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Changes May Be Coming

Michigan lawmakers have taken notice of the most recent decline in real estate values and the resulting decrease in property tax revenues. State government officials agree a serious problem exists; however, there are differing views as to what, if anything, should be done. A number of bills have been introduced that are designed to reduce the burden on property owners and stimulate real estate markets. At the same time, there are proposals to address governmental revenue problems that would likely increase property tax burdens for property owners.

The following is a brief summary of two proposals recently promoted.

SJR-H

Senate Joint Resolution H would amend the State Constitution's Proposal A provisions to add further restrictions in certain situations on the growth of taxable values. As of a few years ago, many properties in Michigan had developed a significant gap between assessed values and taxable values because after Proposal A's 1994 enactment, assessors for the most part increased assessed values more than taxable values. In recent years, the amount of that gap has decreased for many properties due to (1) declines in assessed values and (2) taxable values increasing by the inflation cap. For 2009, when assessed value exceeds taxable value, taxable value can increase by the inflation rate of 4.4% (but not to more than the assessed value) even though the assessed value of the property has declined. SJR-H would prohibit taxable value from increasing in any year in which the assessed value declines.

SJR-H has passed the Senate and is pending a vote in the House. If both houses pass the proposal, it will be presented to the voters. The proposal is strongly opposed by local governments.

WPW Legislation

In 2002, the Michigan Supreme Court ruled in our favor in *WPW Acquisitions v. Troy*, holding that a rental property's taxable value could not be increased because the occupancy of that property increased. The ruling invalidated a portion of the statute that implemented Proposal A and created a system where losses could be taken for increased vacancy, but no addition in taxable value could be recognized based on a subsequent occupancy increase. Ever since, local governments have pushed to change the law. The Granholm administration has proposed that either (1) losses due to vacancy be abolished under the General Property Tax Act or (2) for certain rental property a separate tax be established which will not be subject to Proposal A, and therefore, could include both "losses" and "additions" for changes in occupancy.

June 1, 2009 Tax Appeal Deadline

For most business property, including industrial real property and commercial real property, June 1, 2009 is the deadline for a Michigan Tax Tribunal appeal of 2009 tax year assessments, including taxable values.