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TO: Assessing Officers and County Equalization Directors

FROM: State Tax Commission

RE: **IMPLEMENTATION OF 1991 PA 135 (ASSESSMENT FREEZE) SUPERSEDES BULLETIN NO. 5, JUNE 12, 1991**

Act No. 135 of the Public Acts of 1991 became law on November 12, 1991. Act No. 135 superseded 1991 PA 15 with more recent amendments to section 10 of the General Property Tax Act, being MCL 211.10. Act No. 135 does not affect 1991 assessments or equalized values. Act No. 135 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. 135 is included as part of this bulletin. Various proposed constitutional amendments, including House Joint Resolution H do not affect 1992 assessments and may be discussed in a separate bulletin.

There were several significant changes between Act No. 15 and Act No. 135. Among those changes are these:

1. The assessment increase notice required by MCL 211.24c is only necessary if the assessed value for 1992 exceeds the assessed value for 1991.

2. Although any property owner may appear at the board of review in 1992, the board of review is restricted in its authority to change an assessed value to only the allowable circumstances specified in Act No. 135.

3. The equalized value of property in a city, township or county shall be adjusted only to reflect the additions and losses and splits and combinations allowed under MCL 211.10(2), tax tribunal changes to 1991 assessments, and the amount by which assessments were changed by the board of review for appeals under MCL 211.10(9).

1991 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 MCL 211.34d, and as used in Public Act 135 of 1991, or Section 31 of Article 9 of the State Constitutuion of 1963, or both.

RESCINDED

(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. See L-4025 instructions at the end of the bulletin.

(d) "Losses" means a decrease in value caused by the removal or destruction of real or personal property and the value of property taxed in the prior year which has been exempted or removed from the assessment unit's assessment roll. See L-4025 instructions at the end of the bulletin.

2. The property has changed because of a split or combination of descriptions. The total allowable assessed value resulting from a split for 1992 may exceed the 1991 state equalized value under these circumstances:

   a) There has been a recorded plat or new construction or improvements on the property.

   b) The characteristics of the split parcels have been enhanced by access roads, utilities or other services.

   c) The standard unit value rates used for 1991 appraisals yield higher 1992 assessed values when applied to the new 1992 descriptions. (For example, assume the standard unit value per acre rates used in 1991 were $1,000 for 40 acres, $2,000 for 10 acres, $3,000 for 5 acres and $5,000 for 1 acre. A 40 acre parcel valued at $40,000 in 1991 was split into four 10 acre parcels for 1992. The allowable values for the 10 acre parcels would be 10 x $2,000 or $20,000 each.)

   NOTE: An increase in assessed value under item 2(c) would be reported as "new" on form L-4022 but would not be considered as an "addition" on form L-4025 for 1992.

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, or because there was a 1991 assessment change by the MTT.

4. The exempt status of the property has changed. (Poverty exemptions are to be considered by the board of review each year.)

5. The property is personal property. (The assessment of a building on leased land is frozen and is considered in the same way as if it were described and assessed as real property. The same is true of leasehold improvments valued as if they were real property.)

RESCINDED

6. Changes made by the board of review pursuant to MCL 211.10(9), which permits the March board of review to alter the 1992 assessed value by the assessing officer, if the property owner had acquired the property after January 1, 1991, and appeals the 1991 assessment used for the 1992 assessment to the board of review in 1992, and the property owner had not appealed in 1991.

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

Any property owner or designated agent may appear before the board of review in March 1992. The board of review is prohibited from changing a 1992 assessed value except for items 1 through 6 above.

For any valuation decisions by the March 1992 board of review, the effect of the "freeze" must be considered.

The board of review may hear and act on protests in 1992 regarding personal property assessed values and exemptions including poverty exemptions.

If a person does not have standing to appeal in 1992 because of the "freeze", that person may appear before the 1992 board of review to protest the 1991 assessment as equalized used for the 1992 assessment, but the board of review cannot change the assessed value in 1992. The board of review must carefully note the protest and if the board of review determines that a change in the assessment would have been appropriate it shall document its determination and forward the determination to the assessor. The assessor and board of review shall consider the 1992 board of review information in 1993, but the 1991 assessment as equalized used for the frozen 1992 assessment shall not be impacted.

An allowable protest to the board of review in 1992 or an appearance by a person who does not have standing to have the 1992 assessed value changed by the board of review shall be considered as the local protest that must precede an appeal to the Michigan Tax Tribunal.

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

RESCINDED

1992 MILLAGE REDUCTION FRACTIONS

MCL 211.34d: The 1992 millage reduction fraction (MRF) under section 34d shall not be calculated. The 1992 compound millage reduction fractions (CMRF) 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 voter approval of HJR H and/or other November, 1992 ballot issues. They will be based on the state equalized values for 1991 and 1993 and for additions and losses from 1992 and 1993.

The reports of additions and losses on Forms L-4025 shall be filed and tabulated for future calculations. (The instructions for Form L-4025 are located at the end of this bulletin.)

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 procedures for section 24e are to be applied in 1992 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 fraction are to be calculated and applied in 1991. If the 1992 assessed values are reduced by the assessor or board of review, except to reflect the adjustments allowed by Act No. 135, there will be a truth in assessing millage roll-back in 1992.

EQUALIZATION FOR 1992 AND 1993

For 1992 only, the real property 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 , and changes in the value of property purchased after January 1, 1991 pursuant to MCL 211.10(9).

A new STC Form, probably to be designated STC Form L-4135, is being designed to be used as a substitute for STC Form L-4023., This form is to be used for real property in 1992 only. For 1992 reporting purposes, on STC Forms L-4022 and L-4135, additions and losses should include appropriate July and December board of review decisions under 211.53b, changes by a March board of review under 211.10(9), MCL 211.154 determinations of the State Tax Commission, other omissions or corrections, or adjustments for personal property.

RESCINDED

For 1992, personal property is to be equalized under the manual, procedures and rules that were in force during 1991. There is no change in the procedure to equalize personal property. All the STC forms that applied to the equalization of personal property in 1991 are in force for 1992, including preparation and submission of STC Form L-4023.

Assessment/sales ratio studies are required to be prepared for the sales of real property 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. Personal property studies also are to be reported by December 31, 1991. Other studies may be submitted for the information of the State Tax Commission.

The publication of tentative recommended equalization ratios and estimated multipliers necessary to compute individual state equalized valuations for 1992 will indicate 50% and 1.000 for all classifications of real property. This is based on the presumption that assessing officers and March boards of review will comply with the requirements of MCL 211.10(2).

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 along with the results of appraisal studies.

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 improper increase or decrease of assessed value caused by a 1992 assessment increase or reduction by the board of review other than those authorized by statute. Illegal reductions by a March 1992 Board of Review will result in the assignment of an equalization factor to a unit by either the County Board of Commissioners or the State Tax Commission. **Strict compliance with PA 135 of 1991 will avoid this situation.**

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.

RESCINDED

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, for prospective use if HJR H passes in November 1992.

Omitted or doubly assessed real property may be treated as additions or losses for 1992 on STC Form L-4022 and L-4135.

FORM L-4025 INSTRUCTIONS (This provides some examples of additions and losses).

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.

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.)

RESCINDED

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.

Act No. 135
Public Acts of 1991
Approved by the Governor
November 9, 1991
Filed with the Secretary of State
November 12, 1991

RESCINDED

STATE OF MICHIGAN
86TH LEGISLATURE
REGULAR SESSION OF 1991

Introduced by Senators Honigman, Dunaskiss and Carl

ENROLLED SENATE BILL No. 42

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," as amended by Act No. 15 of the Public Acts of 1991, 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, as amended by Act No. 15 of the Public Acts of 1991, 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 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.

(4) 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.

(5) 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 and splits and combinations allowed under subsection (2), tax tribunal changes to 1991 assessments, and the amount by which assessments were changed by the board of review for appeals under subsection (9).

(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 sections 29 or 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 under subsection (9), 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 or splits and combinations allowed under subsection (2) or omissions and corrections.

(6) Subsections (2), (5)(a), (5)(c), and (5)(d) do not apply to the assessment of personal property. For purposes of this subsection, personal property does not include buildings described under section 14(6) or leasehold improvements valued as if they were real property.

(7) A person whose appeal is not permitted under subsection (5)(c) for 1992 may appear before the 1992 board of review to protest the 1991 assessment used for the 1992 assessment and any change in the assessment determined appropriate by the board of review shall be documented and immediately forwarded to the local assessor but shall not affect the 1991 assessment used for the 1992 assessment. The assessor shall consider this information in preparing the 1993 assessment and the board of review meeting in March of 1993 shall consider this information in reviewing appeals of 1993 assessments.

(8) An appearance under subsection (7) shall be considered a protest for all purposes required by law.

(9) An owner of property may appeal in 1992 the 1991 assessment used for the 1992 assessment to the board of review if the owner did not appeal that assessment in 1991 and if the owner acquired the property after January 1, 1991 in 1 of the following ways:

(a) By will or devise.

(b) Through foreclosure or forfeiture of a recorded instrument under chapter 31, 32, or 57 of the Revised Judicature Act of 1961, Act No. 236 of the Public Acts of 1961, being sections 600.3101 to 600.3280 and 600.5701 to 600.5785 of the Michigan Compiled Laws, or through deed or conveyance in lieu of a foreclosure or forfeiture.

(c) By a bona fide arms-length transaction.

(10) 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 Act No. 15 of the Public Acts of 1991 in the escrow account maintained for the payment of taxes in 1992.

RESCINDED