

NO. 2, JANUARY 15, 1986
ACT 200, P. A. of 1985
AUCTION SALES

TO Assessing Officers
Equalization Directors

FROM, State Tax Commission

RE: Act 200, Public Acts of 1985
Effective Date: December 27, 1985

Act 200, Public Acts of 1985 amends Section 27 of the General Property Tax Act, Act 206 of the Public Acts of 1893 (Section 211.27, Michigan Compiled Laws).

Act 200, Public Acts of 1985 is printed in its entirety as follows. We have underlined the amended portion.

Sec. 27. (1) As used in this act. "cash value" means the usual selling price at the place where the property to which the term is applied is at the time of assessment. being the price which could be obtained for the property at private sale, and not at auction sale except as otherwise provided in this section, or at forced sale. The usual selling price may include sales at public auction held by a nongovernmental agency or person when those sales have become a common method of acquisition in the jurisdiction for the class of property being valued. The usual selling price shall not include sales at public auction where the sale is part of a liquidation of the seller's assets in a bankruptcy proceeding or where the seller is unable to use common marketing techniques to obtain the usual selling price for the property. A sale or other disposition by the state or an agency or political division of the state of land acquired for delinquent taxes or an appraisal made in connection with the sale or other disposition or the value attributed to the property of regulated public utilities by a governmental regulatory agency for rate-making purposes shall not be considered controlling evidence of true cash value for assessment purposes. In determining the value the assessor shall also consider the advantages and disadvantages of location; quality of soil; zoning; existing use; present economic income of structures, including farm structures; present economic income of land if the land is being farmed or otherwise put to income producing use; quantity and value of standing timber; water power and privileges; and mines, minerals, quarries, or other valuable deposits known to be available in the land and their value.

(2) The assessor, beginning December 31, 1976, shall not consider expenditures for normal repairs, replacement, and maintenance in determining the true cash value of property for assessment purposes until the property is sold. Value attributable to the items included in subdivisions (a) to (o) which is known to the assessor and excluded from true cash value shall be indicated on the assessment roll. This subsection shall apply only residential property. The following repairs shall be considered normal maintenance if they are not part (of structural addition or completion

- (a) Outside painting.
- (b) Repairing or replacing siding, roof, porches, steps, sidewalks, and drives.
- (c) Repainting, repairing, or replacing existing masonry.
- (d) Replacement of awnings.
- (e) Adding or replacing gutters and downspouts.
- (f) Replacing storm windows or doors.
- (g) Insulation or weatherstripping.
- (h) Complete rewiring.
- (i) Replacing plumbing and light fixtures.
- (j) New furnace replacing a furnace of the same type or replacing oil or gas burner.
- (k) Plaster repairs, inside painting, or other redecorating.
- (l) New ceiling, wall, or floor surfacing.
- (m) Removing partitions to enlarge rooms.
- (n) Replacing automatic hot water heater.
- (o) Replacing dated interior woodwork.

(3) Beginning December 31, 1978, a city or township assessor, a county equalization department, or the state tax commission before utilizing real estate sales data on real property purchases, including purchases by land contract, for the purpose of determining assessments or in making sales ratio studies for the purpose of assessing or equalizing assessments shall exclude from the sales data the following amounts allowed by subdivisions (a), (b), and (c) to the extent that the amounts are included in the real property purchase price and are so identified in the real estate sales data or certified to the assessor as provided in subdivision (d):

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

(b) Amounts attributable to personal property which were included in the purchase price of the property in the last conveyance of the property.

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

(d) The purchaser of real property, including a purchaser by land contract may file with the assessor of the city or township in which the property is located 2 copies of the purchase agreement or of an affidavit which shall identify the amount, if any, for each item listed in subdivisions (a) to (c). One copy shall be forwarded by the assessor to the county equalization department. The affidavit shall be prescribed by the state tax commission.

(4) As used in subsection (1), "present economic income" means in the case of leased or rented property the ordinary, general, and usual economic return realized from the lease or rental of property negotiated under current, contemporary conditions between parties equally knowledgeable and familiar with real estate value. The actual income generated by the lease or rental of property shall not be the controlling indicator of its cash value in all cases. This subsection shall not apply to property when subject to a lease entered into prior to January 1, 1984 for which the terms of the lease governing the rental rate or tax liability have not been renegotiated after December 31, 1983. This subsection shall not apply to a nonprofit housing cooperative when subject to regulatory agreements between the state or federal government entered into prior to January 1, 1984. As used in this subsection, "nonprofit Cooperative housing corporation" means a nonprofit cooperative housing corporation which is engaged in providing housing services to its stockholders and members and which does not pay dividends or interest upon stock or membership investment but which does distribute all earnings to its stockholders or members.