1991 Bulletin Index
Bulletins and Letters Menu
Main Menu

STATE OF MICHIGAN

JOHN ENGLER, Governor

DEPARTMENT OF TREASURY

DOUGLAS B. ROBERTS, State Treasurer

STATE TAX COMMISSION

4th Floor Treasury Building
Lansing, Michigan 48922 - Telephone (517) 373-0500

THEODORE P. MANSOUR
LEROY J. NELSON
ROBERT O. VANDERMARK

TO: Assessing Officers and County Equalization Directors

FROM: State Tax Commission

RE: **IMPLEMENTATION OF 1991 PA 15 (ASSESSMENT FREEZE)**

Act No. 15 of the Public Acts of 1991 became law on May 1, 1991. Act No. 15 does not affect 1991 assessments or equalized values. The Act freezes 1992 assessed values and equalized values equal to the state equalized values on the 1991 tax rolls except for specific allowed adjustments.

Act No. 15 is included as part of this bulletin. House Joint Resolution H does not affect 1992 assessments and will be discussed in a separate bulletin.

1992 FROZEN ASSESSMENTS AND EXCEPTIONS

The state equalized values of each property for 1991 shall equal the assessed values, county equalized values and state equalized values for 1992 except for adjustments for these circumstances:

1. The property has changed and the assessed value reflects additions or losses as those terms are defined in section 34d.

   Sec. 34(d). (1) As used in this section or section 31 of article 9 of the state constitution of 1963, or both:

   (a) "Additions" means all increases in value caused by new construction, a physical addition of equipment or furnishings, and the value of property which was exempt from taxes or not included on the assessment unit's previous year's assessment roll.

   (d) "Losses" means a decrease in value caused by the removal or destruction of real or personal property and the value of property taxes in the prior year which has been exempted or removed from the assessment unit's assessment roll.

Form L-4025 instructions for implementing section 34d provides further explanation of "additions" and "losses" as follows:

ADDITIONS - Assessment increases because of added value other than general price increases, such as:

a. Description on roll for first time, returned from exempt status such as termination of 1974 PA 198 certificate, etc., or annexation.

b. Building or other improvements put on description.

RESCINDED

PRINTED ON RECYCLED PAPER

c. New additions and improvements.

d. Further completion of new construction. (For example, a partially completed building was assessed for $2,500 last year; the assessment was raised to $3,500 this year because it was completed; the $1,000 increase is ADDITION.)

e. Platted land (For example, a 40-acre parcel was assessed last year for $10,000; the land has been platted into 200 lots assessed at $300 each for $60,000; the increased assessment would be ADDITION of $50,000.)

f. Increased assessment resulting from a simple split or combination of a description, if there was also new construction or improvements.

LOSSES - Assessment decreases because of loss of true cash value other than general price decreases, such as:

a. Description removed from assessment roll (annexation).

b. Building or other improvements destroyed or moved or exempt.

c. Part of a building removed or destroyed (Note: Tax day is December 31).

d. Loss from change of description.

e. Land reverted to state or otherwise exempt.

2. The property has changed because of a split or combination of descriptions.

3. The 1991 property assessment has been revised because of a clerical error or mutual mistake pursuant to section 53a or 53b or because it had been omitted or erroneously reported pursuant to section 154.

4. The exempt status of the property has changed.

5. The property is personal property. (A "building on leased land" should be considered in the same way as if it were described and assessed as real property.)

The 1992 assessments require notifications pursuant to section 24c as if they were increased.

NOTE: An assessment that is allowed to be increased or decreased in 1992 shall be valued at the 1991 true cash value level. The status of the property and persons shall be determined as of December 31, 1991, however, the cost level, land value, Economic Condition Factor, etc. shall be those applicable to December 31, 1990, the tax day for 1991 assessments.

1992 BOARDS OF REVIEW

The boards of review in 1992 shall hear appeals only from property owners whose assessed values were changed from the 1991 state equalized values because of allowable exceptions as outlined above if the owner had appealed in 1991.

RESCINDED

The boards may hear appeals in 1992 for any property if the assessed value had not been appealed in 1991. However, the board of review shall consider the actual value of each property as of December 31, 1990 in 1992 except for changes from additions and losses and splits and conditions.

The boards may hear appeals in 1992 regarding the assessment of personal property.

The boards may hear appeals in 1992 regarding exemptions.

NOTE: Changes in assessed value by a board of review that are not provided for as exceptions to the frozen 1992 assessed values, will usually result in an equalization factor and a truth in assessment millage roll-back.

1992 MILLAGE REDUCTION FRACTIONS

MCL 211.34d: The 1992 millage reduction fraction under section 34d shall not be calculated. The 1992 compound millage reduction fractions shall equal the 1991 compound millage reduction fractions except where there have been elections to override the reduction fractions or where new millage has been voted in 1991 or 1992.

The millage reduction fractions calculated in 1993 will require legislative clarification, pending the outcome of HJR H. They will be based on the state equalized values for 1991 and 1993 and for additions and losses from 1992 and 1993; the inflation rate would equal the 12 month average US CPI for 1992 divided by the 12 month average CPI for 1990.

The reports of additions and losses on Forms L-4025 shall be filed and tabulated for future calculations.

The data contained on Forms L-4025 is required for the annual calculation of the base tax rates pursuant to MCL 211.24e.

MCL 211.24e: The truth in taxation base tax rate shall be calculated in 1992. The Base Tax Rate Fraction, BTRF, should not be affected by losses or by additions in 1992 so the BTRF should be equal to 1.0000 for 1992.

The procedures for section 24e are to be applied in 1992 as well as in 1991 for determining the Base Tax Rates, notices, and additional millage rates, etc.

MCL 211.34: The truth in assessment and truth in county equalization reduction fractions are to be calculated and applied in 1991. If 1992 assessed values are reduced by the assessor or board of review, except to reflect additions and losses allowed by Act No. 15, there will be a truth in assessing millage roll-back in 1992.

EQUALIZATION FOR 1992 AND 1993

For 1992, the equalized values of each township, city and county will be determined by adjusting the 1991 equalized values to recognize assessment changes because of additions and losses reported on Form L-4025, splits and combinations, and omissions and corrections or for personal property.

Assessment/sales ratio studies are required to be prepared for the sales from the period of April 1, 1990 to March 31, 1991 compared with 1990 assessed values for the first 12 months of the standard 24 month sales study. These sales ratio studies are to be reported to the State Tax Commission by December 31, 1991.

RESCINDED

The publication of tentative recommended equalization ratios and estimated multipliers necessary to compute individual state equalized valuations for 1992 will indicate 50% and 1.0000 for all classifications of property.

Assessment/sales ratio studies are also required for the sales from the period of April 1, 1991 to March 31, 1992 compared with 1991 assessed values for the second 12 months of the 24 month sales study. The complete equalization studies are to be reported to the State Tax Commission by December 31, 1992.

It is very important for the county equalization department to audit the Forms L-4021 to ensure that claimed plus adjustments and losses are valid from 1990 to 1991. There should not be any claimed adjustments from 1991 to 1992 on Forms L-4021 and L-4022 except these: a) The increase or decrease of assessed value in 1992 to make the 1992 assessed value equal to the 1991 state equalized value on the 1991 tax rolls. b) The decrease of assessed value caused by a reduction by the board of review other than for assessed values adjusted to reflect additions and losses, as those terms are defined in section 34d, and splits and combinations.

Appraisals needed for the equalization of classifications for which there are not sufficient sales or where sales are not distributed so as to represent the classification adequately should be prepared throughout 1991 and 1992. Typically, appraisals are needed for the accurate equalization of property in the Agricultural, Commercial, Industrial, Timber Cutover and Developmental classifications and occasionally in the Residential Classification.

Personal property accounts should be canvassed and audited in cooperation with the assessing officers. Incorrectly reported or omitted personal property discovered in audits in 1991 may result in corrected assessed values for 1991, 1990 and 1989 under MCL 211.154. Similarly, 1992 canvasses and audits may result in corrected assessed values for 1992, 1991 and 1990.

REASSESSMENTS UNDER MCL 211.10e

Many local units have recently completed unit-wide reassessments to establish or maintain up-to-date appraisal record cards as required by MCL 211.10e. There are also local units that have partly completed reassessments. It is not appropriate to reassess only part of a local unit, say 40%, while not reviewing the remaining 60% of the properties to ensure that assessment levels are uniform within the community.

It is recommended that any reassessment projects now underway, or being started, be targeted for implementation completely on the 1993 assessment rolls.

During the course of a reinspection of all property, it is common to discover clerical errors such as missing garages, houses on wrong lots and razed structures. These clerical errors may be corrected under MCL 211.53b for the current year and for the immediately preceding year.

During reinspections of property, it is recommended that all properties occupied as homesteads be noted, including buildings on leased land.

RESCINDED

Act No. 15
Public Acts of 1991
Approved by the Governor
May 1, 1991
Filed with the Secretary of State
May 1, 1991

STATE OF MICHIGAN
86TH LEGISLATURE
REGULAR SESSION OF 1991

Introduced by Senators N. Smith, Welborn, Barcia and DiNello

ENROLLED SENATE BILL No. 19

RESCINDED

AN ACT to amend section 10 of Act No. 206 of the Public Acts of 1893, entitled as amended "An act to provide for the assessment of rights and interests, including leasehold interests, in property and the levy and collection of taxes thereon, and for the collection of taxes levied; making such taxes a lien on the property taxed, establishing and continuing the lien, providing for the sale and conveyance of property delinquent for taxes, and for the inspection and disposition of lands bid off to the state and not redeemed or purchased; to provide for the establishment of a delinquent tax revolving fund and the borrowing of money by counties and the issuance of notes; to define and limit the jurisdiction of the courts in proceedings in connection therewith; to limit the time within which actions may be brought; to prescribe certain limitations with respect to rates of taxation; to prescribe certain powers and duties of certain officers, departments, agencies, and political subdivisions of this state; to provide for certain reimbursements of certain expenses incurred by units of local government; to provide penalties for the violation of this act; and to repeal certain acts and parts of acts in anywise contravening any of the provisions of this act," being section 211.10 of the Michigan Compiled Laws.

The People of the State of Michigan enact:

Section 1. Section 10 of Act No. 206 of the Public Acts of 1893, being section 211.10 of the Michigan Compiled Laws, is amended to read as follows:

Sec. 10. (1) Except as otherwise provided in this section, an assessment of all the property in the state, liable to taxation, shall be made annually in the several townships, villages, and cities by the supervisors of the several townships, or in villages and cities if provision is made in the acts of incorporation or charter for an assessing officer, by an assessing officer, as provided in this act.

(2) In 1992, the assessment as equalized for the 1991 tax year shall be used on the assessment roll and shall be adjusted only to reflect additions and losses, as those terms are defined in section 34d, and splits and combinations that have occurred. Additions and losses and splits and combinations shall be valued at 1991 levels.

(3) Notwithstanding any other contrary provisions in this act, an owner may appeal the 1992 assessment in 1992 if an appeal was not made in 1991.

(4) Notwithstanding any provision to the contrary in the act of incorporation or charter of a village, an assessment for village taxes shall be identical to the assessment made by the township supervisor in which the village is located, and tax statements shall set forth clearly the state equalized value of the individual properties in the village upon which authorized millages are levied.

(5) If a nonresident of the taxing unit against whom an assessment is made requests in writing information relative to the amount of the assessment against his or her property, the supervisor or assessing officer, within a reasonable length of time, shall reply to the request.

(6) Notwithstanding any other contrary provisions in this act, all of the following apply to the amount on the assessment roll for 1992 under subsection (2):

(a) The equalized value of property in a city, township, or county shall be adjusted only to reflect the additions and losses allowed under subsection (2) that have occurred.

(b) Millage reductions under section 34d shall not be calculated. However, millage reductions under sections 24e and 34 shall be applied.

(c) The board of review meeting under section 30 shall convene and fulfill its required duties except that only appeals concerning the valuation of property for which additions and losses and splits and combinations allowed under subsection (2) have occurred, appeals of the 1992 assessment if an appeal of the valuation was not made in 1991, and exemptions shall be heard.

(d) Other provisions or requirements relating to assessments do not apply except those relating to the valuation of additions and losses allowed under subsection (2) or omissions and corrections.

(7) Subsections (2), (6)(a), (6)(c), and (6)(d) do not apply to the assessment of personal property.

(8) An assessment made pursuant to subsection (2) shall be considered an increase in the assessment for purposes of the notice required by section 24c.

(9) A designated agent who is subject to Act No. 125 of the Public Acts of 1966, being sections 565.161 to 565.163 of the Michigan Compiled Laws, and who has received a tax statement in 1991 shall reflect the changes made by the amendatory act that added this subsection in the escrow account maintained for the payment of taxes in 1992.

Section 2. This amendatory act shall not take effect unless House Joint Resolution H of the 86th Legislature is agreed to by the Senate and House of Representatives for submission to the electors at the next general election.

This act is ordered to take immediate effect.

.....

Secretary of the Senate.

.....

Clerk of the House of Representatives.

Approved .....

.....

Governor.

RESCINDED