

MAED STANDARDS COMMITTEE

**RETIRING PARENT PARCEL
NUMBER BEST PRACTICES**

(June 2, 2023)

Introduction

In response to inquiries from Michigan Association of Equalization Directors (MAED) members the Standards Committee has drafted this document as a Best Practices on Retiring Parcel Numbers. With the support of the MAED Board it is the committee's hope that this document can receive further support from assessing organizations like the Michigan Assessors Association. While it is generally the goal of the Standards Committee to encourage jurisdictions towards voluntary compliance with Best Practices, some practices rise to a degree of importance that we seek support from the State Tax Commission (STC) to make these practices mandatory. To that end, we encourage the MAED Board to draft a resolution asking the STC to consider the requirement of retiring parent parcels in all parcel numbering systems for tax administration purposes. This document seeks to set the context, the grounds, and more importantly the benefits of compliance with this Best Practice. We believe retiring parent parcel numbers will improve the efficiency and accuracy of property tax assessments.

Context

A retiring parent parcel numbering system is one in which each parcel of land has a unique parcel identifier that is different from the identifier of the parcel from which it was created. In other words, when a parcel is split or combined, the new parcels (commonly referred to as 'Child parcels') are assigned new numbers that are different from the original number(s) (commonly referred to as 'Parent parcels'). This is not to be confused with the process within the CAMA system of inactivating parent parcels which is typically done annually following rollover.

Each county in Michigan has its own approved parcel numbering system. While many jurisdictions have adopted a retiring parent parcel numbering system, some counties and jurisdictions have not.

To determine the scope and status of parent parcel retirement within the Counties in Michigan a survey was conducted in April 2023. The results, based on responses from 75 of 83 Counties, was that roughly 25% of Counties either do not retire parent parcels, or they encourage their assessors to retire parent parcels but do not yet have full compliance. While this number is larger than originally expected, it is noteworthy that of the 25% of Counties that did not retire parent parcels, 63% of the Directors would like to see it changed so that parent parcels are retired while the remaining 37% were neutral. No Directors spoke in favor of non-retirement.

Grounds

As with most topics in the field of property tax administration we seek to ground our arguments in law and support them with guidance given by the STC. The issue of retiring of parcel numbers is no different. At the time the General Property Tax Act was written no parcel numbering system existed and parcels were identified by a unique tax description. However, in 1965 MCL 211.25a was added to give local units the option of replacing the legal description – which were often lengthy and cumbersome to interpret – with a unique real estate index number.

MCL 211.25a states: *An assessing officer, with the approval of the governing body of the city or township, may establish a real estate index number system for listing real estate for purposes of assessment and collection of taxes, in addition to, or in lieu of, the method of listing by legal description provided in this act. The system shall*

describe real estate by county, township, section, block and parcel or lot. The numbering system shall be approved by the state tax commission. The assessing officer shall establish and maintain cross indexes of numbers assigned under the system with the complete legal description of the real estate to which such numbers relate. The assessing officer shall assign individual index numbers and the assessment rolls, tax rolls and tax statements shall carry the index numbers and not the legal descriptions, except that both the legal description and the index number shall be shown on the tax statements for the first year after this section is effective. Indexes established hereunder shall be open to public inspection.

As the Parcel number/index was established to replace the necessity of the legal description on the assessment roll it is clear the parcel index number was designed to be on a 1-to-1 relationship with a legal description. Meaning, if the legal description changes the parcel number should also change. Those in favor of non-retirement of parcel numbers once a legal description has changed could argue that because assessment rolls are developed on an annual basis that the parcel number must only be unique *for that assessment roll*. Unfortunately, the MCL gives no basis for the argument but instead points towards a unique (individual) index number per legal description. This is further supported by the statutes use of the term ‘legal description’ – which carries with it more permanence (i.e., the same from year to year) versus the term ‘tax description’ which is used on assessment rolls on an annual basis. If the legislative intent were that a parcel number only be unique for a given year, then they would have used the term ‘assessment roll description’ or ‘tax description.’

The General Property Tax Act takes up the issue of describing parcels later in the Act in MCL 211.34(2) where it grants authority to the County (specifically the county board of commissioners) to change any description to make it compliant with the Act.

MCL 211.34(2) The county board of commissioners shall also make alterations in the description of any land on the rolls as is necessary to render the descriptions conformable to the requirements of this act.

If the intent of the Act as outlined in MCL 25a is to have an individual index number act as a ‘stand in’ for each legal description, then MCL 211.34(2) grants the County the authority to change those parcel numbers if the assessor has not assigned a unique (individual) number.

Support for a unique parcel number per legal description, and therefore a system of retiring parent parcel numbers is supported by guidance from the STC in Volume 3 (2017) of the Michigan Assessors Manual (pg. 28) which gives the following guidance on retiring parcel numbers: “...*If a legal description changes because of one of these reasons, the existing PIN is retired and new numbers assigned to the resulting parcel or parcels...*” (emphasis added). This is consistent with STC recommendations as found in prior releases of the manual. Volume 3, (1986) of the Michigan Assessors Manual (pg. 2-47) gives the following guidance on retiring parcel numbers: “*When a parcel is subdivided into two or more parcels, the **new** property line **and** parcel identification number is inserted on the map.*” (Emphasis added)

Additionally, Bulletin 13 of 1996, page 7. 4a gives the following guidance: *When a change of ownership or a change of description, or any other reason causes a parcel of property to be split into two or more new descriptions that wholly comprise the parent parcel, the parent Property Identification Number (PIN) number **should be retired** in the following year and the two or more new PIN’S for the two or more child parcels should be created.* (Emphasis added)

While the General Property Tax Act does not explicitly address the topic of retiring parent parcel numbers a retiring parent parcel number system is implied in the Act and supported by guidance from the STC.

Benefits of Retiring Parent Parcels

A retiring parent parcel numbering system:

- Ensures that properties going through the foreclosure process are properly identified. Conversely a non-retiring system allows for a parcel number to be foreclosed on in the tax system, while still being used to identify a different parcel on the assessment roll. A retiring parent parcel numbering system removes this hazard.
- Simplifies property identification and tracking for tax and legal purposes, reducing errors and inconsistencies in property records, chain of title, and tax assessments.
- Improves the accuracy of property tax assessments by ensuring that all parcels are accounted for and up to date. This can avoid problems with delinquent taxes on parent parcels that have not been retired in existing systems.
- Facilitates the integration of property records and tax assessment data with other government systems and databases.
- Allows for easier identification of changes in property boundaries or ownership, which can help prevent disputes and legal challenges. If a living parent has undergone several boundary changes, a singular parcel number can currently have multiple legal descriptions in different years; causing real problems for taxpayers and local tax officials trying to allocate the tax burden from one year to the next.
- Provides a more efficient system for updating property records and tax assessments, which can save time and resources for local government officials and property owners.
- Can improve the accuracy of property valuations, which can help ensure that property taxes are fairly and equitably assessed.
- Enables the use of more sophisticated data analysis tools and techniques to identify trends and patterns in property ownership and tax assessments.
- May increase transparency and accountability in property tax administration by making it easier for property owners and the public to access and review property records and tax assessments.
- Can help improve overall compliance with state and local property tax laws and regulations.

Recommendation

We recommend that each jurisdiction in Michigan ensure that their parcel numbering system retires parent parcels for tax administration purposes. This does not suggest a statewide standard numbering format, but rather requires that each county's existing system retires parent parcels. To that end, we recommend the following:

1. Whenever a legal description on a property substantively changes (typically due to a split, combination, or lot line adjustment), the resulting parcel(s) are assigned a new unique parcel identification number (PIN) for the following year and the original PIN be retired. This will additionally mean the current class of the parent parcel is updated to reflect a retired reference real class type. The following exceptions apply:
 - a. Corrections – changes to the legal description that are clerical in nature. For example, if the original legal description reads 'TH S 72D31M56S E 89.99 FT TO E 1/8 LI' and it is corrected to be 'TH S 72D31M56S **W** 89.99 FT TO E 1/8 LI' this is simply a correction, and no new number assignment is required.
 - b. Clarifications – changes to the legal description that enhance or clarify an existing legal description need not be assigned a new number. For example, if the original legal description reads 'Th W to Sec line' and it is enhanced to read 'Th W 450Ft to Sec line' this simply clarifies the legal description, and no new number assignment is required.
 - c. Reconfigurations of a prior parcel – If a resulting parcel legal description is identical to a prior parent parcel legal description, the retired number can be reused. This typically occur in Plats or Subdivisions where lots were combined and then later disassembled.
2. Any changes to local parcel numbering systems be implemented for future parcels only and not be applied retroactively. This will make the transition easier to adopt and implement.
3. Jurisdictions be allowed an appropriate amount of time for implementation.

Thank you for your attention to this matter. We believe that adopting a retiring parent parcel numbering system will benefit both local government officials and property owners across the state of Michigan. If you have any questions or concerns, please do not hesitate to contact us.