.08       |
| 11  | 1.05       | 31  | 1.15       |
| 12  | 1.04       | 32  | 1.19       |
| 13  | 1.03       | 33  | 1.21       |
| 14  | 1.03       | 34  | 1.30       |
| 15  | 1.02       | 35  | 1.40       |
| 16  | 1.02       | 36  | 1.47       |
| 17  | 1.02       | 37  | 1.59       |
| 18  | 1.00       | 38  | 1.74       |
| 19  | .97        | 39  | 1.88       |
| 20  | .97        | 40  | 2.04       |

## E. Michigan Business Tax

On July 12, 2007 Governor Granholm signed into law Public Act 36 of 2007, the Michigan Business Tax Act (MBTA), which takes effect January 1, 2008. The MBTA provides the following refundable credits for property taxes levied after 2007 and paid in the tax year: for industrial personal property, 35%; for natural gas pipeline personal property, 10%, and for telephone personal property subject to the State Utility Tax, 23% for 2008 and 13.5% thereafter.

Public Acts 37, 38, 39, and 40 of 2007, tie-barred to the MBTA, exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage; and exempt Commercial Personal Property from up to 12 mills of local school district operating millage. The acts do not change the definitions of industrial and commercial personal property contained in MCL 211.34c, which are used to determine the aforementioned exemptions. **Assessors are advised that nothing in the new laws merits**

**any changes in classification of personal property.** Assessors are also reminded that, MCL 211.34c(5) provides that “if the total usage of a parcel includes more than 1 classification, the assessor shall determine the classification that most significantly influences the total valuation of the parcel.”

For more information please reference Bulletin 7 of 2007 for more detail on classification and/or the Michigan Business Tax and the Department of Treasury Michigan Business Tax Website at [Michigan Business Tax](#)

## **F. Qualified Forest Property Program**

Public Act 378, 379, and 380 enacted in September 2006, created the Qualified Forest Property (QFP) program. This is an opportunity for owners of smaller forestland parcels in Michigan which are not classified as agricultural land or do not receive a principal residence exemption to receive reduced property taxes on land in productive, managed forests. The benefit to landowners enrolled in the Qualified Forest Property program is that the enrolled forestland is exempt from certain school operating taxes if it meets certain size, productivity, and management requirements. In addition, purchasers of QFP enrolled property may apply to their local government to prevent the property’s taxable value from uncapping, which normally occurs in the year following a transfer of ownership.

Please see the FAQ issued by the Department of Treasury for more information on this program.

## **G. Conservation Easements**

Governor Granholm signed into law December 21, 2006, P.A. 446 of 2006 which amended the GPTA to indicate that a transfer of ownership does not include land that is subject to a conservation easement. Specifically MCL 211.27a(7) is amended to indicate:

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

(p) Beginning on the effective date of the amendatory act that added this subdivision, a transfer of land, but not buildings or structures located on the land, which meets 1 or more of the following requirements:

(i) The land is subject to a conservation easement under subpart 11 of part 21 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.2140 to 324.2144. As used in this subparagraph, "conservation easement" means that term as defined in section 2140 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.2140.

(ii) A transfer of ownership of the land or a transfer of an interest in the land is eligible for a deduction as a qualified conservation contribution under section 170(h) of the internal revenue code, 26 USC 170.

## **H. Eligible Nonprofit Housing Exemption**

Governor Granholm signed into law January 3, 2007, P.A. 612 of 2006 which amended the GPTA to allow a local governing body to exempt certain nonprofit-owned single family dwellings or duplexes from property tax for a maximum of two years. Specifically, a local unit may adopt a resolution to exempt eligible nonprofit housing property from taxes collected under the GPTA. The exemption takes effect on December 31 immediately after the adoption of the resolution or the issuance of a building permit, whichever is later. There are notification requirements to assessors and hearing requirements in the act. The act also requires that a copy of the resolution be filed with the State Tax Commission.

MCL 211.7kk:

(1) The governing body of a local tax collecting unit may adopt a resolution to exempt from the collection of taxes under this act eligible nonprofit housing property. The clerk of the local tax collecting unit shall notify in writing the assessor of the local tax collecting unit and the legislative body of each taxing unit that levies ad valorem property taxes in the local tax collecting unit. Before acting on the resolution, the governing body of the local tax collecting unit shall afford the assessor and a representative of the affected taxing units an opportunity for a hearing.

(2) The exemption under this section is effective on the December 31 immediately succeeding the adoption of the resolution by the governing body of the local tax collecting unit or the issuance of a building permit for the eligible nonprofit housing property, whichever is later. The exemption under this section shall continue in effect for 2 years, until the eligible nonprofit housing property is occupied by a low-income person under a lease agreement, or until there is a transfer of ownership of the eligible nonprofit housing property, whichever occurs first. A copy of the resolution shall be filed with the state tax commission.

(3) As used in this section:

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

(b) "Eligible nonprofit housing property" means a single family dwelling or duplex owned by a charitable nonprofit housing organization, the ownership of which the charitable nonprofit housing organization intends to transfer to a low-income person after construction or renovation of the single family dwelling or duplex is completed to be used as that low-income person's principal residence.

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

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

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

(e) "Principal residence" means property exempt as a principal residence under section 7cc.

## **I. Renaissance Zone's and Headlee Rollback**

The State Tax Commission wants to remind Assessors and Equalization Directors that the Headlee rollback does include the taxable value of a renaissance zone for an enhancement millage levied by an intermediate school district and for a sinking fund millage levied by a local school district. The renaissance zone value would not be included when calculating the rollback for millages not levied against the taxable value of a renaissance zone.

## **J. Submission of MCL 211.154 Petitions**

The State Tax Commission has been receiving a number of incomplete MCL 211.154 petitions from Assessors and/or Equalization Directors. Assessors and Equalization Directors are reminded that the petitions must be accompanied by all required documentation and must have an original signature of the assessor of record. Failure to provide the required documentation and/or to provide the proper signature will only result in a delay of the processing of the petition.

## **K. Foreclosure Sales**

On August 15, 2007 the State Tax Commission adopted guidelines for Assessors to use for verification for inclusion of foreclosure sales in sales studies. The proper selection of sales for inclusion in these ratio studies is critically important to the development of uniform and accurate assessments. The State Tax Commission has established these guidelines to be used when reviewing sales for sales-ratio studies. The purpose of the guideline is to provide direction when compiling a "desk-reviewed" sales study. Desk-review means determining whether a particular sale will be used in a study based on transfer documents and other information in the office without additional investigation or field inspection. Deviation from the guidelines should be based on investigation of the transaction beyond the normal steps of a desk review process. The recent increase in foreclosures has caused those transactions to have an impact on the real estate market in some parts of the state.

**Please see Bulletin 6 of 2007 for detailed information.**

## **L. Single Year Sales Studies**

On August 15, 2007, the State Tax Commission issued guidelines for use of a single year sales studies. In part, those guidelines indicated:

Single-year sales studies may be considered only when there is significant evidence of a declining market. Evidence may include, but is not limited to:

- a. A reduced number of market sales without a reduction in the number of listings
- b. An increase in the number of foreclosure sales
- c. A loss of major employer(s)
- d. A single year sales study ratio higher than the standard 24-month ratio, in combination with items a through c above

The Commission also changed the dates for single-year sales studies: Sales occurring between October 1 of the previous year through September 30 prior to tax day shall be used in the single-year study.

**Please see Bulletin 5 of 2007 for more detailed information.**