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STATE OF MICHIGAN

JOHN ENGLER, Governor

DEPARTMENT OF TREASURY

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STATE TAX COMMISSION

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COMMISSION MEMBERS

THEODORE P. MANSOUR
LEROY J. NELSON
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RESCINDED

DATE: January 13, 1992

TO: Assessing Officers

FROM: Roland C. Andersen, Acting Administrator
Property Tax Division RCA

RE: 1992 STC Bulletin #1 - Regarding the role of the March board of review in the 1992 assessment "freeze" implemented by 1991 P.A. 135.

Please find enclosed a copy of STC 1992 Bulletin #1. You should provide a copy to the members of your March boards of review for 1992.

As a matter of information unrelated to the above, I have been appointed Acting Administrator of the Property Tax Division and Secretary of the State Tax Commission effective December 1, 1991, assuming the Property Tax Division duties of the now retired John H. Person.

Encl.

To: Assessing Officers
and March Boards of Reviews

From: State Tax Commission

Re: IMPACT OF 1991 PA 135 (ASSESSMENT FREEZE FOR 1992) ON 1992 MARCH BOARDS OF REVIEW

1. GENERAL DESCRIPTION OF IMPACT OF THE 1992 ASSESSMENT "FREEZE" ON MARCH BOARDS OF REVIEW

The passage of PA 135 of 1991 significantly limited the permissible actions of both assessing officers and local March Boards of Review in their review of 1992 assessments. The most important aspect of the act was to make 1992 property tax assessments equal to 1991 property tax assessments (as the 1991 assessment had been equalized). Only those items authorized under Act 135 allow a March Board of Review to increase or decrease a 1992 assessment as compared to a 1991 assessment.

With exception of the law pertaining to the "freeze", the statutory requirements that were in effect last year for a March Board of Review (BOR) are still in effect. For example the time, place and membership of a BOR is under the same format as last year. BOR meetings are still open meetings and BORs are still prohibited from making across the board adjustments to assessments, but must consider each property separately.

STC Bulletin No. 9, issued December 10, 1991 discusses the "1992 assessment freeze" in detail. In the following pages, we will attempt to discuss some of the issues that will confront March Boards of Review for 1992 only. MCL 211.34d defines additions and losses.

2. ONLY A LIMITED GROUP OF 1992 REAL PROPERTY ASSESSMENTS MAY BE ADJUSTED BY A MARCH BOARD OF REVIEW

The 1992 assessments by the assessing officer must equal the 1991 assessment as it was equalized in 1991. For 1992, the assessing officer was authorized by Act 135 to adjust a 1991 assessment ONLY to recognize the addition or loss of property between the 1991 and 1992 assessment, or to recognize the split of a parcel of property into two or more descriptions or to recognize the combination of some parcels into one parcel of property. The assessor, when establishing the 1992 assessment, could also adjust the 1991 assessment to record 1991 Michigan Tax Tribunal decisions, or to recognize property no longer exempt or property becoming exempt, or corrections by the 1991 July or December Boards of Review under MCL 211.53b. See STC Bulletin #9.

The 1992 BOR may adjust the 1992 assessments set by the assessing officer for those instances where the assessing officer has not already properly recognized additions and losses, splits or combinations, exemption issues or the impact of 1991 MTT decisions, 1991 July or December BOR decisions, or 1991 MCL 211.154 decisions by the State Tax Commission.

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In addition the March BOR may adjust the value of a property protested by a taxpayer at the 1992 March Board of Review meeting if the taxpayer acquired the property after January 1, 1991 by will, through foreclosure, or by a bonafide arms-length purchase and did not appeal the assessment in 1991. See MCL 211.10 (9), Sections (a), (b), and (c). The BOR may also accept the protest and adjust the valuation of property owners protesting exemption issues. This includes MCL 211.7u "poverty" exemptions.

The law allows the March Board of Review to increase or decrease 1992 assessments only for the above listed reasons. Changes in assessments by a BOR in categories other than those authorized by PA 135 of 1991, will result in an equalization factor being assigned by the County Board of Commissioners or by the State Tax Commission.

Each BOR should adopt a strict construction regarding the adjustment of 1992 assessments, closely observing the spirit and the letter of PA 135 of 1991, the assessment "freeze".

3. FOR 1992 THERE ARE EFFECTIVELY TWO TAX DAYS FOR THE 1992 BOR TO CONSIDER

Under the assessment "freeze" valuation, levels and economic conditions are as of December 31, 1990 for 1992 assessments. Situs, ownership and the physical status of the property (not including depreciation) are as of December 31, 1991. For example, ownership of a property and the township and city the property is located in, are determined as of December 31, 1991. The valuation of a property, when the BOR has the authority to change it, is as of December 31, 1990. See the following section.

4. THE MARCH BOARD OF REVIEW MAY ADJUST CERTAIN ASSESSMENTS, BUT ALL VALUE DETERMINATIONS SHALL BE BASED ON VALUE LEVELS AS OF DECEMBER 31, 1990

As indicated previously, Act 135 provides that the March BOR is authorized to change the assessments of properties to reflect additions or losses in value from 1991, and splits and combinations since 1991, and the assessments of properties with "exemption" questions. Also, an owner or agent of property may appeal the 1992 assessment, if the owner did not appeal in 1991, and if the owner acquired the property after January 1, 1991, by will, through a foreclosure, or by a bonafide arms-length sale that happened after January 1, 1991.

THE MARCH BOR SHALL NOT ALTER AN ASSESSMENT EXCEPT FOR THE CIRCUMSTANCES LISTED IN SECTION 2 OF THIS BULLETIN.

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In any instance where the March Board of Review is involved in a valuation issue, the applicable tax day is December 31, 1990. For example, an increase in market rents as of December 31, 1991 should be ignored by the 1992 March Board of Review.

Another example would be the change of occupancy rates for a property. No market information subsequent to December 31, 1990 shall be used to change a 1992 assessment.

However, market information prior to, or as of, December 31, 1990 could be considered.

In all cases the BOR should base its decisions on the value levels that existed on the December 31, 1990 tax day.

5. EVEN WHEN THE MARCH BOARD OF REVIEW CANNOT ADJUST A 1992 ASSESSMENT FOR A PROTESTING TAXPAYER, THE PROTEST WILL QUALIFY THE TAXPAYER TO APPEAL TO THE MICHIGAN TAX TRIBUNAL.

In an instance where the BOR cannot change the 1991 assessment (as equalized in 1991) used as the 1992 assessment, because the property does does not have an addition or loss, split or combination, or is not involved with an exemption issue, the BOR shall document and forward to the assessor information regarding the assessment, for consideration by the assessor in 1993.

MCL 211.10(7) states, in part, that this: ".... shall not effect the 1991 assessment used for the 1992 assessment".

All appearances before the March BOR will qualify the taxpayer as having met the March Board of Review protest requirement necessary to appeal to the Michigan Tax Tribunal. This is true even in those instances where the March Board of Review has no authority to change the assessment.

6. PERSONAL PROPERTY IS EXEMPT FROM THE "FREEZE"

Except for buildings on leased land and real property leasehold improvements, personal property is exempt from the "freeze". The same general rules that applied to Boards of Review last year will be in effect for personal property BOR matters.

RESCINDED

7. 1992 COUNTY AND STATE EQUALIZATION WILL PROCEED IN APRIL AND MAY

For 1992, County Boards of Commissioners, in their April Equalization session, have the authority to alter total valuations for each of the six separately equalized classifications of real property and for personal property for each township or city in their county. The 1992 equalized value of real property will equal the 1991 SEV adjusted only to reflect the circumstances listed in Section 2 of this bulletin. The Boards of Commissioners will examine compliance with Act 135 as the primary focus of equalization.

The primary focus of the State Tax Commission in its 1992 equalization sessions will be compliance with Act 135 of 1991. The State Tax Commission, in its May equalization sessions, still has the authority to alter the county total valuations for each of the six classifications of real property and for personal property.

Equalized valuations adopted by the County and/or State, when they do not match local assessed valuations, will result in an equalization factor of assessed to state equalized valuation, that increases or decreases the equalized value of each parcel of property in the affected property classification in the affected city, township, or county. Equalization factors are derived from the division of the total state equalized values for each separately equalized classification by the total of matching local unit assessments as adopted by the local Board of Review.

Strict compliance with PA 135 of 1991, will prevent issuance of equalization factors by the state or by the county.

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