

# Michigan Department of Treasury Local Government Services



## Understanding the Basics of Assessing for Local Unit Officials

Published January 2018

All rights reserved. This material may not be published, broadcast, rewritten or redistributed in whole or part without the express written permission of the Department of Treasury

## Table of Contents

History of Property Tax and Property Taxation .....	1
Valuation Concepts.....	13
Taxable Value.....	17
Board of Review.....	23
Equalization .....	28
Assessment Administration/Public Relations .....	32
Audit of Minimum Assessing Requirements .....	40

# Chapter 1

## History of Property Tax and Property Taxation

Michigan became a state in 1837 and a Constitution was adopted. The first revision to the Constitution was in 1850 when a provision was added providing for a uniform rate of taxation as well as the continuation of existing taxes and the use of cash value assessments. The county sheriff collected the taxes and that is probably why the county sheriff holds the delinquent tax sales to this day.

Michigan's property tax has been a territorial tax since it was authorized by the Northwest Land Ordinance of 1875. All property, real and personal, was taxed until the 1940s when personal property was eliminated for individual households but retained for commercial and industrial businesses.

In 1909, the Home Rule City Act was passed, which allows cities to determine the type of government they wish to form through city charter, to establish their own tax rate and to collect property tax through the city treasurer.

In 1850, only the counties, townships, and school districts were allowed to levy taxes. Today, counties, cities, townships, school districts, intermediate schools, community colleges, libraries, airport, transportation, and other agencies may levy taxes. In 1994, the state returned to the property tax business with the passage of Proposal A which will be discussed in more detail later.

### **1963 Michigan Constitution**

The authority of government to levy taxes is contained in Article 9 of the Constitution of the State of Michigan; Section 3 of Article 9, states that all property shall be assessed uniformly and shall not exceed 50% of true cash value.

The Michigan Constitution provides for exemption of real and personal property owned and occupied by nonprofit, religious, and educational organizations. It also requires that increases to the ad valorem tax must be submitted to the electors for a vote before the tax may be levied.

According to Section 25 of Article 9, the state is prohibited from requiring new or expanded activities to be provided by local governments unless the state provides full funding for those activities.

**Article 2, Section 6.** Requires the submission to the electorate of increase of ad valorem tax and for issuance of bonds.

**Article 6, Section 28.** In the absence of fraud, error of law or the adoption of wrong principles, no appeal may be taken to any court from any final agency [Tax Tribunal or Tax Commission, if related to classification issues] provided for the administration of property tax laws from any decision relating to valuation or allocation.

**Article 7, Section 11.** No county shall incur any indebtedness, which shall increase its total debt beyond 10 % of its assessed valuation.

**Article 7, Section 16.** The ad valorem property tax imposed for road purposes by any county shall not exceed in any one-year half of one percent of the assessed value for the preceding year.

**Article 9, Section 3.** The legislature shall provide for the uniform general ad valorem taxation of real and tangible personal property not exempt by law. The legislature shall provide for the determination of true cash value of such property; the proportion of true cash value at which such property shall be uniformly assessed, which shall not, after January 1, 1966 exceed 50 percent; and for a system of equalization of designated real and tangible personal property in lieu of general ad valorem taxation. The general ad valorem property tax shall be uniform upon the class or classes on which it operates.

**Article 9, Section 4.** Property owned and occupied by nonprofit religious or educational organizations shall be exempt from real or personal property taxation.

**Article 9, Section 6.** Provides for 15 mill limitation and provides for the right of initiative to increase this limitation to no more than 18 mills on each dollar of assessed valuation. This section also provides for an increase in these limitations not to exceed 50 mills if approved by a majority of the electors for a period not to exceed 20 years.

### **Headlee Tax Limitation**

In 1978, voters approved what is known as the Headlee Amendment. The amendment is important because it was the first successful amendment to the 1963 Constitution that limited taxes. The provisions of Headlee that affect local government are as follows:

1. The state must maintain the same proportion of spending paid to local government as was paid in 1978.
2. Prohibit the state from imposing new mandates on local government unless the state funded such programs.
3. Prohibit local units from imposing new taxes, raising existing taxes, or bonding general obligation debt without the voter's approval.
4. Limited local tax revenue growth by requiring reduction of maximum authorized tax rates to offset growth in assessed values that exceed the general price level of the previous year. This is accomplished by applying a millage rollback fraction.

Truth in Taxation was passed in 1982. Its purpose was to require public notice and a public hearing before a vote can take place on a millage increase up to the Headlee limit.

**Article 9, Sections 25, 31, and 33 were amended by the Headlee Constitutional Tax Limitation Amendment in 1978.**

**Article 9, Section 25.** Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter

approval. The state is prohibited from requiring any new or expanded activities by local governments without full state funding, from reducing the portion of state spending in the form of aid to local governments, or from shifting the tax burden to local government. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed.

**Article 9, Section 31.** Units of local government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an Article 9, Section 31, existing tax above that authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of local government voting thereon. If the definition of the existing base of an existing tax is broadened, the maximum authorized rate of taxation on the new base in each unit of local government shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of the property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized rate applied thereto in each unit of local government shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized rate on the prior assessed value. The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this amendment.

**Article 9, Section 33.** Definitions: The definitions of this section apply to Sections 25 through 32 of Article IX:

**“Total State Revenues”** includes all general and special revenues, excluding federal aid, as defined in the Executive Budget of the Governor Fiscal Year 1978-1979.

**“Personal Income in Michigan”** is the total income received by persons in Michigan from all sources as defined and officially reported by the United States Department of Commerce or its successor agency.

**“Local Government”** means any political subdivision of the state, including, but not restricted to, school districts, cities, villages, townships, charter townships, counties, charter counties, authorities created by the state, and authorities created by other units of local government.

**“General Price Level”** means the Consumer Price Index for the United States as defined and officially reported by the United States Department of Labor or its successor agency.

**Article 9, Section 34.** The legislature shall implement the provisions of Sections 25 through 33, inclusive, of this Article. The Headlee Amendment requires each unit of local government to reduce its maximum authorized millage rate when assessments on existing property increase by more than the increase in the prior year’s average consumer price index. The reduction ensures that unless the voter’s approve otherwise, a local

government's property tax revenues on existing property based on the maximum authorized rate cannot increase by more than the rate of inflation. The revenue limitation and the millage reduction are affected by multiplying the maximum authorized rate by a millage rollback fraction. When assessments on existing property increase faster than inflation, the fraction is less than one. The greater the assessment increase is beyond the rate of inflation, the smaller the fraction and the lower the permitted millage rate.

### **The Michigan General Property Tax Act**

The State of Michigan's General Property Tax Act, Public Act 206, was enacted in 1893. It states that "all property, real and personal, within the jurisdiction of this state, not expressly exempted, shall be subject to taxation."

Exemptions were continued for the U.S. government, state and local governments, religious, charitable, and educational organizations and exemptions were included for a variety of nonprofit organizations as well as basic exemptions for household goods, tools, and agricultural property. Public utilities, railroads, and telephone and telegraph properties as well as intangibles were taxed by the state. Through the years exemptions were added for special tools such as dies and jigs to encourage manufacturing. In the 1970s, exemptions were established for businesses that created or expanded their business in Michigan.

The procedures and schedules established by the General Property Tax Act that are still followed today are as follows:

1. Local preparation and review of the assessment roll.
2. County and state review of assessment rolls to equalize true cash values used for assessments.
3. Certification of taxes to local unit and to County Board of Commissioners.
4. County Board of Commissioners review tax levies, apportions the tax, and authorizes spread of taxes by local unit.
5. Preparation of tax rolls and delivery to the treasurer.
6. Disbursement of taxes to local units.
7. Collection of delinquent taxes by the county treasurer and execution of tax liens.

Equalization departments in Michigan were established to avoid owners of similarly valued properties from paying different amounts of state property taxes. County equalization takes place in April and state equalization is adopted in May of each year. State equalization is a function of the State Tax Commission (STC).

The General Property Tax Act is the usual reference source regarding the assessment and taxation of real and personal. The sections of the act are outlined below:

<b>Description</b>
Section 211.1 All property, real and personal, within the jurisdiction of this state, not expressly exempted, shall be subject to taxation.
<p>211.2...211.6b Real Property. For the purpose of taxation, real property includes all of the following:</p> <p>(a) All land within this state, all buildings and fixtures on the land, and all appurtenances to the land, except as expressly exempted by law.</p> <p>(b) All real property owned by this state or purchased or condemned for public highway purposes by any board, officer, commission, or department of this state and sold on land contract, notwithstanding the fact that the deed has not been executed transferring title.</p> <p>(c) For taxes levied after December 31, 2002, buildings and improvements located upon leased real property, except buildings and improvements exempt under section 9f or improvements assessable under section 8(h), if the value of the buildings or improvements is not otherwise included in the assessment of the real property. However, buildings and improvements located on leased real property shall not be treated as real property unless they would be treated as real property if they were located on real property owned by the taxpayer.</p>
211.7...211.7ww Real Estate Exemptions.
211.8...211.8c Personal Property. Personal property is assessed to the owner and is assessed by the unit where it is located on December 31 (SITUS). Personal property tax bills are based on the personal property statement submitted by the business owner or agent on or before February 20 of each year. Failure to submit a personal property statement will result in the assessor setting an assessment he/she believes is fair and just.
211.9...211.9o Personal Property Exemptions.
<p>211.10...211.17 Assessments. Section 211.10d addresses the certification of assessors. For a newly elected township supervisor in a community requiring a Michigan Certified Assessing Officer, a 6-month conditional certification may be granted. If a unit does not have a qualified assessor, the assessments are made by the county equalization department and the cost of preparing the roll is charged to the local assessing unit. It is a misdemeanor to certify a roll that you have not prepared or supervised.</p> <p>If a unit does not have a properly certified assessor, the State Tax Commission shall assume jurisdiction of the assessment roll and provide a certified roll. Costs are paid by the local unit.</p> <p>Section 211.14(6) states that after December 31, 2002, buildings and improvements on leased lands shall be assessed as real property. Sections 211.10 through 211.23 address assessments and how they are to be made and by whom (certified assessor using STC approved manual). If a real or personal property is not specifically exempted by the act, it is not exempt.</p>

Assessments are made on an annual basis and are determined on December 31, tax day. Assessments for a village and the assessments of the township in which it is located are made by the same assessor. If the assessor changes the assessment on a property, he/she must notify the owner of the property not less than fourteen days prior to the meeting of the Board of Review of the new assessed value. If a property owner wishes to review his/her assessment records, the assessor should make every effort to accommodate the taxpayer during normal business hours. Failure to receive a notice of assessment change does not invalidate the assessment. All assessment rolls must be completed and turned over to the Board of Review on the Tuesday following the first Monday in March.

211.18...211.23a Assessment, How to Make.

211.24...211.27e Assessment Roll.

211.28...211.33 Board of Review. The Board of Review (BOR) consists of 3, 6, or 9 electors of the local unit. The Board of Review is appointed by the council, commission, or board for two years. Elected officials and relatives of the assessor are prohibited from serving on the board. BOR meetings on the first two days must be six hours and one of the meetings must be held after 6:00 p.m. In a township, the supervisor is the secretary of the BOR or he/she may appoint someone to act as secretary. The BOR hears petitions from taxpayers or their agents regarding assessments and may also hear appeals of classification. Poverty appeals may be heard at the March, July, or December Board of Review. Appeals may be made in person or by mail.

The Board may reduce or raise an assessment on their own motion. Decisions of the Board may be appealed to the Michigan Tax Tribunal (MTT) and not to the STC with the exception of classification appeals. Notices of the decisions of the BOR must be mailed by June 1.

The Board of Review is also authorized to hold two meetings (July and December) to correct mutual mistakes of fact, clerical errors or qualified errors. The BOR may also hear principle residence appeals.

211.34...211.34e Equalization by Counties. Section 211.34c defines property classification. Real property is classified as: *Agricultural, Commercial, Developmental, Industrial, Residential, and Timber-Cutover*. Parcels used for recreational purposes are classed *Residential*. Personal property is classified as: *Agricultural, Commercial, Industrial, Residential, and Utility*.

211.35...211.38 Taxes, Certified How and by Whom.

211.39...211.41a Taxes — How to be Assessed. Sections 211.39 through 211.144 deal with taxes and how they are spread, how they are collected and delinquent taxes and how delinquent properties are handled. Taxes are spread on **taxable value** since the passage of Proposal A. Taxes are a lien on the property. Local units may add a 1% administration fee to the property taxes collected. Taxes are due by February 14 and if not paid by that date interest begins to accrue. Local treasurers collect taxes until March

1. At that time the taxes are turned over to the county treasurers as delinquent. After March 1, taxes must be paid to the county treasurer.
211.42...211.43c Tax Roll.
211.44...211.54 Collecting of Taxes.
211.55...211.59 Return of Delinquent Taxes.
211.60...211.60a Sale, Redemption and Conveyance of Delinquent Tax Lands.
211.61...211.69 Notice and Lists of Lands to be Sold.
211.70...211.73c Sale by County Treasurer.
211.74...211.79a Redemption And Annulment.
211.83...211.86 Tax Lands Held By The State.
211.87...211.91 Accounts and Settlement Thereof.
211.92...211.126 Miscellaneous Provisions.
211.127b...211.134 Inspections and Disposition of State Tax Lands.
211.135...211.157 and 209.101 through 209.107. Sections 211.146 through 211.154 as well as 209.101 through 209.107 outline the duties and responsibilities of the State Tax Commission.

### **Tax Reform**

In Michigan, the earliest tax reform took place in 1932 when the Constitution was amended. The amendment included a provision that the basic tax rates allowed to be levied by local government without a vote of its citizens is limited to an amount that would not generate tax revenue that exceeded 1½% of the assessed value of the property being taxed. Several amendments have been made to this limit and to the 15-mill limit allowed by the Constitution.

In 1934, the state implemented a sales tax and left the property tax for local government to split. In 1948, the Constitution was amended to permit levying an additional tax for up to 20 years for a specific purpose. A 1955 amendment excludes from the limitation, taxes that are used for paying certain types of school bonds.

The 1963 the Michigan Constitution continued this limitation on total tax rates and it does not provide for allocation of the 15 mills (or 18 mills) among local government units. The voters of most counties have approved a fixed millage allocation for the county. For the counties that do not have a fixed millage allocation, there is a county allocation board that allocates the 15 mills. Today, due to Proposal A, the school district does not receive the 4 mills. The state receives six (6) mills for a state education tax (SET).

## **Proposal A**

In July of 1993, the legislature voted to eliminate property taxes as the source of school funding due to the increasing reliance on property taxes for K-12 funding and the wide variation of per pupil spending between districts. In March of 1994, the voters approved Proposal A which replaced most of the school property taxes with an increase in the sales tax from four (4) to six (6) cents per dollar. This was the first successful statewide tax proposal in 20 years.

The primary components of Proposal A are as follows:

1. School operating property taxes in all districts were reduced to 18 mills or the number of mills levied in 1993 for school operating.
2. Principle residence property and qualified agricultural property are exempt from the 18 mills.
3. Assessments are capped and a new value "taxable value" was created. Taxable value is the lower of the properties state equalized value (SEV) or "capped value". Property values for taxes were capped at the 1994 value and for tax purposes would only increase at the rate of inflation or 5%, whichever is less. When a property sells, it is uncapped and the SEV and the taxable value are the same for the next year and then the taxable value is recapped (subject to the increase limitation) until it sells again.
4. Sales tax was increased from four (4) to six (6) cents per dollar. A statewide 6-mill State Education Tax was levied on all property. Taxes were increased on alcohol and tobacco. Real estate transfer taxes (RETT) were also increased.
5. The Constitution was amended to exempt school taxes from the uniformity provision of the Constitution and any increase in school operating taxes now requires a  $\frac{3}{4}$  vote of both houses of the legislature.
6. Each school district receives a per pupil allotment from the state that is funded by the increase in sales and other taxes.

The results of Proposal A were immediate. Property taxes went down dramatically for homestead (principle residence) property and to a lesser degree for non-homestead properties. Per pupil spending increased in many school districts. Property taxes were held at a lower rate even in the face of increasing property values.

### **Capped Value:**

One of the main components of Proposal A is the cap on assessments and creation of a new "taxable value". Taxable value is the lower of the properties state equalized value (SEV) or "capped value" (described below). Property values were initially capped at the 1994 value and thereby property taxes would only increase at the rate of inflation or 5%, whichever is less. When a property sells it is uncapped and the taxable value becomes that state equalized value.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

**Bulletin 16 of 2017**  
**Inflation Rate Multiplier**  
**October 30, 2017**

**TO: Assessors and Equalization Directors**

**FROM: State Tax Commission**

**RE: Inflation Rate Multiplier for use in the 2018 capped value formula and the "Headlee" Millage Reduction Fraction (MRF) formula**

**Note:** The Calculation of the Inflation Rate Multiplier is set in statute. MCL 211.34d states:

(l) "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.

(f) "General price level" means the annual average of the 12 monthly values for the United States consumer price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

Based on this statutory requirement, the calculation for 2017 is as follows:

1. The 12 monthly values for October 2015 through September 2016 are averaged.
2. The 12 monthly values for October 2016 through September 2017 are averaged.
3. The ratio is calculated by dividing the average of column 2 by the average of column 1.

The specific numbers from the US Department of Labor, Bureau of Labor Statistics are as follows:

Oct-15	237.838	Oct-16	241.729
Nov-15	237.336	Nov-16	241.353
Dec-15	236.525	Dec-16	241.432
Jan-16	236.916	Jan-17	242.839
Feb-16	237.111	Feb-17	243.603
Mar-16	238.132	Mar-17	243.801
Apr-16	239.261	Apr-17	244.524
May-16	240.229	May-17	244.733
Jun-16	241.018	Jun-17	244.955
Jul-16	240.628	Jul-17	244.786
Aug-16	240.849	Aug-17	245.519
Sep-16	<u>241.428</u>	Sep-17	<u>246.819</u>
<b>Average</b>	<b>238.939</b>		<b>243.841</b>
		<b>Ratio</b>	<b>1.021</b>
		<b>%</b>	
		<b>Change</b>	<b>2.1%</b>

**Local units cannot develop or adopt or use an inflation rate multiplier other than 1.021 in 2018. It is not acceptable for local units to indicate to taxpayers that you do not know how the multiplier is developed.**

➤ **Inflation Rate Multiplier Used in the 2018 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2018 Capped Value Formula is 1.021.

The 2018 Capped Value Formula is as follows:

$$\mathbf{2018\ CAPPED\ VALUE = (2017\ Taxable\ Value - LOSSES) X 1.021 + ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.021 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2018 “Headlee” Calculations**

The inflation rate multiplier of 1.021 shall ALSO be used in the calculation of the 2018 “Headlee” Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2018 “Headlee” Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2018\ MRF = \frac{(2017\ Taxable\ Value - LOSSES) X 1.021}{2018\ Taxable\ Value - ADDITIONS}}$$

- The following is a listing of the inflation rate multipliers used in the Capped Value and "Headlee" calculations since the start of Proposal A:

1995	1.026
1996	1.028
1997	1.028
1998	1.027
1999	1.016
2000	1.019
2001	1.032
2002	1.032
2003	1.015
2004	1.023
2005	1.023
2006	1.033
2007	1.037
2008	1.023
2009	1.044
2010	0.997
2011	1.017
2012	1.027
2013	1.024
2014	1.016
2015	1.016
2016	1.003
2017	1.009
2018	1.021

## Personal Property Tax Reform

In December of 2012, initial legislation was passed that significantly changed the taxation of personal property. The Acts exempt personal property from taxation through two main provisions: Small Business Taxpayer Exemption (MCL 211.9o) and Eligible Manufacturing Personal Property Exemption (MCL 211.9m and MCL 211.9n). The Acts also identified a specific replacement tax on personal property (Essential Services Assessment) and reimbursement for local unit's lost revenue.

The Small Business Taxpayer Exemption (MCL 211.9o) had an effective date of December 31, 2013 for the 2014 tax year. MCL 211.9o includes an exemption for eligible personal property which is defined as:

1. Personal property classified as industrial personal property or commercial personal property as defined in MCL 211.34c or would be classified as industrial personal property or commercial personal property if not exempt **and**
2. The combined true cash value of all industrial personal property and commercial personal property owned by, leased by or in the possession of the owner or a related entity claiming the exemption is less than \$80,000 in the local tax collecting unit **and**
3. The property is not leased to or used by a person that previously owned the property or a person that, directly or indirectly controls, is controlled by, or under common control with the person that previously owned the property.

Effective December 31, 2015 for the 2016 year, Qualified New Personal Property and Qualified Previously Existing Personal Property is exempt from taxation.

Qualified New Personal Property (MCL 211.9m) is defined as property that was initially placed in service in this state or outside of this state **after** December 31, 2012 or that was construction in progress on or after December 31, 2012 that had not been placed in service in this state or outside of this state before 2013 **and** is eligible manufacturing personal property (EMPP).

Qualified Previously Existing Personal Property (MCL 211.9n) means personal property that was first placed in service within this state or outside of this state more than 10 years before the current calendar year **and** is eligible manufacturing personal property (EMPP).

Key to both of these definitions is that the Qualified New or Qualified Previously Existing personal property must be Eligible Manufacturing Personal Property.

Eligible Manufacturing Personal Property (EMPP) is defined as all personal property located on *occupied real property* if that personal property is *predominantly used in industrial processing or direct integrated support*. For personal property that is construction in progress and part of a new facility not in operation, EMPP means all personal property that is part of that new facility if that personal property will be

*predominantly used in industrial processing* when the facility becomes operational. Personal property that is not owned, leased or used by the person who owns or leases *occupied real property* where the personal property is located is not EMPP unless the personal property is located on the *occupied real property* to carry on a current on-site business activity. Personal property that is placed on *occupied real property* solely to qualify the personal property for an exemption under 9m or 9n is not EMPP.

These exemptions will phase in beginning in 2016 until 2023 when all Eligible Manufacturing Personal Property is exempt.

The Essential Services Assessment (ESA) is a State specific tax on eligible personal property. In effect this is a specific tax replacement for the personal property tax. Although this is a specific tax assessed and collected by the State of Michigan, assessors need to be aware of the components of the tax and the rescission provisions.

## Chapter 2 Valuation Concepts

Property assessments in Michigan use an “ad valorem” (at value) tax system. This means that taxes are based on property value. This value is determined by organizing and analyzing data to determine property value.

Section 27 (1) of the General Property Tax Act defines “true cash value” as “...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 that 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 does not include public auctions that are part of a liquidation of sellers assets in a bankruptcy proceeding nor does it include property sold at tax sale or the subsequent sale of property that is acquired by the state in the delinquent tax sale process.

The following definition of “market value” was adopted by the Appraisal Institute in 1993: “The most probable price which a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale occurs as of a specified date.
- An open and competitive market exists for the property interest appraised.
- The buyer and seller are each acting prudently and knowledgeably.
- The price is not affected by undue stimulus.
- The buyer and seller are typically motivated.
- Both parties are acting in what they consider their best interest.
- Marketing efforts were adequate and a reasonable time was allowed for exposure in the open market.
- Payment was made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

When valuing property, the assessor should take into consideration the zoning of the property, the location of the property, the condition of structures on the property, the income potential of the property, and in farm areas the soil quality, value of standing timber, availability of water, and any mineral rights that are included in the ownership. In order to have value the property must have the following:

- **Desirability** – a consumer must want the product for it to have value.
- **Utility** – the ability to satisfy as human want, need, or desire.
- **Scarcity** – the present or anticipated supply of an item relative to the demand for it.
- **Transferability** – a consumer must be able to purchase the property.

**Real estate** is the physical land and any structure attached to it.

**Real property** is the rights of ownership (bundle of rights) enjoyed by the owner of real estate.

The Bundle of rights are the rights obtained with fee simple title:

- S – Right to sell
- L – Right to lease or rent
- U – Right to use
- G – Right to give away
- E – Right to enter or leave
- R – Right to refuse to do any of these

The rights of ownership removed by government are:

- Police power (power to regulate)
- Eminent Domain (power of eminent domain)
- Escheat
- Taxation Power (power to tax)

The most common types of ownership are **fee simple** (the highest degree of ownership), **partial estate** (such as a leased property), and **life estate** (the right to use, occupy, and control a property for the length of the lessee's life).

Personal property includes movable items not permanently attached to the real estate.

To decide if an item is real or personal consider the following:

- The manner in which it is attached
- The intention of the installer – to permanently attach or to eventually remove
- The purpose for which the premises are used

The value of a property is not just the value you can obtain if you sell the property. The selling of a property is a value in exchange. The **value in exchange** is the amount of money or goods you can receive if you sell the property. Property also has a value in use. **Value in use** is the value property has in a specific use. Special purpose properties have a limited use. However, they may have value to a user if they are redesigned or remodeled. Sometimes the value is greater if the limited use property is demolished and a new structure is erected. A limited use property is one that has a limited number of potential buyers due to the uniqueness of the property and the pool of buyers that could use it as it stands would be even more limited. Appraisals that include a value in use analysis will generally be large industrial buildings.

The basic economic principles used in appraising are as follows:

- Supply and demand
- Change
- Contribution
- Competition
- Conformity
- Anticipation

- Substitution
- Surplus productivity
- Diminishing returns
- Highest and best use

Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The appraisal process begins with defining value. The collection of physical data comes next. You need cost data on the specific site being appraised and also information on properties that have sold, government restrictions, and for income-producing properties, the potential income.

The three approaches to value are **cost, sales comparison, and income**. Each has specific applications.

The **cost approach** is used to estimate the cost of constructing improvements to the land. It is used when you do not have sufficient sales to compare, when the structure has just been built, and when you are doing mass appraisal. This approach is based on the principle of substitution.

The **sales comparison approach** compares the property being appraised to similar properties that have recently sold. Comparable properties are selected based on how similar they are to the subject. The sale price is adjusted for differences and a market value is estimated. Adjustment, increases or decreases are made to the comps to make them equal to the subject property. This approach also is based on the principle of substitution.

The **income approach** is used to value the income stream of a property. This approach to value uses the principles of substitution and anticipation. Investors purchase properties based on the income that can be generated.

In reviewing the economic principles used in each approach, you can see that the one that is used in all three approaches to value is substitution. The principle of substitution states that a property's value tends to be set by the cost of acquiring an equally desirable substitute. This principle applies to all three approaches to value: in the sales comparison approach, the value of the subject property is determined by the cost of purchasing a substitute property; in the cost approach, value is determined by the cost of constructing a similar substitute property; and in the income approach, value is determined by the cost of acquiring a substitute property that will provide a similar income stream. In each case, the substitute properties must be equally useful and desirable, and there must be no costly delays with either the purchase or construction.

The final reconciliation of value can be a combination of the approaches to value. The appraiser will decide which approach should be given the most weight.

In an assessing office the assessment process can be summarized as follows:

- Locate and identify all taxable property
- Inventory all property noting specific characteristics of each parcel
- Estimate market value
- Determine tax status – taxable or exempt
- Calculate assessed, capped, and taxable values
- Prepare certified assessment roll
- Notify property owners of changes to their assessments
- Defend values when appealed
- Prepare tax roll

## Chapter 3 Taxable Value

Article 9, Section 3 of the Michigan Constitution provides for uniform property taxation except taxes levied for school operating purposes. Since Proposal A passed, there are different millages for school operating purposes for homestead and non-homestead properties. These uniform assessments are not to exceed 50% of true cash value as equalized. Article 9 limits the increase in taxable value to the increase in the consumer price index (CPI) or 5% whichever is less until the ownership of the property transfers. When ownership of the property is transferred as defined by law, the parcel shall be assessed at the applicable proportions of current true cash value (50%). This is not  $\frac{1}{2}$  the selling price.

The Michigan Constitution limits the taxes on a property by limiting the assessed value of a property at 50% of its true cash value. Proposal A required the calculation of a capped and taxable value in addition to the assessed value.

There are two limits on taxable value for each property:

- The constitutional limit that taxable value not exceed 50% of true cash value.
- The annual rate of increase in taxable value may not exceed the lesser of 5% or the annual increase in the CPI.

**PROPERTY TAXES = TAXABLE VALUE x AUTHORIZED MILLAGE RATE**

There is a cap on increases in taxable value for every parcel. There is an exception for property whose ownership has transferred. Beginning with the 1996 tax year, properties where ownership has transferred are “uncapped.” This uncapping is still subject to the 50% of true cash value constitutional requirement. This is why we must still calculate an assessed value each year for each property. When the property transfers, the assessed value becomes the taxable value for the following year. It is then recapped until the next transfer of ownership.

Under specific circumstances, it is possible that the SEV could become the taxable value even if the property does not transfer. The law states that the taxable value is the lesser of the SEV or the capped value. When the capped value is compared to the SEV, if the SEV is lower, it will become the taxable value.

The following examples are a property with no physical changes. The true cash value (TCV) of the property was \$100,000. Last year’s taxable value was \$49,000. Prior year’s SEV was \$50,000. The market value increase was 4% and the IRM was 1.024.

**The assessor must calculate the SEV for next year.**

True Cash Value of the Property	\$100,000
Market Value Increase	4,000
True Cash Value	104,000
SEV	52,000

**The assessor must calculate the capped value.**

Prior Year's Taxable	\$49,000
Minus Taxable Value of Losses	-0-
Times the Lesser of 1.05 or the IRM	1.024
Plus Taxable Value of Additions	-0-
Equals the Capped Value	50,176

Since the capped value of \$50,176 is less than the SEV of \$52,000, the taxable value will be \$50,176.

July or December Board of Review changes and Michigan Tax Tribunal changes to the prior year's assessed, equalized, or taxable values may change the taxable value in the prior assessment or tax rolls. A new prior taxable value based on the Board of Review and MTT action must be used as the beginning value in the capped value formula to correctly calculate taxable value for the current year.

**Note:** The Calculation of the Inflation Rate Multiplier is set in statute. MCL 211.34d states:

(l) "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.

(f) "General price level" means the annual average of the 12 monthly values for the United States consumer price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

Local units cannot develop or adopt or use an inflation rate multiplier other than the IRM published by the State Tax Commission. It is not acceptable for Local units to indicate to taxpayers that you do not know how the multiplier is developed.

The Capped Value Formula is as follows:

$$\text{Current Year Capped Value} = (\text{Prior Year Taxable Value} - \text{LOSSES}) \times \text{IRM} + \text{ADDITIONS}$$

**Tentative Taxable Value**

Until the STC adopts final equalization in May, all values are tentative.

The assessment roll must contain the name and address of the person liable for the taxes, a description of the property, the tentative assessed, capped, and taxable values. The assessor is required to notify each person on the assessment roll (a notice by first class mail) of any increase in assessed value or taxable value. This notice is to be sent 14 days prior to the first meeting of the Board of Review. The STC recommends that change notices be sent to all taxpayers even if there is a reduction in taxable value or assessed value

The only time it may be necessary to recalculate assessed, capped, and taxable values would be if the County Board of Commissioners or the State Tax Commission changed the tentative equalization factor originally used.

The assessor has the authority to change taxable value in two circumstances:

- If the unit receives a County or State Equalization factor that is more or less than the tentative factor.
- If a transfer of ownership is received after adjournment of the March BOR and the taxable value has not been uncapped due to the failure of the new owner to file a Property Transfer Affidavit with the assessor.

Assessors do not have the authority to correct errors in loss or addition to the capped value. These errors can only be corrected if there is statutory authority such as appeals to the MTT, Section 154 appeals to the STC, or a Section 53b clerical error, mutual mistake of facts or qualified error, which can be corrected by the July or December BOR.

### **Loss, Losses, New and Additions:**

The term “new” is used to describe added true cash value for property which is described for the first time on the assessment roll or which was formerly exempt from taxation. “New” would include value added for a new piece of equipment, a new building, a new structure (including value added for completion of construction for a structure which was partially valued in a prior year), etc. “New” also includes value added for the platting of land and value added for a change in a parcel’s description (e.g., a combination of two parcels).

The term “loss” is used in assessment administration to describe assessment decreases resulting from reduced true cash value because property was removed from the assessment roll (i.e., annexed to another assessment unit), because property was destroyed or became exempt from taxation, or because property was removed from a parcel description (e.g., split from a parcel). “Loss” also includes a reduction in the assessed value of personal property because the value of the personal property decreased compared to the prior year.

The terms “additions” and “losses” are used in assessment administration to mean increases and decreases, respectively, in the capped value formula, according to statutory definitions. The term “additions” includes value added for omitted property, new construction, previously exempt property, replacement construction, and remediation of environmental contamination. The term “losses” includes value reductions for property destroyed or removed, property which has become exempt from taxation, property which has experienced a decrease in value due to decreased occupancy rates, and property which has experienced a decrease in value due to environmental contamination.

The term “adjustment” refers to positive or negative changes (i.e., plus or minus adjustments) made for the equalization process. Technically speaking, “adjustment” covers all assessment increases or decreases other than the changes covered by “new”

or “loss.” “Adjustment” is commonly considered to be a change in value to set assessments at 50 percent of true cash value as required by law.

Please see the table below that describes how each item defined above affects assessed or capped value. As a rule of thumb, 95% of the time you will have a new with an addition or a loss with losses. They simply affect different values on the roll. However, there are some circumstances when you will have new or loss but not additions or losses. These would include things like: splits, combinations, platting, and annexation. It is important that assessors understand these terms as they are critical to the understanding of the relationship between assessed and taxable value.

<b>Term</b>	<b>Affects Assessed Value/SEV</b>	<b>Affects Capped Value</b>
New	Yes	No
Loss	Yes	No
Additions	No	Yes
Losses	No	Yes
Adjustment	Yes	No

### **Examples of New and Additions**

- Omitted property
- New construction.
- Previously exempt property.
- Replacement construction.
- Remediation of environmental contamination.

The following are **not additions** for the capped value formula or in determining millage reduction fractions or base tax rate fraction:

- Platting, splits, or combinations
- Zoning changes.
- Inflation.
- Economic conditions.

### **Examples of Loss and Losses**

- Property that is destroyed or removed.
- Exempt property.
- Decrease in occupancy rate.
- Environmentally contaminated property.

Value decreases that are **not losses** in value to the capped value are:

- Zoning changes. Do not confuse zoning changes with assessment classification platting, splits, or combinations.
- Deflation.
- Economic conditions.

## **Transfers of Ownership**

When ownership of the parcel is transferred as defined by law, the property shall be assessed at the applicable proportion of true cash value for the year following the transfer.

This does not mean that the assessment is set at 50% of the selling price. It does mean that the SEV (after market adjustments) will be the assessed, capped, and taxable value the year following the sale. It is then recapped until the next transfer of ownership. Following are examples of transfers of ownership.

### **“Transfers of Ownership”**

- Deed
- Land contract
- Conveyance to a trust (unless beneficiary is same as settlor)
- Distribution from a trust
- Change in beneficiary of trust
- Distribution after owner dies
- Lease
- Corporation partnership
- Tenancy in common

### **NOT “Transfers of Ownership”**

- Spouse to spouse
- Tenancy by entireties
- Life lease
- Foreclosure/forfeiture
- Redemption – forfeited land for non-payment of taxes
- Conveyance to trust when beneficiary is same as settlor
- Court order
- Joint tenancy
- Security interest
- Affiliated group
- Normal public trading
- Common control
- Tax free reorganization
- Family relationship as defined in MCL 211.27a as long as no commercial use

Transfers of ownership occurs:

- Date the deed or land contract is delivered to buyer.
- Usually the same date the deed or land contract is signed.
- Frequently not the same date as the document is recorded with Register of Deeds.
- Usually not the same as the date of offer to purchase.

Transfers are reported to the assessor’s office using the Property Transfer Affidavit Form (PTA), Form L-4260 within 45 days after the transfer of ownership.

If a PTA is not timely filed and the assessor believes a transfer took place, he/she must immediately send out a form to the new owner. If there was a transfer, he/she must immediately “uncap” the property and enter new taxable value on assessment and tax rolls. The property owner has 35 days to appeal to MTT. The assessor must notify the treasurer of the additional taxes due. If tax bills have been sent, the treasurer must immediately send a corrected tax bill including penalty and interest.

For real property classified other than industrial real or commercial real, Michigan law provides a penalty of \$5.00 per day for each separate failure to file a Property Transfer Affidavit up to a maximum of \$200.00. For property classified commercial real or industrial real with a sales price of \$100 million or less the penalty is \$20 per day up to a maximum of \$1,000. For property classified commercial real or industrial real with a sales price over \$100 million the penalty is \$20,000 unless the taxpayer can demonstrate that the failure to file was due to reasonable cause and not due to willful neglect. If the taxpayer can make that demonstration then the penalty is \$20 per day up to a maximum of \$1,000. Penalties begin to accrue after the 45-day filing deadline has passed. However, the governing body of a local unit of government may adopt a resolution waiving this penalty.

## **Chapter 4 Board of Review**

The Board of Review was created by the General Property Tax Act, Section 211.28. The Board of Review has three statutory functions:

1. The BOR meets in March to examine the current assessment roll to determine if the assessor has assessed all property liable to taxation and to correct errors on the names of taxpayers, legal descriptions, assessments, classifications, and valuations.
2. The BOR serves as an appeal board hearing protests from property owners or their agents regarding the assessment established by the assessor. It may adjust assessments it deems unfair. It can add property to the roll that has been missed and hears appeals of denials by the local assessor of continuation of agricultural exemptions. It can grant or deny exemptions of homestead and agricultural property for homeowners who owned and occupied a homestead on June 1 or whose property qualified as agricultural property on May 1 and the exemption was not on the roll.
3. The BOR may meet in July and December to accept and approve the correction of clerical errors, mutual mistakes of fact or certain qualified errors that are discovered after the taxpayer receives the tax bill. They may also hear denials of new qualified agricultural appeals. Finally, they may also grant poverty exemptions at the July and December meetings.

The General Property Tax Act creates a board of local citizens to examine and review the assessments and correct errors in the names, descriptions, and assessments. They also hear taxpayer protests of their assessment. The BOR has limited power to grant homestead and qualified agricultural property exemptions and to grant Poverty exemptions.

Members of the BOR must be electors of the township. An elector must be 18 years old, a U.S. citizen, and have lived at least 30 days in the township where they will serve. Two-thirds of the Board must be property owners. The Township Board appoints the BOR members to two-year terms beginning on January 1 of each odd numbered year.

Township Board members are not eligible to serve on the BOR. The spouse, mother, father, sister, brother, son, daughter or adopted child of the assessor is also prohibited from serving on the Board.

The Board of Review consists of three persons. The Board may be expanded to six or nine persons. If six or nine persons are appointed, they must divide into committees of three for purposes of hearing and deciding appeals. The full Board must meet in general session to review the roll. A majority of members constitutes a quorum. If subcommittees are created, each committee will decide only those appeals it heard.

The Township may appoint not more than 2 alternate members for the same term as regular members of the board of review. Each alternate member must meet the same requirements of a regular member including eligibility and oath of office. An alternate member may be called to perform the duties of a regular member of the board of review in the absence of a regular member. An alternate member may also be called to perform the duties of a regular member of the board of review for the purpose of reaching a decision in issues protested in which a regular member has abstained for reasons of conflict of interest.

The township supervisor is the secretary to the Board and is responsible for the minutes. If the supervisor cannot be present, the deputy supervisor or a Board member must perform this duty. The Township Board may appoint a clerical person to assist the Board of Review to ensure accurate minutes are taken, but the Board must still elect a secretary to oversee the clerical employee's work.

Home rule cities are required to follow the provisions of the city charter but must complete their work by the same deadline as townships, the first Monday in April.

Terms of office begin at noon on January 1 of odd numbered years and end at noon on the next odd numbered year. The oath of office is to be taken within 10 days of appointment.

Township Boards of Review are required to meet in three separate sessions: one session to review the roll and a minimum of two sessions to hear protests from taxpayers. The BOR may have a need to hold additional sessions as necessary to hear protests. City charters establish the requirements for BOR schedules. If there is not a charter requirement, the cities follow the same schedule as Township Boards.

There are no statutory requirements for Board members. They should be citizens who are interested in public good and should be representative of the make-up of the community. They do not need to be experts in valuation of property but should be familiar with the community and have good judgment and ability to listen to both sides of an issue before making decisions. Some city charters may have specific requirements in addition to being electors of the city.

Some Board Members are compensated for serving on the Board of Review. Others are not. This is determined by city charter and statutes. Usually a per diem is paid but some units choose an hourly rate which may be more compatible with how other boards and commissions are compensated.

The BOR selects a member from each subcommittee of three to chair the meetings. Non-residents may appeal by mail. The Board may, if the governing body adopts a resolution, hear appeals by mail from local residents.

The law provides that the BOR adopt a meeting schedule, decide when decisions are to be made and if it will operate by appointments or walk-ins.

All meetings of the BOR are open meetings under the Open Meetings Act, P.A. 267 of 1976. The Open Meetings Act requires that all meetings of a public body shall be open to the public and that the meeting is held in a place available to the general public. Under the Open Meetings Act, notices of meetings must be posted at the principal location of the Board and if appropriate at other locations determined by the governing body. If a special meeting is called, notice must be posted 18 hours in advance both at the principal office of the Board and on the website of the Board if the Board has a website at which they regularly post agenda's and minutes. (See P.A. 528 of 2012)

In addition to the requirements of the Open Meetings Act, notices of the BOR schedule must be published in three consecutive issues of the local paper or posted in five places in the local unit at least one week prior to the first meeting of the BOR.

When assessed value or tentative taxable value is increased by the assessor, a notice must be sent by first class mail to the affected taxpayer 14 days prior to the first meeting of the BOR. This notice must include the prior year's assessment, the new assessment or tentative taxable value, and the amount of change in each. Also included is the time and place of the BOR meeting.

All records of BOR proceedings are open for public inspection under the Freedom of Information Act, P.A. 442 of 1976. Records that are exempt from this act are those that include information of a personal nature. Examples would include income tax forms provided by those applying for a poverty exemption.

The first meeting of the BOR is the organizational meeting. The chairperson is elected and the rules of procedure are drafted. It is at this meeting that the Board of Review receives the assessment roll and examines it to ensure all taxable property is described and assessed. Poverty guidelines are reviewed and generally the assessor reports on changes in laws that the Board should be aware of.

The BOR may make changes to the assessment roll but may NOT make blanket changes that affect the entire roll. If the Board makes changes, it must send a notice to the affected taxpayer. Notices may be given by mail, phone, fax, e-mail, or in person. A record should be kept of the notice and how it was sent.

The Board is not required to hear appeals at the organizational meeting but under the Open Meetings Act, must hear anyone who insists on speaking.

The second meeting of the BOR is to hear appeals from taxpayers regarding the assessments of their property. In most cases, taxpayers must appeal to the BOR before proceeding to the Michigan Tax Tribunal. The second meeting is on the second Monday in March and must begin no earlier than 9:00 a.m. and no later than 3 p.m. and last for at least six hours. There must be one additional six-hour meeting that week and there must be at least one three-hour session after 6:00 p.m.

Two members of the Board make up a quorum. If there is not a quorum, the supervisor is to notify the members absent to attend at once or they may call upon the alternate members to serve.

A taxpayer or his/her representative may appeal to the Board. Non-residents may appeal by mail and such appeals are to be considered as if the petitioner appeared in person.

The chairperson conducts the meetings of the Board and is responsible to ensure that the meeting runs on schedule. The secretary is required to keep a record of all appeals and also which Board members were present as well as the date and time the meeting was called to order and adjourned.

Board decisions are recorded in the minutes, on the assessment roll, and on the property record card. This does not mean that the Board has authority to change the property record card.

The burden to prove an assessment is incorrect rests on the taxpayer. Utilizing the argument that "My taxes are too high" is not enough evidence to support the claim. Boards must be completed by the first Monday in April. Notices of the decisions of the Board must be mailed by the first Monday in June and must advise the petitioner of the right to appeal to the Michigan Tax Tribunal.

The Board signs the endorsement of the final roll and the roll is turned over to the equalization department within ten days of adjournment of the BOR or by Wednesday following the first Monday in April, whichever is first.

Poverty exemption appeals may be made to the BOR after January 1 or the year the exemption is requested. To obtain a Poverty exemption, you must: own and occupy the property as your homestead; make application to the Board of Review; supply federal and state income tax returns for all persons residing in the home or file an affidavit on the form approved by the State Tax Commission if you were not required to file a Federal or State Income Tax Return in the year in which the exemption is claimed or the immediately preceding year; and meet the federal poverty guidelines as well as the guidelines adopted by the governing body.

The Board must follow the guidelines for EVERY Poverty appeal. Failure to do so may make it difficult to defend the Board's decisions at the Michigan Tax Tribunal.

Filing a poverty appeal does not prohibit filing an assessment appeal.

Poverty exemptions may be granted up to 100% and are only in effect for one year.

Annual appeals must be made as the assessment is returned to previous levels the following year.

Denial of a poverty exemption may be appealed to the Michigan Tax Tribunal.

Notices of the decisions of the Board must be mailed by the first Monday in June and must advise the petitioner of the right to appeal. Valuation appeals are made to the Michigan Tax Tribunal and classification appeals are made to the State Tax Commission. Valuation appeals for properties classified Industrial Real or Personal or Commercial Real or Personal or Developmental Real do not have to appeal to the March Board of Review but can instead appeal directly to the Michigan Tax Tribunal by May 31. All other property classifications must appeal their valuations first to the March Board of Review and then to the Tax Tribunal by July 31. Classification appeals are to the Board of Review and then to the State Tax Commission by June 30.

July and December Boards of Review meet to correct clerical errors, mutual mistakes of fact or certain qualified errors. They may also hear poverty appeals not heard at the March Board of Review.

### **HOW TO REMEMBER THE BOARD OF REVIEW DATES (AKA – It does make sense)**

The first BOR established was the March BOR. It is held on the **Tuesday following the FIRST MONDAY in March.**

The December Board of Review is to correct clerical errors, mutual mistakes of fact and qualified errors so it could not be held until the bills went out and the errors were discovered. (Tax bills used to only be sent in December.) It is held on the **Tuesday following the SECOND MONDAY in December.**

Then the laws were amended to permit the school district to collect part or all of their millage in July because their fiscal year began in the fall and it did not make sense for them to pay interest until the December collection to cover their budget. The July Board of Review is to correct clerical errors, mutual mistakes of fact and qualified errors. The July Board of Review if you are paying attention is held on the **Tuesday following the THIRD MONDAY in July.**

## Chapter 5 Equalization

Property taxes are a simple mathematical problem: Millage rate times the taxable value equals the taxes collected (revenue). This was a very simple math problem prior to Proposal A, when the value taxes were levied on was the state equalized value (SEV) also known as the assessed value (AV).

Proposal A requires the calculation of two additional values – the taxable value and the capped value. We now calculate the SEV/AV and the capped value. The lesser of the two becomes the taxable value (the value taxes are levied on).

Article 9, Section 3 of the Michigan Constitution of 1963, as amended, established the following five requirements of the legislature with regard to assessments and taxes:

1. Uniform general ad valorem taxation of real and tangible personal property.
2. The determination of true cash value of such property.
3. The proportion of true cash value at which such property shall be uniformly assessed (not to exceed 50% of true cash value).
4. Establish a system of Equalization of assessments.
5. Determine the taxable value of each parcel of property.

To accomplish these five requirements of the Constitution, the legislature, in the General Property Tax Act of 1893, established the following three levels of responsibility:

1. Local level (Assessor and Board of Review)
2. County level (Equalization department)
3. State level (State Tax Commission)

The assessing officer in the local government unit begins the process. He/she is required to establish the assessed and taxable value of all real and tangible personal property within the unit as of December 31 of each year (tax day).

All property is listed in an orderly manner in the assessment roll. For every property, the assessor determines the following:

- The assessed value (50% of the true cash value).
- The capped value (using the statutory formula and STC guidelines).
- The taxable value (the lesser of the AV and capped values).

The assessor must complete their work by the first Monday in March, and must turn the roll over to the Board of Review (BOR) on the Tuesday following the first Monday in March.

The BOR is charged with making sure assessments are equitable and that values have been calculated properly. They also have the authority to change ownership records, legal descriptions, school district codes, property classification and, since 1994, homestead and qualified agricultural exemptions. The BOR hears appeals from

property owners regarding their assessments, classification, and taxable status of property.

The BOR must complete its business on or before the first Monday in April. The BOR certifies the value of each class of real property separately and all classes of personal property as a whole.

When the certification and other required reports are completed, the assessor turns the roll over to the Equalization Department for County Equalization. The roll must be turned over by the Wednesday following the first Monday in April or 10 days following the adjournment of the Board of Review, whichever is earlier.

The County Equalization Director reviews each assessment roll in the County on behalf of the County Board of Commissioners. The Equalization Director summarizes the local units on form L-4411, Recommendation to the County Board of Commissioners. The County Board of Commissioners must begin their review on the Tuesday following the second Monday in April and must complete their work by the first Monday in May.

The Commissioners must determine whether the properties in each local unit have been equally and uniformly assessed. If they determine that an inequality exists, the Board is required by Statute to correct the inequality. This action does not affect the assessment rolls of the individual communities but may affect the final determination of taxable value for individual properties. When the County Board of Commissioners completes this process, they send form L-4044, Assessment Roll Certification of Equalization by County Board of Commissioners, to the local units and L-4024, Statement of Acreage and Valuation, to the State Tax Commission

The third level of the assessment/Equalization process is State Equalization. The State Tax Commission (STC) determines and establishes the uniform valuation of all classes of property between the 83 counties in Michigan. The STC has the authority to change any and all County equalized valuations if they do not reflect the constitutional maximum and statutory 50% level of assessment. The State Tax Commission issues its preliminary determinations on the second Monday in May and its final determination on the fourth Monday in May.

A right of appeal is provided at each level of this process. At the local level, individual property owners may appeal their assessment, their capped value, and taxable value as well as the classification of their property to the Board of Review. If they are not satisfied at the local level, they can appeal valuation issues to the Michigan Tax Tribunal and classification issues to the State Tax Commission.

Each local unit of government may appeal to the County Board of Commissioners if they do not agree with County Equalization. This will protect their right to appeal the County Equalization to the Michigan Tax Tribunal. Appeal of State Equalization is to the Court of Appeals.

## **Classification of Property**

Property classification is defined in MCL 211.34c. Assessors are required to annual determine the classification for parcels in their jurisdiction. Following are the standard classifications of real and personal property:

### **Real Property**

- 100 Agricultural Real Property
- 200 Commercial Real Property
- 300 Industrial Real Property
- 400 Residential Real Property
- 500 Timber-Cutover Real Property
- 600 Developmental Real Property

### **Personal Property**

- 150 Agricultural Personal Property
- 250 Commercial Personal Property
- 350 Industrial Personal Property
- 450 Residential Personal Property
- 550 Utility Personal Property

When classifying property for the assessment roll, assessors must be very careful with properties that may have more than one use. If a property has two uses (for example, a house and an auto repair business in an accessory building) the assessor must determine the use that most significantly influences the total valuation of the parcel. Another area where this is especially important is in areas where developers are purchasing agricultural property and subdividing it. The developer would like it to remain agricultural because of the benefits of Proposal A to agricultural property but it might be better classed developmental.

Assessors must be careful that they are assessing properties according to the definitions contained in MCL 211.34c. For the most part these definitions classify property according to the current use. While property is valued according to highest and best use, it is classified according to current use, using the definitions in MCL 211.34c.

## **Equalization Studies**

Equalization departments are required to conduct Equalization studies for each class of property in the County. Real property studies use either a sales study or an appraisal study.

Sales Studies are typically done in the larger classes with adequate market transactions to accurately measure the assessment to value ratio. Most typical is the residential real class, although sales studies are also conducted in commercial, industrial, and agricultural classes in large units with large classes and adequate sales. Some small

units might not have adequate sales to conduct any sales studies in any class and then would have to use an appraisal study.

All valid sales must be included and verified.

P.A. 162 of 2013 amended the requirements for sales to be included in agricultural sales studies and added an additional verification requirement:

*(4) In finalizing sales studies for property classified as agricultural real property under section 34c, an assessor and equalization director shall determine if an affidavit for the property has been filed under section 27a(7)(n). If an affidavit has not been filed, the property shall be reviewed to determine if classification as agricultural real property under section 34c is correct or should be changed. The assessor for the local tax collecting unit in which the property is located shall contact the property owner to determine why the property owner did not file an affidavit under section 27a(7)(n). Unless there are convincing facts to the contrary, the sale of property classified as agricultural real property under section 34c for which an affidavit under section 27a(7)(n) has not been filed shall not be included in a sales study.*

The same basic procedure is utilized in an appraisal study, except the “market value” is derived from an appraisal of the property rather than an open market sale. Due to a lack of sales in small units and/or tiny classes, this may be the only study approach for year after year.

Personal property studies are not done based on sales but rather on audits of a representative sampling of the personal property returns.

## Chapter 6

### Assessment Administration/Public Relations

The assessor's four basic duties are:

- To inventory and list all property within the assessment jurisdiction.
- To equitably evaluate every item of taxable property.
- To calculate the taxable value for every taxable property.
- To prepare an assessment roll with all taxable property listed in an orderly fashion by parcel number or legal description.

Calculating the taxable value requires eight steps to be sure the taxable value is legal and correct:

- Determine taxability
- Identify the owner
- Describe the property accurately
- Determine the "situs" (location) of the property
- Value the property
- Determine assessed value (50% of true cash value)
- Determine capped value (Proposal A)
- Determine taxable value (Proposal A)

In Michigan, the definition of **true cash value** is: "...the usual selling price at the place where the property to which the term is applied shall be at the time of the assessment, being the price which could be obtained therefore at private sale, and not at forced or auction sale. Any sale or other disposition by the state or any agency or political subdivision thereof heretofore or hereafter made of lands acquired for delinquent taxes or any appraisal made in connection therewith shall not be considered as 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, and present economic income of structures, quality and value of standing timber, water power and privileges, mines, minerals, quarries or other valuable deposits known to be therein and their value."

Maintaining accurate property record cards is of primary importance. Assessors must have a system in place to keep track of changes to every parcel.

**Assessing accuracy** is the degree to which the property in the jurisdiction is assessed at a legally mandated and uniform percentage of market value.

**Market value** is the price at which a property would most likely sell in an open-market transaction involving a buyer and seller, both of whom desire to come to terms but are under no undue constraint to do so.

**Assessment uniformity** is the degree to which different properties are assessed at equal percentages of market value.

**Assessment level** is the overall ratio of assessments to market values and the degree to which this ratio meets the state mandated ratio.

**Assessment efficiency** refers to the cost of assessment operations; i.e., the number of appraisals per appraiser done each day and the percent of properties inspected. If the cost per appraisal is low then the assessment efficiency is high.

**Cost effectiveness** is demonstrated by a prudent use of all resources available.

An **assessment ratio study** is a statistical analysis of the degree of assessment accuracy. It determines the mean, median, and mode of the ratios. **Mean** is the simple average of the ratios. **Median** is the middle of a ratio study when the ratios are ranked from lowest to highest or highest to lowest. **Mode** is the value occurring most frequently in the data set.

Accurate property record cards and assessment maps are mandatory if you are to have an efficient office. Accurate maps insure that no property is omitted and no property is assessed twice. Remember, assessments are only as accurate as the data used to calculate them.

There are ten components to an effective assessment system. They are as follows:

1. Adequate budget, competent staff, and internal controls
2. Complete maps and files
3. Accurate property data
4. Accurate sales data
5. Effective cost approach
6. Effective sales comparison approach
7. Effective income approach
8. Modern data processing and storage
9. Open public relations
10. Periodic assessment-ratio studies

Components 1-4 are basic. If you do not have staff, you will not be able to maintain the records that are necessary to do the job. Components 5-7 relate to appraisal procedures and are necessary for accuracy. Component 8 is a means to efficiency in an assessing office. Component 9 is the golden rule. Component 10 is necessary to evaluate the accuracy of the records and to make necessary adjustments.

An important part of every assessor's job is good customer relations. It is important for assessors to remember that value of a home and the taxes due that result from that value are very emotional, regardless if the taxpayer is an individual or a company. There is a significant amount of stress involved in these issues. Put yourself in their position. Think about how you would feel if you were upset over an issue and you did not receive a call

back or received a call back and the individual on the other end was less than helpful. Think about how you would want to be treated; how would you want someone to explain the situation to you; what would you want them to do.

We do realize there are always going to be taxpayers that are rude and upset and will not listen to anything you have to say. Make sure you are always pleasant and professional. If they just will not listen, suggest that you put something to them in the mail and then they can call you again to discuss. This gives you an opportunity to take the time to send them something; some people do better seeing things in print; and it gives them time to calm down.

Taxpayers have the right to ask questions. They have the right to ask why. They have the right to ask questions regarding their neighbor's assessments. Don't ever forget that assessing records are open to the public and to their scrutiny. It is our job to respond to taxpayers questions in as thorough and professional manner as possible.

Taxpayers have a right to appeal. An appeal to the Board of Review or to the MTT or STC is not a personal attack nor is it a criticism of your work. We all do occasionally make mistakes. When confronted with information that shows you have made a mistake, accept the responsibility for your actions with professionalism.

It is also important to maintain a good working relationship with other public officials. These include: County and local unit Clerk, County and local unit Treasurer, Equalization Department, Township Trustees, City Council Members, local unit building inspector, local unit zoning inspector, MTT and STC.

### **Supervising Preparation of the Rolls**

The State Tax Commission has approved the following document that lays out the responsibilities of an assessing officer. All assessors must certify that they followed the requirements of this document when they sign the assessment roll each year.

Michigan Compiled Law (MCL) 211.10d(9) states, "An assessor who certifies an assessment roll in which he or she did not have direct supervision is guilty of a misdemeanor." Assessors will be required to certify on an annual basis that they met the following guidelines when signing an assessment roll:

1. The assessor must file Form 4689, *STC Request for Changes in Personal or Employment Information for a Certified Assessor*, with the State Tax Commission within 30 days of becoming the Assessor of Record for a local unit of government to provide notice to the State Tax Commission.
2. The assessor must sign the pre-Board of Review assessment roll certificate for the current assessment year by the first Monday in March or by the date specified by charter for delivery of the assessment roll to the Board of Review.

3. The assessor or the assessor's assistant(s) must timely deliver the certified assessment roll (original hard copy) to the local Board of Review for its required March meetings.
4. The assessor or the assessor's assistant(s) must timely deliver an original hard copy of the assessment roll to the County equalization department. This assessment roll is to have attached a post-Board of Review certificate which must be signed by the Board of Review.
5. The assessor or the assessor's assistant(s) must timely provide a copy of the assessor's database to the County equalization department.
6. The assessor must complete, sign (where applicable), and timely submit State Tax Commission Forms L-4021 and L-4022. These forms are to be submitted to the County equalization department and Form L-4022 is also to be submitted to the State Tax Commission.
7. The assessor must file all required State Tax Commission and equalization forms in a timely manner (in accordance with the State Tax Commission calendar and applicable statutes and administrative rules).
8. The assessor or the assessor's assistant(s) must perform the following specific duties annually (if an assistant, the assessor must have direct supervision in all of the following tasks):
  - A. Appraise and assess taxable property (including new construction and including ensuring the taxable value uncapping of property following transfers of ownership).
  - B. Prepare and maintain the assessment roll, property classifications, property descriptions, special act rolls and other assessment records and have an established procedure to update records on a regular basis.
  - C. Attend Board of Review meetings if requested by the Township.
  - D. Attend meetings with the public at the Township or City municipal office facility.
  - E. Assist legal counsel in the prosecution or defense of cases arising out of assessment administration activities.
  - F. Appear before the Michigan Tax Tribunal (both Entire Tribunal and Residential Property and Small Claims Division) to defend property tax appeals.
  - G. Appear before the Township or City governing body when requested.
  - H. Conduct personal property canvasses.
  - I. Ensure the accuracy of land divisions and splits and combinations of parcels.
  - J. Respond to general inquiries for assessment records and inquiries for assessment records made under the Freedom of Information Act. Assessment records identified in MCL 211.10a must be made accessible and available for inspection and copying by the public regardless of the location of the records (e.g., local unit public offices, office/home of the Township supervisor, office/home of the assessor,

- other). The assessor must identify when records are available for inspection and copying as required by MCL 211.10a.
- K. Provide reports to the Township or City governing body when requested.
  - L. Ensure that the mass appraisal methods and procedures employed are in compliance with requirements of the *Uniform Standards of Professional Appraisal Practice* and the State Tax Commission's *Assessor's Manual*.
9. Pursuant to MCL 211.10e, the assessor or the assessor's assistant(s) must use only a current version of the State Tax Commission *Assessor's Manual* or other STC approved manual.
10. Pursuant to MCL 211.10e, the assessor or the assessor's assistant(s) must use and maintain the following assessment records:
- A. Appraisal record card system
  - B. Personal property record system
  - C. Tax (cadastral) maps
  - D. Land value studies and maps
  - E. Economic condition factor determinations
  - F. Current year assessment roll
  - G. Photos of dwellings and outbuildings affixed to appraisal record cards and/or stored electronically using assessing software
  - H. Homeowner's principal residence and qualified agricultural property exemption documents
  - I. Record of site visits to individual parcels
  - J. Historical assessment data
11. The assessor or the assessor's assistant(s) must ensure that the assessment roll contains the following information:
- A. Name and address of property owner
  - B. Legal description or approved parcel identification number
  - C. School district code
  - D. Property classification
  - E. Assessed valuation
  - F. Capped valuation
  - G. Taxable valuation
  - H. Board of Review valuation column
  - I. Michigan Tax Tribunal and/or State Tax Commission valuation column
  - J. Homeowner's principal residence or qualified agricultural property exemption percentage
  - K. Date of last transfer of ownership
  - L. Leasehold improvements identifier, if applicable

- M. The value of non-considered improvements (under MCL 211.27), if applicable
12. The assessor or the assessor's assistant(s) must ensure that the true cash value on the appraisal record cards matches the true cash value indicated by the assessor's value on the assessment roll

## **The Assessment Roll**

There is only one annual Assessment Roll for each assessing unit. The Assessment Roll is the roll in which assessments are determined by the assessing officer, reviewed by the Board of Review (Board), equalized by the County Board of Commissioners and containing the certificates for all three. To avoid confusion, it is strongly recommended that all other copies, duplications or alterations of the original roll should not contain the word "assessment" in their labels or should be clearly labeled as not to be confused with the original assessment roll.

The Assessment Roll will be completed in accordance with the General Property Tax Act by a duly elected or appointed assessor who is properly certified by the State Tax Commission. The roll shall be a bound volume or loose-leaf pages bound into a permanent cover containing all the real and personal property in the Township and Village or City for which the roll is prepared. Prior to presentation to the Board of Review, the Assessment Roll shall have a certificate attached signed by the assessor, including his or her certification number. The roll shall be completed and prepared for presentation to the Board of Review not later than the first Monday of March for Townships and as provided by Charter for Cities. (MCL 211.10d)

All entries in the annual Assessment Roll must be machine-printed or handwritten in ink. In all cases, an erroneous entry should be lined out, initialed and dated in ink. There should not be any erasures in the Assessment Roll. (STC R209.26)

Each official action to change an assessment by the Board of Review must be entered by the Board in permanent ink in the column reserved for the Board of Review. If an assessment is upheld following a petition to the Board of Review filed by a property owner, the assessment should also be entered in ink in the Board of Review column. After an Assessment Roll has been reviewed by the Board of Review, a certificate (also form 2691 or L-4037) signed by the members of the Board of Review is permanently attached to the roll. The certificate contains the total valuation of each classification of real property and of personal property as determined by the Board of Review.

After the certificate is attached, an assessing officer is not permitted to make any entries to the roll except by written authority of the Michigan Tax Tribunal, the State Tax Commission, or pursuant to court order. This includes a situation where an error has occurred in the development of the Assessment Roll.

The July and December Boards of Review can correct mutual mistakes of fact, clerical errors or qualified errors for the current and one prior year only. (MCL 211.53b).

Omitted or incorrectly reported property liable for taxation can be added or corrected on the assessment roll by the State Tax Commission for the current assessment year and two prior years. (MCL 211.154 and STC Rules R209.71 through R209.75)

Each Assessment Roll must contain the following columns:

- Name and address of owner or occupant
- Property description or permanent parcel number including the school district code and the property classification
- Assessor's valuation
- Board of Review valuation
- Michigan Tax Tribunal or State Tax Commission valuations.

P.A. 25 of 2016 was signed into law on March 1, 2016, with an effective date of May 30, 2016. This Act amends the General Property Tax Act to allow local tax collecting units to use a computerized database system as the assessment roll beginning with the 2017 tax year. The use of a computerized assessment roll is only permitted if the local unit and the assessor certify in a form and manner proscribed by the State Tax Commission that the proposed system complies with the requirements of the Act. The State Tax Commission approved Form 5446, *Request for New Certification for Use of a Computerized Assessment Roll by a Local Unit*, for local units of government to submit a request to use a computerized assessment roll. Form 5446 must be fully completed and received by the State Tax Commission no later than October 31st of the year prior to the year in which the computerized assessment roll will be used. Approvals are granted for three years.

## **The Tax Roll**

A Tax Roll is created by the assessor and is separate and distinct from the Assessment Roll. The assessor should make sure they are working with their local Treasurer to pass on name changes, address changes, Board of Review, STC and MTT changes. It is important to remember that many other taxing authorities have to “balance” their tax collections and any and all corrections must be passed on to those entities. As always good communication is important.

The Tax Roll shall contain a column for the:

- Property owner, agent and address.
- Property description including the parcel code number, classification and school district.
- Assessed valuation.
- State Equalized Valuation of the property. (MCL 211.24b) If a factor is required by Equalization to the assessed valuation to arrive at the equalized valuation of property in a Township, City or Village, it is permissible to round up the factor at not less than four points beyond the decimal. All millages are to be spread against the taxable value of the property.

After the Tax Roll has been completed, the Township Supervisor will complete a warrant and deliver the Tax Roll to the Treasurer for collection. The warrant for the collection of City taxes will be signed by the official assigned the responsibility by City Charter or, if the Charter does not address this issue, it must be signed by the City Assessor. Village tax collection warrants are to be signed by the Village President.

### **Computerized Tax Roll**

Act 112 of 1990 permits assessing officers to prepare a computerized Tax Roll for use as a collection and accounting tool by the Assessor and Treasurer. The system and procedures to be used are outlined in MCL 211.42a. Treasurers and Assessors are not permitted to use a computerized Tax Roll unless approved for use by the State Tax Commission.

The Act calls for a pre-collection Tax Roll printed from a computerized data base that is warranted by the assessor. This requires the local assessor to maintain the data base as changes in value, legal descriptions and other items on the Tax Roll occur. The statute also provides for preparation of a final settlement Tax Roll to be prepared by the assessing officer that includes all changes that have been made since the pre-collection Tax Roll. The local treasurer's collections must be posted on the final settlement Tax Roll. In addition, the statute provides for an audit trail and documentation of all changes made by the assessor and for proper accounting procedures and checks by the local Treasurer. Standards that the system must meet for approval by the State Tax Commission are described in the statute.

Applications should be filed with the Michigan State Tax Commission, Post Office Box 30471, Lansing, Michigan 48909-7971.

Act 112 of 1990 is permissive. It affects only those units that wish to establish a computerized accounts receivable system and Tax Roll preparation system. Non computerized tax collection systems are not affected by this but must meet all other statutory Tax Roll requirements.

## **Chapter 7**

### **Audit of Minimum Assessing Requirements**

The State Tax Commission, per MCL 211.10f, has jurisdiction to determine substantial compliance with the requirements of the General Property Tax Act. The AMAR review reflects the minimum assessing requirements of a local unit of government based on statute and STC Rules, Policy, Bulletins and Publications. Local units of government that do not meet one or more of the minimum requirements must submit a corrective action plan detailing how and when the deficiencies will be resolved.

The AMAR was implemented by the STC 2013 and a new 5 year cycle begins in 2018. Each local unit will be audited once every five years; it is an audit of the local unit and not an audit of the assessor. Audits are conducted by an outside contractor. The AMAR ensures compliance with State Law and provides local units with assurances that all property is being assessed, ensures assessment uniformity and provided transparency into the assessment process for both local units and taxpayers.

This chapter will provide detailed information that local unit officials need to understand for each item in the AMAR review. The complete review document can be found at the end of this chapter.

#### **Local Unit Background Information:**

The AMAR review begins with collecting basic information about the local unit including looking at two measures of uniformity, the Coefficient of Dispersion (COD) and the Price Related Differential (PRD). This information is being gathered for informational purposes only and for the STC to review to determine if in the future there should be standards set in Michigan for both COD and PRD.

The Coefficient of Dispersion or COD is a measure of uniformity and relates to the consistency of assessment levels within a group of properties. The COD is the average percentage deviation from the median ratio. In general, the lower the COD, the more uniform the ratios within a property group<sup>1</sup>

The Price Related Differential or PRD is a measure of assessment regressivity or progressivity. Appraisals of properties are considered regressive if high value properties are under appraised relative to low value properties. Appraisal are considered progressive if high value properties are relatively over-appraised. <sup>2</sup>

---

<sup>1</sup> IAAO Assessment Standards

<sup>2</sup> IAAO Property Assessment Valuation Third Edition

Next the review is looking for information regarding the L-4022 Form. This form is a report of assessment roll changes. We want to ensure that the L-4022 in possession of the local unit match the L-4022 in possession of the County Equalization Director and the information uploaded on the L-4023 on the E-File Site. We have had instances where they do not match and we want to identify those instances, find out why that occurred and ensure that it does not continue to occur.

Next the review is looking at compliance with MCL 211.7cc. MCL 211.7cc requires interest at a rate of 1.25% per month or fraction of a month to be charged to the owner of property that has been issued a PRE denial notice. Upon collecting the interest, MCL 211.7cc also details the required distribution of the interest depending on the governmental unit that issued the denial notice. The review is asking if Form 4142 was completed and submitted to the Michigan Department of Treasury by a County, City or Township when the State's portion of PRE denial interest is remitted. Assessors should have available a copy of that Form, regardless of who it was prepared by and submitted by.

Finally the review is ensure that local units have written procedures, including audit procedures, for determining how to grant real property exemptions or remove real property exemptions when the property no longer qualifies for the exemption. Without proper procedures, it is possible that a property may remain as exempt when it no longer qualifies for the exemption.

In Michigan, there are two guiding principles to address taxation in general, and exemptions from the ad valorem tax: (1) "In general, tax laws are construed against the government;" and (2) tax exemption statutes are strictly construed in favor of the government.

Exemptions reduce the property tax burden of a taxpayer for every year in which they are granted. The mechanism of an exemption is simple: it reduces a property's tax obligation and provides immediate property tax relief. Unlike exemptions, abatements reduce the maximum future tax burden on investments by a taxpayer. Abatements modify either the millage rate or taxable value used to calculate taxes if, an investor improves either real or personal property.

Examples of common exemptions include:

### **Disabled Veterans Exemption: MCL 211.7b (P.A. 161 of 2013)**

The Disabled Veterans Exemption provides a 100% property tax exemption for disabled veterans or their unremarried surviving spouse. In order to be eligible the disabled veteran must own the home, use the home as their homestead and meet one of the following three criteria:

- A. Has been determined by the United States department of veterans affairs to be permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate.

- B. Has a certificate from the United States veterans' administration, or its successors, certifying that he or she is receiving or has received pecuniary assistance due to disability for specially adapted housing.
- C. Has been rated by the United States department of veteran's affairs as individually unemployable.

Unremarried surviving spouses eligibility is based upon the eligibility of the disabled veteran prior to their death.

### **Pollution Control: Public Act 451 of 1994, Part 59**

The Air Pollution Control exemption provides a 100% property and sales tax exemption to facilities that are designed and operated primarily for the purpose of controlling or disposing of air pollution that, if released, would render the air harmful or inimical to the public health or property within this state. The STC is responsible for final approval and issuance of air pollution control certificates. Exemptions are not effective until approved by the STC. This law provides a 100% exemption from property taxes that would be levied on otherwise taxable property. The exemption is granted on property defined as a "facility" in MCL 324.5901(a), (b) or (c).

### **Water Pollution Control: Public Act 451 of 1994, Part 37**

The Water Pollution Control exemption affords a 100% property and sales tax exemption to facilities that are designed and operated primarily for the control, capture and removal of industrial waste from water. The exemption applies to property not previously certified as pollution control; even if the property is currently assessed on the ad valorem roll. The STC is responsible for final approval and issuance of water pollution control certificates. Exemptions are not effective until approved by the STC. This law provides a 100% exemption from property taxes that would be levied on otherwise taxable property. The exemption is granted on property defined as a "facility" in MCL 324.3701(a), (b), (c) or (d).

### **Principal Residence Exemption (PRE): MCL 211.7cc**

A principal residence is exempt from the tax levied by a local school district for school operating purposes up to 18 mills if an owner of that principal residence claims an exemption as provided in MCL 211.7cc. A person must own and occupy the property as his or her principal residence on or before June 1<sup>st</sup> to claim the exemption for the summer tax levy or November 1<sup>st</sup> for the winter tax levy. The June 1 and November 1 dates also apply to Conditional Rescissions and Foreclosure Entity Conditional Rescissions.

To claim a PRE, the owner must file a Principal Residence Exemption Affidavit, Form 2368, (Affidavit) with the assessor for the City or Township in which the property is located. The Affidavit is a sworn statement attesting that they are an owner that occupies the property as his or her principal residence. Normally, when a home is purchased, the Affidavit and other relevant PRE forms are provided by the closing agents. If the assessor believes an Affidavit is not valid, they should deny the claim and provide the taxpayer

with their appeal rights. As with any tax exemption, the burden is on the taxpayer to show that they are entitled to a PRE.

Public Acts 121 and 122 of 2017 amended MCL 211.7cc and MCL 211.120 to provide that the assessor of a local tax collecting unit, the Department of Treasury, or a county treasurer or equalization director can require a person within 30 days of claiming the PRE, to file the Principal Residence Exemption Affidavit of Similar Exemption in Other States, Form 5565, stating that he or she had not claimed a substantially similar exemption, deduction, or credit in another state.

Public Act 121 also prohibits a person from rescinding a substantially similar exemption, deduction, or credit claimed in another state in order to qualify for the Michigan PRE for any years denied, if the assessor of a local tax collecting unit, the Department of Treasury, or a county denied an existing claim for a PRE. The Act also prescribes a penalty of \$500 for a person who claimed a PRE under the Act and a substantially similar exemption, deduction, or credit in another state.

Public Act 122 amends the General Property Tax Act to extend a misdemeanor penalty to a person who claimed a substantially similar exemption, deduction, or credit on property in another state with the intent to obtain a PRE under the Act.

When an Affidavit is filed, it is important to verify that the person submitting the Affidavit meets the definitions of an “owner.” MCL 211.7dd(a) defines an “owner” as:

- A person who owns property or who is purchasing property under a land contract.
- A person who is a partial owner of property.
- A person who owns property as a result of being the beneficiary of a will, trust or intestate succession. (The beneficiary is considered the owner for PRE purposes upon the death of the grantor).
- A person who owns or is purchasing a dwelling on leased land.
- A person holding a life lease in property previously sold or transferred to another. (The life lease holder must have been a previous owner).
- A grantor who has placed property in a revocable trust or a qualified personal residence trust. (A qualified personal residence trust may be irrevocable. All other irrevocable trusts do not qualify).
- The sole present beneficiary of a trust if the trust purchased or acquired the property for a beneficiary who is totally and permanently disabled.
- A cooperative housing corporation.
- A facility registered under the Living Care Disclosure Act.

It is important to note that a “person” as used in the above definitions means an individual and does not include a partnership, corporation, limited liability company, association, or other legal entity. The percentage of ownership a person has in property is generally not relevant as long as that person meets the definition of an owner and occupies that property as a principal residence. In other words, a person that is a 1% owner of a property and occupies that entire property as a principal residence may qualify for a 100% PRE.

The following factors must also be considered when evaluating an owner's eligibility for a PRE:

- A husband and wife who file, or are required to file, a joint Michigan income tax return are entitled to not more than one PRE.
- If a person claims a substantially similar exemption in another state which has not been rescinded, they do not qualify for a PRE in Michigan.
- If a person files an income tax return as a resident of another state, (active military personnel excluded), they do not qualify for a PRE in Michigan.
- If a person files a non-resident Michigan income tax return, (active military personnel with his or her principal residence in this state excluded), they do not qualify for a PRE in Michigan.
- If a person or his or her spouse owns property in another state for which either person claims an exemption similar to the PRE, they do not qualify for a PRE in Michigan, unless they file separate income tax returns.

### **What is a Principal Residence?**

MCL 211.7dd(c) defines a principal residence as the "... [one] place where an owner of the property has his or her true, fixed, and permanent home to which, whenever absent, they intend to return and that shall continue as a principal residence until another principal residence is established." Although this is not an all-inclusive list and no one factor is controlling, the following is a list of items to consider:

- Location of a person's most important possessions.
- Where the family is housed.
- Voting location.
- Where church, club and lodge memberships are maintained.
- Where a person buys automobile licenses.
- Mailing address and banking location.
- Operation of a business.

A principal residence also includes the owner's unoccupied property classified as residential or timber-cutover that is adjoining or contiguous to the dwelling owned and occupied by the owner. The property is generally considered unoccupied if it does not contain a habitable dwelling. Properties containing a garage, storage building and other similar structures normally are considered unoccupied unless they contain living quarters. Contiguity is not broken by a road or a right-of-way. An adjoining or contiguous property classified as agricultural, developmental, industrial or commercial does not qualify for a PRE.

### **Determining Eligibility:**

Determining whether a person occupies a property as a principal residence can be very challenging. Generally, a person must physically occupy or live at the property by May 1<sup>st</sup> of the year they are claiming the PRE. There are a number of ways to verify

occupancy. The following occupancy verification list is not an all inclusive list and no one factor is controlling:

- Both sides of a driver's license with the property address listed.
- Voter's registration record.
- Cancelled checks showing the property address.
- Bank/charge accounts showing purchases within the vicinity of the property.
- Medical billings from physicians within the vicinity of the property.
- Income tax returns showing the mailing address.
- Insurance policies.

Because of the definition of a principal residence, temporary absences are allowed in some circumstances which can make verifying occupancy even more difficult. Some examples of temporary absences include: prisoners with a less-than-life sentence, a person in a nursing home or assisted living facility, missionaries, a person on an extended work assignment, a person renting an apartment while renovating a home, or military personnel. With any temporary absence, the owner must have the intent to return to the property to again occupy it as a principal residence.

Determining this "intent to return" can be very difficult. If a person changes a driver's license address or registers to vote at a new location, his or her intent to return to the property may be in question. If the property is rented or is listed for sale, a reasonable person may conclude that there is no intent to return to the property. When an owner's personal possessions are removed from the property, it is hard to argue that they intend to return to that property. The length of absence or the reason for the absence may also raise questions as to the owner's intent to return to the property. Ultimately, the burden is on the taxpayer to show that they are eligible for the PRE.

### **Partial PRE Exemptions:**

If a property is used for multiple purposes, only the percentage of the property occupied by the owner as a principal residence may qualify for a PRE. When a person operates a business out of the property, rents a portion of the home to a tenant or owns multi-dwellings such as duplexes, the owner may be eligible to claim a portion of the property occupied as the owner's principal residence (MCL 211.7cc(16)). If the property contains one building, the PRE is reduced by the proportion of the square footage not used as the owner's principal residence. If the property contains two or more buildings, the PRE is reduced by the proportion of the taxable value/assessed value of the building not used as the owner's principal residence.

For owners who rent a portion of their home to a tenant, the owner is entitled to a 100% PRE if less than 50% of the square footage is rented (MCL 211.7dd(c)). If an owner rents his entire property for more than 14 days in a year, they are not entitled to a PRE on that property (IRS Publication 527, Chapter 5, Page 21). A portion of a bed and breakfast may also qualify as a principal residence, MCL 211.7cc(28).

### **Military Personnel Considerations:**

Military personnel are given special consideration when evaluating principal residence. When military personnel are required to leave Michigan while on active duty, they may continue to qualify for a PRE in Michigan. In order to qualify, they must be an owner of the property as defined by MCL 211.7dd. In addition, they must have occupied the property as a principal residence prior to deployment and have the intent to return to the property after the active duty commitment is complete. In order to continue to receive the PRE in Michigan, military personnel cannot receive an exemption, deduction or credit similar to the Michigan PRE in another state. If someone wishes to rent out his or her property during an absence while on active duty military, they may file an Active Duty Military Affidavit, Form 4660, on or before May 1st with the local assessor where the property is located.

### **Rescinding an Exemption:**

When a person no longer owns or occupies the property as a principal residence, they must file a Request to Rescind Homeowner's Principal Residence Exemption (PRE), Form 2602, (Rescission) with the assessor for the city or township in which the property is located to remove the PRE. The PRE will be removed from the local property tax roll by the assessor beginning with the next tax year.

A PRE on a foreclosed property should be removed on December 31<sup>st</sup> in the year of the foreclosure or Sheriff's sale. If the property is redeemed, the PRE may be reinstated upon filing of the Affidavit and, if needed, brought before the Board of Review so there is no break in the exemption.

Under certain circumstances a person may qualify for a **conditional rescission** which allows an owner to receive a PRE on his or her current Michigan property and on previously exempted property simultaneously for up to three years. To initially qualify for a conditional rescission, the owner must submit a Conditional Rescission of Principal Residence Exemption, Form 4640, to the assessor for the city or township in which the property is located on or before June 1<sup>st</sup> for the summer tax levy or November 1 for the winter tax levy. A Conditional Rescission must be submitted to the assessor annually on or before December 31 to verify the property still complies with the conditional rescission requirements in order to receive the exemption for the following year.

In order to qualify for a conditional rescission, the owner must have purchased a second property in Michigan which is occupied as his or her principal residence. In addition, the previous principal residence must not be occupied, must be for sale, must not be leased, and must not be used for any business or commercial purposes in order for the owner to qualify for a conditional rescission.

## **Foreclosure Entity Conditional Rescission:**

A land contract vendor, bank, credit union, or other lending institution (foreclosing entity) can retain a PRE on foreclosed property by filing a foreclosure entity conditional rescission with the local tax collecting unit on or before June 1 or November 1 provided the property meets other statutory requirements. If a foreclosure entity conditional rescission is timely filed and accepted for the first year, the foreclosing entity must annually verify to the assessor of the local tax collecting unit on or before December 31 that the property continues to qualify for the foreclosure entity conditional rescission. This new "foreclosure entity conditional rescission" has separate and distinct requirements and should not be confused with the current "owner's conditional rescission".

In order to qualify for a foreclosure entity conditional rescission, the following requirements must be met:

- The foreclosing entity must submit a Foreclosure Entity Conditional Rescission of Principal Residence Exemption by June 1 or November 1 of the first year of the claim.
- The foreclosure entity must be a land contract vendor, bank, credit union, or other lending institution.
- The foreclosure entity must own the property as a result of a foreclosure.
- The property must have been subject to a PRE immediately preceding the foreclosure.
- The property cannot be occupied.
- The property must be for sale.
- The property cannot be leased to any person other than the person who claimed the PRE immediately preceding the foreclosure.
- The property must not be used for any business or commercial purpose.
- The foreclosure entity must pay to the tax-collecting unit an amount equal to the amount of taxes that the foreclosing entity would have paid if the property were not subject to a PRE and must pay an administration fee equal to the property tax administration fee imposed under Section 44 of the General Property Tax Act.
- The foreclosure entity must annually verify the foreclosure entity conditional rescission by December 31.
- The foreclosure entity must rescind the exemption upon a transfer of ownership.

The payment required of the foreclosure entity is to be collected by the local tax collecting unit at the same time and in the same manner as taxes that would have been collected were the property not subject to a PRE. The payment must be distributed to the Department of Treasury for deposit into the state school aid fund. The administration fee is to be retained by the local tax collecting unit. If the foreclosure entity fails to make the required payment, the local tax collecting unit must deny the foreclosure entity conditional rescission, retroactively, effective on December 31 of the immediately preceding year. If the foreclosure entity's conditional rescission is denied, the local tax collecting unit must remove the PRE and any additional taxes, penalties, and interest must be collected from the foreclosing entity.

## **Denial of a PRE:**

Subsections 6, 8 and 11 of MCL 211.7cc allow the assessor, Department of Treasury (the Department), and in certain circumstances, the County Treasurer or Equalization Director, to deny PRE claims for the current and three preceding years. If an assessor believes that a property is not the principal residence of the owner claiming the exemption or that the owner failed to properly rescind the PRE, the assessor may deny the new or existing claim by notifying the owner using a Notice of Denial of Principal Residence Exemption, Form 2742 (Assessor's Denial). The Assessor's Denial provides the owner with his or her appeal rights to the Michigan Tax Tribunal (MTT) within 35 days from the date of the notice. The assessor does not need to seek the approval of the Board of Review when issuing a PRE denial.

MCL 211.7cc(11) gives the County Treasurer or County Equalization Director the authority to issue a denial notice. In order for the County to maintain the authority to deny a PRE claim, the County must elect to audit PRE claims in accordance with MCL 211.7cc(10). This election is made every five years. Notice of Denial of Principal Residence Exemption, Form 4075 (County's Denial), is issued by the County and provides the owner with his or her appeal rights to the MTT within 35 days from the date of the notice.

Under MCL 211.7cc(8), the Department is given the authority to deny PRE claims in any County in Michigan. The Department generally issues PRE denial notices by letter to the owner with a copy of the letter or list of denied parcels provided to the assessor, County Treasurer and the County Equalization Director. The owner has 35 days from the date the denial notice to appeal the denial to the Hearings Division of the Department. If the owner is not satisfied with the decision of the informal conference, they may then appeal the decision to the MTT.

## **Qualified Agricultural Exemption: Public Act 237 of 1994**

The Qualified Agricultural Property exemption is an exemption from 18 mills of local school operating millages for parcels that meet the Qualified Agricultural Property definition (MCL 211.7ee). Additionally, a transfer of Qualified Agricultural Property is not considered a transfer of ownership if both of the following are true: The property remains Qualified Agricultural Property after the transfer and the new owner files Form 3676 with the assessor and the register of deeds.

A parcel that is classified agricultural normally receives the Qualified Agricultural Exemption automatically and the owner does not usually have to file Form 2599, Claim for Farmland Exemption from Some School Operating Taxes. However, the assessor can request the form to determine, for example, if the parcel contains structures that are not entitled to the exemption.

Owners of property not classified as agriculture must file form 2599 to receive the exemption. All owners must file form 2473, Request to Rescind Qualified Agricultural

Property Exemption, to rescind the exemption within 90 days of a change that would cause rescission (e.g. change in use, change in ownership etc.). The requirement applies whether only a part, or all of the property, is affected. The penalty for not filing a rescission form is a maximum fine of \$200.

The exemption status is determined as of May 1<sup>st</sup> of the year of the exemption. Unlike the Principle Residence Exemption, property owned by a legal entity (such as a partnership, corporation, limited liability company, association, etc.) may receive the exemption. In some situations, land may not be actively farmed on May 1, yet the parcel containing the land may still be eligible for the exemption. For example, the land may be intentionally left fallow; the growing season for a crop in some parts of the state may begin after May 1, etc.

To be eligible for the exemption, a parcel has to be Qualified Agricultural Property. A parcel can become a Qualified Agricultural Property in two ways:

- Classification of the parcel as agricultural on the current assessment roll or
- Devotion of more than 50% of the acreage of the parcel to agricultural use as defined by law (MCL 324.36101).

The percentage of a parcel that is devoted to agricultural use is calculated based on the parcel's total acreage. Total acreage includes any area within the parcels ownership including any area(s) covered by an easement or right-of-way for road or drain purposes, even though the area under a public road right-of-way or a public (surface) drain right-of-way is exempt from taxation. Parcels classified agricultural do not have to have more than 50% devoted to agricultural use.

The definition of "agricultural use" is contained in MCL 324.36101:

"'Agricultural use' means the production of plants and animals useful to humans, including forages and sod crops; grains, feed crops, and field crops; dairy and dairy products; poultry and poultry products; livestock, including breeding and grazing of cattle, swine, captive cervidae, and similar animals; berries; herbs; flowers; seeds; grasses; nursery stock; fruits; vegetables; Christmas trees; and other similar uses and activities. Agricultural use includes use in a federal acreage set-aside program or a federal conservation reserve program. Agricultural use does not include the management and harvesting of a woodlot."

This definition of "agricultural use" differs from the definitions used to determine a parcel's classification and should not be used in determining a parcel's classification. There is no minimum parcel size and no minimum income from agricultural production needed to qualify. There are circumstances in which the land may qualify even though the land is not actively farmed. For example, the land may be left intentionally fallow or the growing season for a crop may begin after May 1<sup>st</sup>.

An assessor may deny:

- A new exemption, if the property or part of the property does not qualify
  - An exemption continued from a prior year, at the time of preparation of the annual tax roll, if the property is no longer qualified
  - An existing exemption after the close of the local Board of Review and up to the status day if the property is no longer qualified for the exemption and
  - When the property owner has requested a withdrawal of the exemption for the current year, even if the request occurs after May 1st
- If the assessor discovers a situation where it is clear that a parcel is incorrectly receiving the Qualified Agricultural Property exemption for the current year, after May 1, the assessor has no power to deny the exemption. The assessor may deny the exemption for the next year. Similarly, the assessor may not deny a Qualified Agricultural Property exemption for a prior year.

### **Qualified Forest Exemption: Public Acts 378, 379 and 380 of 2006**

The Qualified Forest Program created an opportunity for owners of smaller forestland parcels in Michigan, which are not classified as agricultural land or do not receive a PRE, to receive reduced property taxes on land in productive, managed forests. The program exempts qualified property from certain school operating taxes and purchasers of QFP enrolled property may apply to the local unit to prevent a property's taxable value from "uncapping" in the year following a transfer of ownership. MCL 211.7jj

Unlike the PRE, a QFP may be owned by a legal entity (such as a partnership, corporation, limited liability company, association etc.). This program is administered by the Department of Agriculture and Rural Development and more information regarding the program can be found on their website.

### **AMAR Assessment Roll Analysis:**

Next the AMAR looks at four specific areas that are critical to an accurate and uniform assessment administration system.

- 1. Economic Condition Factors:** Does the local unit have properly calculated and appropriately documented Economic Condition Factors that meet State Tax Commission requirements per MCL 211.10e and STC ECF Publications?

The Assessor's Manual as adopted by the State Tax Commission is prepared using costs of construction at the statewide level. These costs are developed by a contractor who is highly experienced in the development of costs at a national level. Because these costs are at a statewide level, adjustments must be made to these costs to reflect conditions at the local level. These adjustments are first made to bring statewide costs to the County level through the use of County Multipliers. County multipliers are provided by the State Tax Commission and adjusted annually to reflect change in the market of the construction

costs found in the State Tax Commission Assessor's Manual and to "bring" those costs to the County level.

An Economic Condition Factor (ECF) is used to adjust the assessor's use of the Assessor's Manual to the local market. Economic condition factors are adjusted annually by the assessor to further refine these costs to the local market. An ECF must be determined and used in all cost appraisal situations where the *Assessor's Manual* is used. Saying "I didn't need to use an ECF because I used the new *Assessor's Manual*" is not correct; even if the cost manual being utilized is brand new. The Assessor's Manual is a statewide manual and must be adjusted to local market conditions through the use of an ECF. It is also incorrect to indicate "I didn't need to use an ECF because I was valuing new construction". Again, an ECF must be used to adjust the statewide costs of the *Assessor's Manual* to local markets. An ECF must be used regardless of the age of the improvements being valued.

An ECF is calculated by analyzing verified property sale prices. The portion of each sale price attributed to the building(s) only, on the parcel is compared to the value on the record card of the same building(s). The ECF represents the relationship between the appraised value of the building as calculated using the Assessor's Manual and the sale value of that building. When the building value is added to the value of the land and the land improvements, an indication of true cash value can be obtained for assessed valuations.

ECF areas should be established so that groups of properties (i.e., neighborhoods) sharing similar characteristics are included together. Natural or man-made boundaries will usually serve as ECF area boundaries. ECF areas should also be established so that they are not too large. Doing so could lead to an ECF which properly values the overall ECF area, but incorrectly values various neighborhoods, and individual parcels, that are improperly included in the area.

ECF's can also be calculated for a group of properties based primarily on the structures' other physical characteristics (instead of the properties' geographic location). Examples include houses which are of a certain size, tri-level homes, apartments, warehouses, etc. It is critical that the ECF determination be based on a sufficient number of arms-length sales and that the sales be representative of the properties to be appraised using the ECF.

Occasionally due to a lack of a number of current sales, it will be necessary to estimate an ECF. In estimating an ECF you should analyze historical sales (application of time adjustment) and sales of comparable properties from outside the area (may require location adjustment).

An insufficient number of sales from the time period in the area is not a reason to ignore the sale or few sales that are in the area and from the time period. In these cases, it is necessary to obtain and use sales from outside the ECF area, or outside the time period. It is not acceptable for an assessor to simply use the ECF calculated by the County

Equalization Department. An assessor must perform their own ECF analysis and document that analysis.

- 2. Land Value Maps:** Does the local unit have accurate Land Value Maps that meet the State Tax Commission requirements per MCL 211.10e and State Tax Commission Land Value Map Publications?

Land value maps are a graphical presentation of land values for an entire assessment unit (i.e., an entire City or Township). A graphical display of land values enables the assessor to explain and defend the results of his or her land value analyses to taxpayers. Constructing land value maps also helps keep the assessor informed of land value changes or patterns in the assessment jurisdiction. Significant information which might not otherwise be noticed often becomes apparent when land value information is presented graphically.

MCL 211.10e requires that assessors maintain land value maps consistent with the standards provided in the State Tax Commission's Assessor's Manual. Land value maps are defined in the Assessor's Manual as "maps on which are recorded the front or square foot value of platted property and the square foot or per acre value of acreage property." A good set of land value maps will contain both, the value conclusions for land used by the assessor to determine assessments, and the vacant land sales information used by the assessor to reach those conclusions. This may take the form of two sets of maps (one with sales information and the other with the assessor's value conclusions). It is a good practice to have individual land value maps, or color coded at a minimum, for different classes of property such as agricultural, residential, commercial, etc.

To set up a land value map system, you have to put together a set of maps for the entire assessing district. Types of maps that can be used include, but are not limited to, copies of tax maps; copies of recorded plats of subdivisions; City, Township, and County street maps; aerial photographs with map overlays; and zoning and land use maps. Maps need to be at a useful scale. Once a set of maps has been put together, known vacant land sales information which has been verified should be added to the maps. The sales information should be put on the map in an appropriate unit of comparison for the type of property involved. The land value conclusions of the assessor should also be added to the maps. This information will enable a property owner to see how his or her land has been valued as well as the supporting information behind that valuation. This graphical presentation can be extremely helpful in explaining and defending assessments.

- 3. Land Value Determinations:** Does the local unit have Land Value Determinations that are appropriately documented, properly calculated and meet State Tax Commission requirements per MCL 211.10e and State Tax Commission Land Value Determination Publications and less than 1% land adjustments without reason?

An assessor is responsible for estimating a land value for every taxable parcel of property which is valued using the cost approach. Similarly, County Equalization Departments must also establish land values to appraise parcels included in equalization appraisal studies. In establishing land values, you must consider the general forces (economic, social, environmental, and governmental – zoning and deed restrictions) that affect the parcels' value as well as the parcels physical characteristics. These characteristics include location, size, view, frontage on a lake or river, topography, shape, existing vegetation, soil (whether the soil perks, etc.), available utilities, and unusual site preparation costs.

Several methods are available for the land valuation process, including the sales comparison, allocation, extraction, and subdivision development methods, as well as several income capitalization techniques. Land values should generally be applied as calculated and an assessor or equalization director should be prepared to explain any departures from the calculated land values. It is very important to keep land values and supporting documentation related to the development of land values up to date annually. Occasionally an adjustment must be made for specific features of a parcel that are not reflected in the “normal” land table. When made, these adjustments must be fully documented in the database by the assessor.

**4. Review of Overrides and Flat Land Values:** Does the true cash value on the local unit record cards agree with the true cash value indicated on the assessment roll with less than 1% overrides and less than 1% flat land values – excluding DNR PILT Property (STC Policy)?

An override is where an assessor instead of using proper methods to calculate the value of land and improvements, “overrides” that value with one that is unsupported with proper assessing methodology. This leads to issues with uniformity and equity and does not provide the transparency necessary for the success of the assessing process.

Michigan Compiled Law (MCL) 211.10e indicates:

All assessing officials, whose duty it is to assess real or personal property on which real or personal property taxes are levied by any taxing unit of the state, **shall use only the official assessor's manual or any manual approved by the state tax commission**, consistent with the official assessor's manual, with their latest supplements, as prepared or approved by the state tax commission as a guide in preparing assessments. Beginning with the tax assessing year 1978, all assessing officials shall maintain records relevant to the assessments, including appraisal record cards, personal property records, historical assessment data, tax maps, and land value maps consistent with standards set forth in the assessor's manual published by the state tax commission.

The law requires that the *Assessor's Manual* be used as a guide in the property tax process—both for valuing property and for maintaining appraisal record cards, land value maps, etc. To create the manual, information from actual construction costs is compiled

and organized; the costs contained in the manual represent actual construction projects for the manual's various occupancies. In developing the costs, special consideration was given to Michigan's climate.

The *Assessor's Manual* is used throughout the state to produce estimates of cost new for different types of structures (i.e., occupancies). These estimates of cost new are adjusted by county multipliers to localize the cost estimates to particular counties. Economic condition factors are used to further adjust the cost estimates for various neighborhoods or types of construction in certain localities.

The *Assessor's Manual* consists of three volumes. Volume I of the *Assessor's Manual* contains cost data for residential structures—including manufactured housing, mobile home structures, log homes, townhouses, and duplexes. Volume I also contains cost data for most agricultural structures. Volume II of the manual contains cost data for virtually all types of commercial and industrial structures. It also contains some cost data for some agricultural structures. Volume II also contains a section on unit in place (UIP) with breakdowns and details for building components. Volume III a guide to property assessments in Michigan. It is not intended to be a guide to how to assess property but instead to provide guidance on assessment administration topics specific and unique to Michigan.

### **Minimum Record Card Requirements**

There are two different sections to an appraisal record card, the first is descriptive and the second is used to price out the various components. An appraisal record card is an inventory sheet first and a calculations sheet second. The following are items on the front of the State Tax Commission residential property record card (form 639, formally L-4188) are minimum requirements of a residential property record card. Labeled spaces for the following:

- Owner's name and room for address
- Unit of government
- Real property description
- Parcel code number
- Property address
- Public improvements
- Land value computations
- Land improvements computations
- Building value
- Total value of property
- Assessment history
- Examination date

Space set aside for describing major structural components of residential buildings (e.g. windows, roof, interior, floors, ceilings, and electrical) including specific labeled spaces for the following:

- Year built and year remodeled
- Exterior wall type
- Basement, crawl space, and/or slab on ground (may be noted on drawing)
- Type of basement walls
- Basement finish: specific space to note type of basement finish including "walkout"
- Heat: specific space to note type of heat
- Plumbing: specific space to make all entries requiring plumbing adjustments in the Assessor's Manual
- Water & waste disposal: specific space to note whether there is public water, a well, public sewer, or a septic system
- Built-ins: specific space to make entries requiring adjustment: under the heading "Built Ins" in the Assessor's Manual
- Fireplaces: specific space for making entries requiring adjustments under "Fireplaces" in the Assessor's Manual
- Porches: specific space to note type and size of porches and decks
- Garage: specific space to make all notes needed to accurately price garages and carports
- Class of house
- Size for rates
- Space for a sketch of the house
- An area for calculating cost new less depreciation including a specific space for county multiplier, depreciation, and ECF multiplier

There should also be sufficient space to handle the pricing of breezeways, solar rooms, Michigan basements, and living area overhang.

The format of the descriptive portion of the record card must use the same numbering system as found on the record card in the Instructions chapter of Volume I of the Assessor's Manual. The format of the pricing section of the record card must be easily understood and easily traceable back to the descriptive section of the card.

### **Pricing Section of a Record Card**

The following help make the pricing section of a record card easily understood and easily traceable back to the descriptive section of the card.

- The pricing section should use the same numbering system as the descriptive section of the card.
- A reader should be able to identify which individual items are priced as adjustments and additions and what their prices are.
- Adjustments and additions for items in the same category or sub-category in the Assessor's Manual should be priced together in the same place. Thus a garage and garage finish should not be priced in two different areas.
- The county multiplier, the % good depreciation multiplier, and the ECF multiplier should each be listed separately and not be combined with each other. Of these three, the ECF should appear last. The best arrangement is to

- multiply base costs by the county multiplier to get an estimate of cost new, then multiply cost new by the depreciation multiplier to get depreciated cost, and finally multiply depreciated cost by the ECF to get an estimate of true cash value for the building improvements.
- The use of abbreviations is discouraged. The porch abbreviations in the manual may be used.

## **Personal Property Review:**

Next the AMAR will review a few key components of personal property assessments. **First**, does the local unit conduct an annual personal property canvass?

The Assessor is responsible for the valuation of all assessable personal property in their jurisdiction. This involves the discovery of the location of all assessable personal property on tax day and a determination of its value. A formalized approach to this discovery process usually produces the best results.

*First*, begin the discovery process by becoming thoroughly familiar with the prior year's personal property assessment roll and filed Statements. The following are changes which occur during the year and may affect the following year's assessment roll.

- December or July Board of Review changes made to correct clerical errors or mutual mistakes of facts. (See MCL 211.53b.)
- Michigan Tax Tribunal changes made to correct clerical errors or mutual mistakes of fact or any other Michigan Tax Tribunal change. (See MCL 211.53a.)
- State Tax Commission changes made as a result of the fact that property liable to taxation has been incorrectly reported or omitted. (See MCL 211.154.)
- New business firms entering the assessing jurisdiction.
- Old business firms leaving the assessing jurisdiction.
- Other reasons for changes may be found.

*Second*, after securing whatever information is available through sources which are available without leaving the office, the Assessor must conduct an annual personal property canvass of the assessing jurisdiction. This is a *very important procedure*. The proper method for conducting a personal property canvass is discussed below.

*Third*, following the annual canvass, questionnaires can be sent to those property owners with whom the Assessor was unable to consult in order to obtain information about ownership, leased equipment, exemptions being claimed, etc.

*Fourth*, annual, or periodic, inquiries should be made of all exempt organizations to determine whether the organizations had in their possession, on tax day, personal property owned by others. It is quite common for exempt organizations to lease equipment rather than purchase it. This equipment owned by others is assessable to

the owners of the equipment. The following are some of the exempt organizations which may have assessable leased equipment: hospitals, clinics, public and private schools, colleges and universities, banks, savings and loans, credit unions, federal, state, and local government offices.

### **The Personal Property Canvass**

The personal property canvass involves visiting every address, firm, location or place where assessable personal property may be found. The objectives of the canvass are to gather all the relevant information necessary to prepare accurate assessment rolls, to promote uniformity within classes of property and equitable assessments between the same or similar taxpayers, and to cost-effectively collect the maximum revenue allowed by law.

During the canvass, the Assessor should visit new businesses in the community and gather necessary information about ownership of the businesses, correct mailing addresses and what the likely reported costs will be. The Assessor can note changes which have occurred in existing businesses since the filing of the previous year's Statements. With the previous year's Statement or true cash values in hand, the Assessor can also make judgments about whether those Statements were properly filed and whether an audit of a company's books and records is necessary. Business owners can also be questioned about the ownership of leased equipment located at the premises so that statements can be sent to the owners of leased equipment. The personal property canvass can also be a valuable public relations tool which can set the tone of the relationship with the business owner for many years to come.

One good procedure is to deliver the Statement during the canvass and record who received it and the date delivered. A written record of the personal property canvass should be maintained.

The timing of the personal property canvass is very important. Usually, the month preceding and following tax day, December 31, are considered good times. Because personal property is often moved from one assessment jurisdiction to another, the canvass should be conducted as close to tax day as possible. Many assessors conduct canvass on tax day itself to search for such personal property. Of special concern in many jurisdictions is the contractor's equipment canvass whose purpose is to discover mobile construction machinery and equipment and other personal property items which are located in a taxing jurisdiction on tax day. Such equipment is frequently found at building sites, demolition areas, contractors' yards, etc. Types of equipment to be listed include cranes, bulldozers, tractors, unlicensed trailers, welders, compressors, forms, etc.

The General Property Tax Act includes the following sections that establish the legal authority to perform audits of Statements.

*MCL 211.21. Willful Neglect to Make Statement, Penalty; Complaint*

Sec. 21. In every case when any person or member or any firm or officer of any corporation shall willfully neglect or refuse to make out and deliver a true and correct sworn statement, under oath, administered by the supervisor or other assessing officer or members of the board of state tax commissioners herein provided for or other officers shall answer falsely or refuse to answer questions concerning his property or property under his control, as required by this act, such person shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment in the county jail not less than 30 days nor more than 6 months, or by fine not less than 100 dollars nor more than 1,000 dollars, or by both such fine and imprisonment in the discretion of the court. And it shall be the duty of the supervisor, assessing officer, and each member of the board of state tax commissioners whenever he is satisfied that any person liable to make such assessing statement is justly liable to such penalty, to report the case to the prosecuting attorney of the county and make proper complaint for such prosecution.

*MCL 211.22. Incorrect or Absent Statement; Testimony Assessment*

Sec. 22 If the supervisor or assessing officer, a member of the state tax commission, or the director or deputy director of the county tax or equalization department shall be satisfied that any property statement or affidavit made is incorrect, or if, by reason of absence or other cause, said sworn statement cannot be obtained from the person, firm or corporation whose property is so assessed, the supervisor, assessing officer, any members of the state tax commission, or the director or deputy director of the county tax or equalization department may examine, on oath, to be administered by any of them, any other person or persons whom he or she may have good reason to believe and does believe has knowledge of the amount or value of any property owned, held, or controlled by such person so neglecting or refusing or omitting to be examined or to furnish such statement, and such supervisor or assessing officer is authorized to set down and assess to such person, firm or corporation so entitled to be assessed, such amount of real and personal property as he or she may deem reasonable and just.

**Second**, did the local unit grant any exemptions under MCL 211.9o (Small Business Taxpayer Exemption) and if so, does a sampling indicate the local unit properly processed the exemptions received? This includes: Form 5076 filled out completely, timely received, received annually and if not received the exemption is removed, parcel number created for any business that was granted an exemption, ensuring that a parcel with the exemption is not retired, all locations within the local unit are considered when granting the exemption.

MCL 211.9o provides for a personal property tax exemption for “eligible personal property”. This is commonly referred to as the Small Business Taxpayer Exemption. MCL 211.9o defines “eligible personal property” as meeting all of the following criteria:

The personal property must be classified as industrial personal property or commercial personal property as defined in MCL 211.34c or would be classified as industrial personal property or commercial personal property if not exempt **and**

The combined true cash value of all industrial personal property and commercial personal property owned by, leased by or in the possession of the owner or a related entity claiming the exemption is less than \$80,000 in the local tax collecting unit **and**

The property is not leased to or used by a person that previously owned the property or a person that, directly or indirectly controls, is controlled by, or under common control with the person that previously owned the property.

**Industrial personal property** is defined in MCL 211.34c as:

- (i) All machinery and equipment, furniture and fixtures, and dies on industrial parcels, and inventories not exempt by law.
- (ii) Personal property of mining companies.

**Commercial personal property** is defined in MCL 211.34c as:

- (i) All equipment, furniture, and fixtures on commercial parcels, and inventories not exempt by law.
- (ii) All outdoor advertising signs and billboards.
- (iii) Well drilling rigs and other equipment attached to a transporting vehicle but not designed for operation while the vehicle is moving on the highway.
- (iv) Unlicensed commercial vehicles or commercial vehicles licensed as special mobile equipment or by temporary permits.

**True Cash Value** is defined in MCL 211.27: As used in this act, "true 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 that 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.

**Person** means an individual, partnership, corporation, association, Limited Liability Company or other legal entity.

**Related entity** means a person that directly or indirectly, controls, is controlled by or is under the common control with the person claiming the exemption.

**Control, Controlled By and Under Common Control with** means the possession of the power to direct or cause the direction of the management and policies of a related entity, directly or indirectly, whether derived from a management position, official office, or corporate office held by an individual; by an ownership interest, beneficial interest, or equitable interest; or by contractual agreement or other similar arrangement. There is a rebuttable presumption that control exists if any person, directly or indirectly, owns, controls, or holds the power to vote, directly or by proxy, 10% or more of the ownership interest of any other person or has contributed more than 10% of the capital of the other person. Indirect ownership includes ownership through attribution or through one or more intermediary entities.

## Claiming the Exemption

In order to claim the exemption a taxpayer must annually file Form 5076 *Small Business Tax Exemption Claim Under MCL 211.9o* with the local unit where the personal property is located by February 20<sup>th</sup>, postmark is acceptable.

Recent statutory changes, amended Form 5076 to provide for the use of facsimile or electronic signatures on Form 5076.

Form 5076 must be filled out in its entirety. The STC strongly recommends that assessors contact taxpayers who have not fully completed Form 5076 in an effort to obtain the missing information before issuance of a denial.

## Poverty Exemption Review

Next the AMAR will review if the local unit granted any exemptions under MCL 211.7u (poverty exemptions). The review will ensure the local unit has exemption guideline, an asset test and that those policies were followed by the Board of Review when reviewing and granting any exemptions.

MCL 211.7u provides for a property tax exemption, in whole or part, for the principal residence of persons who, by reason of poverty, are unable to contribute to the public charges. Principal residence is defined in MCL 211.7dd as a principal residence or qualified agricultural property.

MCL 211.7u requires local units to annually adopt a policy, including an asset test, used to approve or deny poverty exemptions.

**First**, local units must annually adopt guidelines which specify the total household income which will be used to approve or deny poverty exemptions. Statute requires that the income levels shall not be set lower than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services and published by the State Tax Commission in their annual Procedural Changes Bulletin.

According to the U.S Census Bureau, “income” includes, but is not limited to:

- Money, wages, salaries before deductions, regular contributions from persons not living in the residence
- Net receipts from non-farm or farm self-employment (receipts from a person’s own business, professional enterprise, or partnership, after business expense deductions)
- Regular payments from social security, railroad retirement, unemployment, worker’s compensation, veteran’s payments, public assistance, supplemental security income (SSI)
- Alimony, child support, military family allotments
- Private and governmental retirement and disability pensions, regular insurance,

annuity payments

- College or university scholarships, grants, fellowships, assistantships
- Dividends, interest, and net income from rentals, royalties, estates, trusts, gambling or lottery winnings

**Second**, the local unit policy must include an asset test. The purpose of an asset test is to determine the resources available: cash, fixed assets or other property that could be converted to cash and used to pay property taxes in the year the poverty exemption is filed. The local unit should require that claimants provide a list of all assets when applying for a poverty exemption. Following is a list of assets that may be included in the annual guidelines.

- A second home, land, vehicles
- Recreational vehicles such as campers, motor-homes, boats and ATV's
- Buildings other than the residence
- Jewelry, antiques, artworks
- Equipment, other personal property of value
- Bank accounts (over a specified amount), stocks
- Money received from the sale of property, such as, stocks, bonds, a house or car (unless a person is in the specific business of selling such property)
- Withdrawals of bank deposits and borrowed money
- Gifts, loans, lump-sum inheritances and one-time insurance payments
- Food or housing received in lieu of wages and the value of food and fuel produced and consumed on farms
- Federal non-cash benefits programs such as Medicare, Medicaid, food stamps and school lunches

The Michigan Tax Tribunal in *Robert Taylor v Sherman Twp.*, Docket No. 236230 ruled that the asset test does not include the value of the principal residence. Additionally, the Michigan Court of Appeals in *Ferrero v Township of Walton*, No. 302221, ruled that the homestead property tax credit is not to be considered income for poverty exemption purposes.

The local unit policy may provide for an applicant to own possessions in addition to the principal residence and still receive a poverty exemption. Examples may include, but are not limited to:

- Additional vehicles
- More land than a minimum "footprint" for the home
- Equipment or other personal property of value, including recreational vehicles (campers, motor homes, boats, ATV's etc.)
- Bank account(s) (a maximum amount should be specified)

**Third**, MCL 211.7u(1) allows for partial poverty exemptions to be granted. A partial poverty exemption is an exemption of a percentage of the taxable value of the principal

residence rather than the entire taxable value. The local unit can limit poverty exemptions to partial exemptions or to minimum or maximum exemption of their choosing. The State Tax Commission recommends that local governing bodies include within their annual guidelines, language and criteria for granting partial exemptions and/or minimum or maximum exemptions.

**Finally**, the State Tax Commission recommends that local units develop an application to be used by claimants and a written policy that details the process. To assist local governing bodies, the State Tax Commission has developed a sample application and resolution, available on the STC website.

## **July and December Board of Review Actions**

Next the AMAR samples the July and December Board of Review action to ensure the Boards met the requirements under MCL 211.53b and only considered or acted upon those items over which they have statutory authority.

The State Tax Commission has become aware of a significant number of instances where Boards of Review are acting outside their statutory authorities. MCL 211.53b specifies: The board of review meeting in July and December shall meet only for the purpose described in subsection (1)(Qualified Errors) and to hear appeals provided for in sections 7u (Poverty Exemptions), 7cc (PRE), 7ee (Qualified Ag), 7jj (Qualified Forest).

Qualified errors are defined in the act as:

- A clerical error relative to the correct assessment figures, the rate of taxation, or the mathematical computation relating to the assessing of taxes.
- A mutual mistake of fact.
- An adjustment under section 27a(4) – taxable value or an exemption under section 7hh(3)(b)– qualified start-up business exemption.
- An error of measurement or calculation of the physical dimensions or components of the real property being assessed.
- An error of omission or inclusion of a part of the real property being assessed.
- An error regarding the correct taxable status of the real property being assessed.
- An error made by the taxpayer in preparing the statement of assessable personal property under section 19.
- An error made in the denial of a claim of exemption for personal property under section 9o.

Specific examples of concerns related to July and December Boards of Review include:

- a. July and December Boards of Review hearing valuation appeals. The July and December Boards of Review have no authority to make a valuation determination even if the March Board of Review deferred a decision on a valuation matter.

- b. July and December Boards of Review granting a poverty exemption or a disabled veterans exemption for a prior year. MCL 211.53b specifically states that unless specifically described a July or December Board can only make a correction under these sections for the current year.
- c. July and December Boards of Review granting PRE exemptions. MCL 211.7cc specifically states: *Upon receipt of an affidavit filed under subsection (2) and unless the claim is denied under this section, the assessor shall exempt the property from the collection of the tax levied by a local school district for school operating purposes.....* Therefore, an assessor is not required to have the July or December Board grant PRE's and in fact they have no authority to do so. The July or December Board of Review can only hear a case involving a PRE which was NOT on the current year and previous three year's Tax Roll.
- d. Boards of Review determining qualification under the Disabled Veterans Exemption. While Boards of Review do make a determination to grant or deny a Disabled Veterans Exemption, they do not have the authority to determine if the veteran is disabled or individually unemployable. Those determinations are made by the Federal Department of Veterans Affairs.

### **Property Transfer Affidavit Penalty and Interest**

Finally, the review will examine if the local unit is following the requirements under MCL 211.27b to levy the interest and penalty for failure to file a Property Transfer Affidavit or if waived did the local unit waive the interest and penalty by resolution. The auditors will ask that a copy of the resolution be provided.

**Michigan State Tax Commission**  
**Audit of Minimum Assessing Requirements**  
**AMAR Review Sheet**

The State Tax Commission, per MCL 211.10f, has jurisdiction to determine substantial compliance with the requirements of the General Property Tax Act. The AMAR review reflects the minimum assessing requirements of a local unit of government based on statute and STC Rules, Policy, Bulletins and Publications. Local units of government that do not meet one or more of the minimum requirements must submit a corrective action plan detailing how and when the deficiencies will be resolved.

Failure to submit an acceptable corrective action plan, or failure to resolve the deficiencies as outlined within the corrective action plan that is approved by the State Tax Commission, will result in a determination of substantial non-compliance and may result in the State Tax Commission assuming jurisdiction of the assessment roll of the local unit of government. Failure to meet one or more of the minimum AMAR requirements does not automatically result in State Tax Commission assumption of jurisdiction of the assessment roll.

**Local Unit Background Information:**

Year of Audit: \_\_\_\_\_ Name of Local Unit: \_\_\_\_\_ Name of County: \_\_\_\_\_  
Name of Assessor: \_\_\_\_\_ Assessor Certification Level: \_\_\_\_\_  
Name of Supervisor, City Manager or Mayor: \_\_\_\_\_ Title: \_\_\_\_\_  
Mailing Address for Supervisor, City Manager or Mayor: \_\_\_\_\_

What date did the assessor certify the assessment roll? \_\_\_\_\_

What is the Residential Coefficient of Dispersion (COD) for the local unit? \_\_\_\_\_

What is the Residential Price Related Differential (PRD) for the local unit? \_\_\_\_\_

Does the L-4022 in possession of the local unit match the L-4022 in possession of the County Equalization Director and the information uploaded on the L-4023 on the E-File Site?

YES: \_\_\_\_\_ NO: \_\_\_\_\_

MCL 211.7cc requires interest at a rate of 1.25% per month or fraction of a month to be charged to the owner of property that has been issued a PRE denial notice. Upon collecting the interest, MCL 211.7cc also details the required distribution of the interest depending on the governmental unit that issued the denial notice. Was Form 4142 completed and submitted to the Michigan Department of Treasury by a County, City or Township when the State's portion of PRE denial interest is remitted?

YES: \_\_\_\_\_ NO: \_\_\_\_\_

Does the local unit have written procedures, including audit procedures, for determining how to grant real property exemptions or remove real property exemptions when the property no longer qualifies for the exemption?

YES: \_\_\_\_\_ NO: \_\_\_\_\_

**Assessment Roll Analysis:**

- 4. Does the local unit have properly calculated and appropriately documented Economic Condition Factors that meet State Tax Commission requirements per MCL 211.10e and STC ECF Publications?

Requirement Met: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Notes:

- 5. Does the local unit have accurate Land Value Maps that meet the State Tax Commission requirements per MCL 211.10e and State Tax Commission Land Value Map Publications?

Requirement Met: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Notes:

- 6. Does the local unit have Land Value Determinations that are appropriately documented, properly calculated and meet State Tax Commission requirements per MCL 211.10e and State Tax Commission Land Value Determination Publications and less than 1% land adjustments without reason?

Requirement Met: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Notes:

8. Does the true cash value on the local unit record cards agree with the true cash value indicated on the assessment roll with less than 1% overrides and less than 1% flat land values – excluding DNR PILT Property (STC Policy)?

Requirement Met: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Notes:

9. Personal Property Review:

- a) Does the local unit conduct an annual personal property canvass?

YES: \_\_\_\_\_ NO: \_\_\_\_\_

- b) Did the local unit grant any exemptions under MCL 211.9o (Small Business Taxpayer Exemption)?

YES: \_\_\_\_\_ NO: \_\_\_\_\_

- c) If the answer to item 5b is yes, does a sampling indicate the local unit properly processed the exemptions received? This includes: Form 5076 filled out completely, timely received and received annually. If Form 5076 is not received the exemption is removed, parcel number created for any business that was granted an exemption, ensuring that a parcel with the exemption is not retired, all locations within the local unit are considered when granting the exemption.

Requirement Met: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Notes:

10. Review of Exemptions Granted under MCL 211.7u (poverty exemptions)

- a) Did the local unit grant any exemptions under MCL 211.7u (Poverty Exemption)?

YES: \_\_\_\_\_ NO: \_\_\_\_\_

- b) Does the local unit have poverty exemption guidelines?

YES: \_\_\_\_\_ NO: \_\_\_\_\_

- c) Does the local unit poverty exemption guidelines include an asset level test?

YES: \_\_\_\_\_ NO: \_\_\_\_\_

d) Does a sampling of the exemptions granted under MCL 211.7u indicate that the statutory requirements were met and that the local unit policy was followed?

Requirement Met: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Notes:

11. Does a sample of the July and December Board of Review actions indicate the Board met the requirements of MCL 211.53b and considered only those items over which they have statutory authority?

Requirement Met: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Notes:

12. Does the local unit follow the requirements under MCL 211.27b to levy the interest and penalty for failure to file a Property Transfer Affidavit? If waived did the local unit waive the interest and penalty by resolution and is that resolution kept on file?

Requirement Met: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Notes:

**Comments:**

I hereby declare that the foregoing information submitted is a complete and true statement.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

By checking this box, I agree and confirm that the signature I have typed above is the electronic representation of my original, handwritten signature when used on this document and creates a legally-binding contract. I further understand that signing this document using my electronic signature will have the same legally-binding effect as signing my signature using pen and paper.