

**STATE OF MICHIGAN
IN THE COURT OF APPEALS
DETROIT OFFICE**

<div style="display: flex; justify-content: space-between;"> <div> Daniel Patru, City of Wayne, </div> <div> <i>Appellant,</i> v <i>Appellee.</i> </div> </div> <hr/> <div> Daniel Patru, P74387, Appellant 25239 Andover Drive Dearborn Heights, MI 48125 (734) 274-9624 City of Wayne, Appellee 3355 South Wayne Rd, Wayne, MI 48184 (734) 722-2000 </div>	Court of Appeals No. 337547 Lower Court No. 16-001828-TT Appellant’s Brief Proof of Service
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Table of Contents

Table of Authorities	ii
Jurisdictional Statement	1
Introduction	1
Questions Involved	3
Facts	3
Argument	6
I The Tax Tribunal failed in its duty to independently determine the true cash value of the property when it refused to make a determination of the before-repair value because Appellant had the burden of proof and the Tribunal disagreed with Appellant’s proof	7
II The Tax Tribunal misinterpreted MCL 211.27(2) when it ruled that normal repairs may be ignored if there is some evidence that the assessor does not need to consider repairs to justify the assessed value	8
III The Tax Tribunal erred when it gave the selling price of the property “no weight or credibility” as to the market value of the property based solely on the fact that the seller was a government entity and speculation that the seller may not have been motivated to receive market value	11
Relief Requested	13
Proof of Service	13

Table of Authorities

CASES	Page
<i>Briggs Tax Service, LLC v Detroit Pub. Schools</i> , 485 Mich 69; 772 NW2d 753 (2010)	7, 8
<i>Jones & Laughlin Steel Corporation v. City of Warren</i> , 193 Mich App 348; 483 NW2d 416 (1992)	7, 8, 11, 12
<i>Patru v City of Wayne</i> , unpublished (docket no. 337547)	5, 10
<i>In re Complaint of Rovas Against SBC Michigan</i> , 482 Mich 90; 754 NW2d 259 (2008)	6
CONSTITUTIONAL PROVISIONS, STATUTES AND RULES	
MCL	
205.753(2)	1
211.27(2)	<i>passim</i>
MCR	
7.204(A)(1)(b)	1
OTHER AUTHORITIES	
Michigan State Tax Commission (STC) Bulletin No. 7 of 2014 (Mathieu Gast Act)	8, 9, 10

Jurisdictional Statement

The Court of Appeals has jurisdiction over this claim of appeal under *Id.* 205.753(2) (allowing appeals from a final order of the Tax Tribunal) and MCR 7.204(A)(1)(b) (requiring appeals to be made within 21 days after the entry of an order deciding a motion for reconsideration). The Second Final Opinion and Judgment (2018) (FOJ) from the Tax Tribunal was entered 12/04/2018. A motion for reconsideration was filed 12/05/2018. The order denying reconsideration was entered 12/14/2018. The claim of appeal for this case was filed 12/18/2018, within the 21 days required.

Introduction

Appellant bought a house that needed repairs. He repaired it. He wants to be taxed on the before-repair value of the house because MCL 211.27(2) instructs the assessor not to consider normal repairs.

Appellee, the City of Wayne, wants to tax based on the value of the house after repairs.

After the first hearing, the Tax Tribunal agreed with Appellee. It refused to offer Appellant the benefits of MCL 211.27(2) in part because it thought that the house had been in too bad a condition for the repairs to be normal repairs. It set the true cash value to the value of the house after repairs.

This Court reversed, ruling that the poor condition of the house is irrelevant to whether repairs were normal repairs. It remanded the case back to the Tax Tribunal for a rehearing to determine whether the repairs had been normal repairs.

After the rehearing, the Tax Tribunal found that the repairs had been normal repairs, but that the true cash value should still be set to the value of the house after repairs for two reasons:

1. The Tribunal was not required to determine the before-repair value if it disagreed with Appellant's evidence on that point; and

2. The assessor had not increased the true cash value because of repairs, but rather the assessor had some evidence to believe that the property had been in average condition all along because a) the city's assessment before Appellant purchased the house and after it was repaired differed by just 5% and b) the MLS marketing photos for the house had shown that the house was in average condition.

Questions Involved

I. Did the Tax Tribunal fail in its duty to independently determine the true cash value when it refused to make a determination of the before-repair value because a) Appellant had the burden of proof and 2) the Tribunal disagreed with Appellant's proof?

Appellant answers yes. The Tax Tribunal answers no. The Appellee's answer is unknown.

II. Did the Tax Tribunal misinterpret MCL 211.27(2) when it ruled that normal repairs may be ignored if there is some evidence that the assessor does not need to consider repairs to justify the assessed value?

Appellant answers yes. The Tax Tribunal answers no. The Appellee's answer is unknown.

III. Did the Tax Tribunal err when it gave the selling price of the property no weight or credibility as to the market value of the property based solely on a) the fact that the seller was a government entity and b) speculation that the seller may not have been motivated to receive market value?

Appellant answers yes. The Tax Tribunal answers no. The Appellee's answer is unknown.

Facts

The dispute in this case is about the true cash value as of 12/31/2015, tax day, of a house in the City of Wayne that Appellant purchased in August 2015 for \$32,000. MLS Printout, filed by Appellant/Petitioner with Tax Tribunal on 9/7/2016 (MLS Printout). The house had been sold by the Department of Housing and Urban Development (HUD). *Id.* At the time of purchase, the house needed numerous repairs; most of

them were required by the City of Wayne as a condition of obtaining a Certificate of Occupancy. List of Repairs, filed by Appellant with the Tax Tribunal on 9/6/2018 (List of Repairs). By tax day the house had been repaired and rented. FOJ at 4 and 5.

Appellant contends that the true cash value should be what he paid for it and that the additional value the house gained after he bought it was due to normal repairs which under MCL 211.27(2) cannot be considered until after it sells. Explanatory Letter submitted by Appellant to the Tax Tribunal on 9/6/2018 (Explanatory Letter). The City of Wayne contends that the true cash value should be the value of the house as was on tax day and that MCL 211.27(2) does not changed this result. FOJ at 4.

Appellant bases his claim that the house sold for its true cash value on the fact that it was marketed for a long time on the Multiple Listing Service (MLS), that it received multiple offers, that the owner raised the price a little during the time that it was listed, and that the house sold for the asking price. Specifically, the house was first listed for sale on 4/3/2013 for \$29,900. An offer was accepted one month later on 5/3/2013, the property was conditionally withdrawn from the market on 10/23/2013, but it failed to close by 10/24/2014 when the listing expired. The property was off the market until the next summer, 6/17/2015, when property was listed again with a different real estate broker for \$32,000, \$3,000 more than the initial asking price. On 6/29/2015 an offer was accepted but four days later, on 7/3/2015 the property went back on the market. Three days after that the Appellant's offer was accepted and the property closed on 8/19/2015 for \$32,000. MLS Printout.

Appellant bases his claim that the repairs are normal repairs under MCL 211.27(2) on the fact that the repairs fit in the fifteen categories enumerated by the statute. List of Repairs.

After appealing to the Board of Review and being rejected, Appellant appealed to the Michigan Tax Tribunal. The first hearing was held in October 2016. The hearing referee refused to apply MCL 211.27(2) ruling that the property had been purchased

in substandard condition and that because of this, the repairs were not normal repairs within the meaning of MCL 211.27(2).

Appellant filed exceptions along with a spreadsheet, bolstering his testimony at the hearing, detailing how each of the repairs fit within the categories of normal repairs enumerated by MCL 211.27(2).

The Tax Tribunal ruled that because the spreadsheet had not been submitted earlier, Appellant had failed to establish that the repairs were normal. Appellant moved for reconsideration and when that was rejected he appealed to the Court of Appeals.

The Court of Appeals ruled that the referee had erred by adding a requirement to MCL 211.27(2) that was not stated by the legislature: that the property must not be in substandard condition. *Patru v City of Wayne*, unpublished (docket no. 337547), p 5.

The Court of Appeals also ruled that the Tax Tribunal erred by assuming that the evidence of normal repairs in the spreadsheet was not testified to at the hearing. So the Court of Appeals reversed and remanded for a rehearing to determine whether the repairs were normal repairs. *Id.*

The rehearing was held in December 2018. Tax Tribunal Judge Marcus L. Abood ruled among other things that the repairs were normal repairs, that the repairs were worth approximately \$10,000, but that MCL 211.27(2) nevertheless did not apply in this case because the “property assessment did not change by virtue of the repairs Petitioner made to the subject property.” FOJ at 5.

Appellant responded to the FOJ with a motion for reconsideration. Tax Tribunal Judge David B. Marmon responded with an Order Denying Petitioner’s Motion for Reconsideration (Order Denying Reconsideration) which sharpened the reasoning of the FOJ.

The clearest arguments in the Order Denying Reconsideration are made in two paragraphs and a footnote on page 2 which is reproduced here:

To begin, there is nothing in MCL 211.27(2) requiring “before repair” and “after repair” appraisals when determining whether an assessment includes the true cash value of the normal repairs. [See footnote 7 below] Rather, in a proceeding before the Tribunal, Petitioner bears the burden of proof. [footnote 8 omitted] Further, the Tribunal cannot conclude that the FOJ erred when it concluded that Petitioner’s contentions concerning the purchase price, i.e. the true cash value before repairs, was entitled to no weight or credibility. The selling price of a property is not is presumptive true cash value. [footnote 9 omitted] Despite Petitioner’s assertions that the marketing efforts for the subject show that the sale was a “market sale,” the home was being sold by the U.S. Department of Housing and Urban Development (“HUD”). Because the subject was being sold by a government entity, that entity’s motivation may not have been to receive market value for the property.

The Tribunal also concludes that it was not a palpable error to conclude that the assessment did not consider the “normal repairs.” This is supported by the fact that the property record card indicates that Respondent believed the true cash value of the subject to be \$48,000 *before Petitioner purchased the property* [footnote 10 omitted] and \$50,400 as of December 31, 2015, after the repairs were complete. An increase of \$2,400 in true cash value (5%) is easily attributable to inflation and increases in the market. In addition, as stated by the FOJ, the interior photographs depict a property in average condition before Petitioner acquired it. Although not necessarily evidence of true cash value, this evidence supports the property’s assessment as a property in average condition both at the time Petitioner acquired it and after he completed the normal repairs. In other words, the record evidence supports the conclusion that the assessment did not consider the increase in true cash value that was the result of normal repairs.

footnote 7 MCL 211.27(2) allows an assessor to increase “construction quality classification or reduce the effective age for depreciation purposes” if the “appraisal of the property was erroneous before non-consideration of the normal repair.” It also prevents an assessor from assigning an economic condition factor to the property that differs from the economic condition factor assigned to similar properties as defined by appraisal procedures applied in the jurisdiction. Neither situation is at issue here. Although State Tax Commission Bulletin No. 7 of 2014 requires “before” and “after” appraisals, such appraisals are only required “[i]f the true cash value of non-consideration items is shown on the assessment roll. . . .” As described herein, the true cash value of the non-consideration items is not shown on the assessment roll and the STC requirement does not apply. In addition, STC guidance lacks the force of law. *In re Complaint of Rovas Against SBC Michigan*, 482 Mich 90, 103; 754 NW2d 259, 267 (2008).

Argument

Following are five allegations of error, any of which is enough to cause a remand.

I. The Tax Tribunal failed in its duty to independently determine the true cash value of the property when it refused to make a determination of the before-repair value because Appellant had the burden of proof and the Tribunal disagreed with Appellant's proof

When reviewing Tax Tribunal cases, this Court looks for misapplication of the law or adoption of a wrong principle. Factual findings must be supported by competent, material, and substantial evidence on the whole record. Statutory interpretation is reviewed de novo. *Briggs Tax Service, LLC v Detroit Pub. Schools*, 485 Mich 69, 75; 772 NW2d 753, 757-758 (2010) This issue involves statutory interpretation.

Once a taxpayer has presented evidence, the Tax Tribunal must make an independent determination of the true cash value at issue, even if it finds the taxpayer's evidence unconvincing. In *Jones & Laughlin Steel Corporation v. City of Warren*, 193 Mich App 348; 483 NW2nd 416 (1992) this Court reversed when the Tax Tribunal did not follow this rule:

The tribunal further erred in failing to make an independent determination of the true cash value of the property. The tribunal apparently believed that no such determination was necessary after it concluded that petitioner had failed to meet its burden of proof and dismissed petitioner's appeal. The tribunal correctly noted that the burden of proof was on petitioner, This burden encompasses two separate concepts: (1) the burden of persuasion, which does not shift during the course of the hearing; and (2) the burden of going forward with the evidence, which may shift to the opposing party. The tribunal's decision, however, seems analogous to the entry of a directed verdict upon the failure of a plaintiff's proofs. To the extent this analogy may be accurate in this case, the entry of judgment against petitioner for its failure to provide sufficient evidence was erroneous because, while petitioner may not have met its burden of persuasion, it did meet its burden of going forward with evidence.

Even if the tribunal had correctly concluded that petitioner's proofs had failed, the tribunal still would be required to make an independent determination of the true cash value of the property. The tribunal may not automatically accept a respondent's assessment, but must make its own findings of fact and arrive at a legally supportable true cash value. . . . On remand, the tribunal shall make an independent determination of true cash value. *Jones & Laughlin*, 193 Mich App at 354-356 (cleaned up).

In this case the Tax Tribunal has made the same error as the Tax Tribunal in

Jones & Laughlin: it declined to determine the true cash value of the property at issue (by determining the before-repair value) because the Appellant bore the burden of proof and the Tribunal disagreed with Appellant's proof. Order Denying Reconsideration at 2. For this reason, this Court should reverse.

II. The Tax Tribunal misinterpreted MCL 211.27(2) when it ruled that normal repairs may be ignored if there is some evidence that the assessor does not need to consider repairs to justify the assessed value

When reviewing Tax Tribunal cases, this Court looks for misapplication of the law or adoption of a wrong principle. Factual findings must be supported by competent, material, and substantial evidence on the whole record. Statutory interpretation is reviewed de novo. *Briggs*, 485 Mich at 75; 772 NW2d at 757-758 This issue involves statutory interpretation.

MCL 211.27(2) reads in relevant part:

The assessor shall not consider the increase in true cash value that is a result of expenditures for normal repairs, replacement, and maintenance in determining the true cash value of property for assessment purposes until the property is sold. . . . The increase in value attributable to the items included in subdivisions (a) to (o) that is known to the assessor and excluded from true cash value shall be indicated on the assessment roll. . . .

The State Tax Commission (STC) also requires that "2. Assessors are required to give non-consideration treatment to known qualifying changes to real property, regardless of whether the taxpayer has filed a form L-4293." Michigan State Tax Commission (STC) Bulletin No. 7 of 2014 (Mathieu Gast Act).

The Tax Tribunal appears to believe that the assessor is free to ignore normal repairs without violating MCL 211.27(2) as long as she has some evidence to believe that repairs are not necessary to justify the true cash value of the property. In this case, that evidence was a) the assessed value change of 5% from 12/31/2014 to 12/31/2015 which was due to inflation and b) the MLS marketing pictures taken before the house

was sold which show that the house was in average condition. The Tax Tribunal says that simply because this evidence existed, the assessor did not violate MCL 211.27(2):

Although not necessarily evidence of true cash value, this evidence supports the property's assessment as a property in average condition both at the time Petitioner acquired it and after he completed the normal repairs. In other words, the record evidence supports the conclusion that the assessment did not consider the increase in true cash value that was the result of normal repairs. Order Denying Reconsideration at 2.

The Tax Tribunal never makes a finding that the property actually was in average condition at the time of sale. Under the Tax Tribunal's interpretation of MCL 211.27(2), the assessor may ignore normal repairs as long as she can point to some evidence supporting the proposition that repairs were not needed.

Contrary to the Tax Tribunal's view, the plain language of the statute and its interpretation by the STC make clear that once normal repairs are known to the assessor, the assessor must give them non-consideration treatment. The statute uses the word "shall", not "may", to indicate that the assessor must determine the true cash value of the repairs and indicate it in the assessment roll.

Non-consideration treatment requires before-repair and after-repair appraisals. STC Bulletin 7 of 2014 2. Had the assessor attempted a before-repair appraisal, she would have found ample evidence that the property that she had valued at \$48,000, using a computerized, mass appraisal which *assumed* that the property was in average condition, FOJ at 4, was in fact not correct. The MLS pictures which appear to show the property in average condition come from an MLS listing which shows that the property was on the market for \$29,000 and then for \$32,000 and that it sold for \$32,000. MLS Printout. The City's inspectors had inspected the property and imposed repair requirements before they would issue a Certificate of Occupancy; the repairs were valued at approximately \$10,000. List of Repairs. The first time the Tax Tribunal looked at this case, it ruled that the condition of the house was so substandard that any repairs to it could not be normal. (This Court corrected the legal reasoning but

did not question the fact that the house needed repairs. “It is undisputed that, when he purchased the property, it was in substandard condition and required numerous repairs to make it livable.” *Patru*, unpublished at 1.

Perhaps the root of the Tax Tribunal’s error regarding MCL 211.27(2) stems from its misunderstanding of what the statute means by “not consider”. In everyday usage, “to consider” implies activity and to “to not consider” implies passivity. But in MCL 211.27(2) non-consideration is active. The statute says that “the increase in value attributable to [normal repairs] ... shall be indicated on the assessment roll.” The STC Bulletin 7 of 2014 uses the term “non-consideration treatment”. Passively ignoring normal repairs is a violation of the statute as this Court noted the first time it heard this case:

The hearing referee incorrectly interpreted MCL 211.27(2) by concluding that because the repairs were done to a property in substandard condition, they did not constitute normal repairs. As a result, contrary to MCL 211.27(2), the referee *considered* the increase in value attributed to the repairs when determining the property’s TCV. Stated differently, the referee’s finding that the property’s TCV was \$50,400 was based on its assessment of the property’s value after it had been repaired. This was improper because MCL 211.27(2) expressly provides that certain repairs constitute normal repairs so long as they are not part of a structural addition or completion. *Patru*, unpublished at 5.

In the Order Denying Reconsideration at 3, footnote 7, the Tax Tribunal attempts to explain why it is not required to perform before-repair and after-repair appraisals. It says:

Although State Tax Commission Bulletin No. 7 of 2014 requires “before” and “after” appraisals, such appraisals are only required “[i]f the true cash value of non-consideration items is shown on the assessment roll. . . .” As described herein, the true cash value of the non-consideration items is not shown on the assessment roll and the STC requirement does not apply.

The Tax Tribunal has misinterpreted the STC Bulletin. A fuller quotation of the passage on page 2 with added clarifying emphasis is as follows:

3. If the true cash value of non-consideration items is shown on the assessment

roll *in the first year after the qualifying change is made*, then the true cash value of the item shall be calculated by performing “before” and “after” appraisals and then deducting the “before” true cash value from the “after” true cash value.

4. If the true cash value of non-consideration items is shown on the assessment roll *in years subsequent to the first year after the qualifying change*, then the true cash value of the item shall be calculated each year by performing “before” and “after” appraisals and then deducting the “before” true cash value from the “after” true cash value to determine the true cash value contribution of the item for that assessment year. The purpose of this approach is to reflect the current contribution, rather than the initial contribution, to true cash value which is provided by the item.

Paragraphs 3 and 4 of the Bulletin distinguish between two cases: if the repairs are accounted for in the first year or in years after the first year. The paragraphs detail *how* the repairs are to be valued not *if* they are to be valued. The statute itself and paragraph 2 of the bulletin quoted above makes it clear that once a normal repair is known, it must be given non-consideration treatment. Paragraphs 3 and 4 of the bulletin describe what non-consideration treatment involves in the two common cases.

III. The Tax Tribunal erred when it gave the selling price of the property “no weight or credibility” as to the market value of the property based solely on the fact that the seller was a government entity and speculation that the seller may not have been motivated to receive market value

The Tax Tribunal’s factual findings are accepted as final by this Court “provided they are supported by competent, material, and substantial evidence. Substantial evidence must be more than a scintilla of evidence, although it may be substantially less than a preponderance of the evidence.” *Jones & Laughlin*, 193 Mich App at 352-53 (cleaned up).

In *Jones & Laughlin*, the Tax Tribunal had ruled, “A sale that occurs *after* the tax date has little or no bearing on the assessment made prior to the sale.” *Id.* at 354 (emphasis in original). This Court reversed holding:

Evidence of the price at which an item of property actually sold is most certainly relevant evidence of its value at an earlier time within the meaning

of the term 'relevant evidence.' MRE 401. Although the sale to Youngstown Industrial occurred approximately nine months after the tax date, the lapse in time is important only with respect to the weight that should be given the evidence, not to the relevance of the evidence. While the tribunal correctly noted that the sale price of a particular piece of property does not control its determination of the value of that property, the tribunal's opinion that the evidence "has little or no bearing" on the property's earlier value suggests that the evidence was rejected out of hand. Such cursory rejection would be erroneous. *Id* (cleaned up).

As in *Jones & Laughlin*, the Tax Tribunal in this case cursorily rejected the sale of the property albeit for a different reason. In the FOJ this took just four sentences:

Lastly, Petitioner did not contend that his purchase of the subject property was an arm's length sale transaction under the definition of *market value*. [footnote cite to Dictionary of Real Estate Appraisal.] The grantor in this bank sale transaction was the the U.S. Department of Housing and Urban Development (HUD). Petitioner's purchase price is not the presumptive determination of market value. Therefore, Petitioner's contentions related to his purchase price and "normal" repairs are given no weight or credibility in the determination of market value for the subject property. FOJ at 6.

The Order Denying Reconsideration is essentially the same except that it adds a speculation: "Because the subject was being sold by a government entity, that entity's motivation may not have been to receive market value for the property." Order Denying Reconsideration at 2.

Besides being cursory, the Tax Tribunal's rejection of the sale is not based on any evidence or even logic, but rather solely on the fact that the seller was HUD along with the speculation that the seller's "motivation may not been to receive market value for the property." There is no proof offered for why this speculation may be true in the general case or in this instance. There is not even a scintilla of evidence here, certainly not the competent, material, and substantial evidence that is required.

Appellant complained of this issue the first time this case came before this Court. This Court chose to reverse on other grounds and did not address this issue. The Tax Tribunal has again rejected the sale of the property cursorily based on pure speculation. Appellant fears that the Tax Tribunal will continue to make cursory rejections unless

and until it is rebuked by this Court. Appellant respectfully asks this Court to order the Tax Tribunal to stop making cursory rejections but to base its rulings on evidence.

Relief Requested

Applicant has presented here three independent allegations error. He respectfully asks this Court to reverse the ruling of the Tax Tribunal.

Proof of Service

On 2/14/2019, I served a copy of the Brief on the Appellee, the City of Wayne, by first class mail to: 3355 S. Wayne Rd, Wayne, MI 48184.

Respectfully Submitted,

/s/ Daniel Patru

2/14/2019