



## **Background and Major Points on Real Property Tax Valuation of Retail Operations**

Local governments in Michigan are pushing legislation that would dramatically change the valuation approach of Real property. In an effort to disparage large retailers who have legitimately and successfully challenged over-assessments on their Real Property (buildings, land etc.) locals have coined this effort as “dark store” legislation.

Locals government efforts to blame taxpayers who have legitimately challenged over-assessments sends a bad message to all taxpayers. Michigan legislators should reject this notion. Every legislative proposal on this issue put forward by local governments to date would impact EVERY taxpayer!

Recent legislation has been introduced focusing on tying the hands of the Michigan Tax Tribunal in hearing cases, by mandating that the MTT ignore accepted appraisal principles and valuable appraisal data. Not only would the cost of appeals increase to taxpayers, but this legislation will likely result in inequitable treatment of properties between taxpayers which violates Michigan’s constitutional requirement for uniformity among taxpayers. The Michigan Tax Tribunal, Court of Appeals, and Michigan Supreme Court have so far rejected locals’ efforts to increase assessments without merit.

### Truth Squad

- 1) “Dark stores” is just another way of saying vacancy. When valuing properties during the assessment process, assessors and appraisers routinely look to properties that were empty at the time of sale. When a large retailer goes out of business the store will be sold vacant, so it only makes sense to compare the value of a store to comparable sales of other vacant stores.
- 2) Local governments contend that large retailers artificially diminish the value of their stores by comparing them to stores that have severely restrictive deed restrictions. The fact is, large retailers cannot compare the value of their stores to others that have sold with excessive deed restrictions. If a comparable sale of a deed restricted property is used, the retailer must prove that the deed restriction did not diminish the value of the property. If they cannot do so, then the sale is not a true comparable and cannot be used.

- 3) Local governments have unsuccessfully claimed that the only accurate and fair way to assess large retail operations is to look at the “cost” to rebuild valuation approach. However, any buyer considering the purchase of a building (whether it is retail, industrial, commercial, residential) will very likely have to renovate and overhaul the property due to aesthetics, remediation, or functionally obsolete features. Simply slapping on a value based on the “cost to rebuild identically” ignores the fact that a willing buyer of that specific property would unlikely be unwilling to pay full price for something that needs significant work.
  
- 4) Local governments claim that the “value” of the company should be considered (i.e., the fact that it may be profitable, or have a lot of merchandise for sale.) However, that is irrelevant in the valuation of real property! Otherwise, that would be considered an income tax, something Michigan already imposes. Worse, this lays bare some of the true motivations of many local governments; over-tax these companies because they are profitable. This mindset is alarming and should be a red flag for every taxpayer in Michigan!

Local governments are trying to make scapegoats out of job providers who have successfully challenged their over-assessments. Laying the blame for cuts to local services on a taxpayer who has been over-assessed to begin with is unfair and inappropriate.