# PROPERTY TAX & ASSESSMENT INFORMATION

## MOST COMMONLY ASKED QUESTIONS

### WHY DID MY ASSESSED VALUE DECREASE BUT MY TAXABLE VALUE STILL INCREASE?

Assessed Values are a combination of the estimated land value, the improvement values less depreciation (improvement values are estimated in accordance with the State Tax Commission's Assessor Cost Manual), building cost manual adjustments (updated by the State) and economic condition factors (ECF). Assessed values increase or decrease with market conditions and adjustments made to land values, improvement value changes (such as depreciation or the removal an improvement), cost factors and economic condition factors (ECF). Taxable values that are less than the Assessed Value increase with the rate of inflation.

### WHY DID MY TAXABLE VALUE INCREASE BY MORE THAN THE RATE OF INFLATION?

If property had a transfer of ownership/sale the prior year, the taxable value will "uncap" to the Assessed Value, or if the property had new or missing improvements (such as an asphalt drive, A/C or new construction) 50% of the improvement value, based on the State Assessor's cost manual, is added as new Taxable Value.

### WHY IS MY NEIGHBOR PAYING HALF THE TAXES THAT I AM WHEN THEIR HOUSE IS TWICE AS BIG?

Voters passed Proposal A in 1994, which "caps" property "Taxable Values" limiting the increase in property taxes to the rate of inflation, or 5%, whichever is the lessor of the two. While the Taxable Value is "capped" for owners (some owned & capped since 1994), the Assessed Values are still required to follow market conditions, often resulting in a value gap between the Assessed Value and the Taxable Value. This is how two identical houses right next to each other can pay different taxes depending on when the homes were purchased and when their Taxable Values were established.

## UNDERSTANDING VALUES ON PROPERTY TAX BILLS & ASSESSMENT CHANGE NOTICES

**TAXABLE VALUE (TV) = the value used to calculate property taxes.** TV will increase/decrease annually by the rate of inflation or 5% (whichever is the lessor of the two), unless there is new or missing improvements added to the property (i.e. omitted value from previous roll or new construction), or the year following a non-exempt transfer of ownership or sale of the property. Taxes are calculated as follows: (Prior Year Taxable Value - Losses) x rate of inflation + additions. For property with a non-exempt transfer of ownership, the taxable value will be equal to the Assessed Value the year following the transfer.

ASSESSED VALUE (AV) = an annual 50% estimation of the true cash value or market value based on a combination of actual real estate market sales, building depreciation, inflation rates and local building cost factors. AV is generally equal to the State Equalized Value (S.E.V.) and is based on a Mass Appraisal process using a 24-month sales study period of valid Real Estate Sales. Because the Assessed Value is based on the Real Estate Market the AV often fluctuates annually.

STATE EQUALIZED VALUE or S.E.V. = If the units Assessed Values are appropriately set at approximately 50% of the estimated True Cash Values, then the SEV is equal to the Assessed Value. When a unit falls below the estimated 49-50% ratio of the estimated market values, then the County and State will adjust the tax roll accordingly to "equalize" values to the market sales by either increasing or decreasing values through the application of a rate factor.

## ESTIMATING PROPERTY TAXES

Property taxes are not controlled by the assessor, rather are calculated using the set millage rates (either voter passed or limited by legislation). Taxes can be estimated using the following formula:

For every 1 mill levied it is equal to $1.00 per every $1,000 of TV.

(Example: $100,000 Taxable Value with a Township millage rate of 30 mills is calculated as follows: $100,000/$1,000 = 100 * 30 mills = $3,000 annually in property taxes.

Property Taxes can also be estimated at:

http://www.michigan.gov/taxes

## PROPERTY VALUES & TAXES THE MICHIGAN WAY

### UNIQUELY MICHIGAN

Prior to Proposal A (1994), property taxes were calculated based on State Equalized Values (**SEV**), which are equal to 50% of the estimated True Cash Value/Market Value. With the fluctuating real estate market that process created a roller coaster effect on property values, which directly affected property taxes, increasing and decreasing along with the market fluctuations. Proposal A limits property tax increases to coincide with the rate of inflation. This change created the new terms, such as Capped Value (CV) and Taxable Value (TV). The CV is the result of the calculation of the TV x the rate of inflation, With Proposal A, the longer a property owner owns their property, the larger the potential gap could be between the estimated Assessed Value (AV = 50% of TCV) and their Taxable Value (TV). This also means that if a property sells or has a transfer of ownership they continue to pay taxes based on the former owner's TV, however the year following the transfer the Taxable Value will "uncap" to the determined AV/SEV value the next tax year. The year after the property value uncaps, the value will re-cap and will remain capped for as long as the new owner owns the property and there is no new or missing improvements that were not previously on the tax roll. See TRANSFER OF OWNERSHIPS/UNCAPPINGS

**Transfers of Ownerships and Uncapping of Property Assessments - It is important to note that a property does not uncap to the *selling price* but to the re-determined AV/SEV of the property the year following the transfer of ownership.**

Figure A.1 illustrates a property that sold in 2017, resulting in the taxable value uncapping for 2018. The 2017 capped/taxable value was $77,084 and the Assessed Value was $92,400. Proposal A states the new Capped Value will be the AV/S.E.V. resulting in the 2018 Taxable Value of $92,800.

**SEE BACK FOR INFO ON EXEMPT TRANSFERS**

FIGURE A.1

TAXABLE VALUE OR TV CALCUATED AS FOLLOWS = (Prior Year Taxable Value-LOSSES) X IRM + ADDITIONS

| | AV/SEV | CAPPED VALUE OR CV | TV | IRM | STATUS |
|---|---|---|---|---|---|
| 2015 | 80,700 | 76,169 | 76,169 | 1.6% | |
| 2016 | 80,900 | 76,169 | 76,397 | 1.3% | |
| 2017 | 92,400 | 88,700 | 77,084 | 1.9% | SOLD |
| 2018 | 92,800 | 92,800 | 92,800 | 2.1% | Uncapping |

## UNDERSTANDING TV | AV | S.E.V.

The **AV/SEV** must be re-determined annually for all properties using the Mass Appraisal Method. A property's value is set based on how the property was as of December 31st of the prior year, referred to as ***Tax Day***.

Taxable Values (**TV**) will increase (rarely decrease) by the **CPI*** or 5%, whichever is the lesser of the two, *UNLESS* the current year's **AV/SEV** is less than the previous year's **TV** calculation. If the current **AV/SEV** is ***lower*** than last year's TV calculation, then the current Taxable Value *will be the same* as the **SEV**. *** See CPI CALCULATIONS**

Figure A.2 illustrates how a property's AV/SEV can decrease but TV still increases. (for example, if the Real Estate market declines it impacts the overall AV/SEV and because the TV is lower than the AV/SEV it increases due to the rate of inflation.

FIGURE A.2

| MARKET STATUS | AV/SEV | Taxable Value |
|---|---|---|
| INCREASES | 145,900 | 80,179 |
| INCREASES | 146,100 | 81,461 |
| DECLINES | 144,700 | 82,764 |
| DECLINES | 143,800 | 83,012 |

### *CPI (Rate of Inflation)

The CPI (rate of inflation) is determined based on a ratio calculated from the average of two 12 month periods and the most recent information on the CPI can be found on-line at the US Department of Labor, Bureau of Labor Statistics.

**The Equalization Timetable – Assessments are set based off of a 24 month sales study period and include properties that have sold between April 1st through March 31st of the last 24 months from the current tax year.**

It is ILLEGAL in the State of Michigan for Assessors to set individual property assessments based off of what it sold for. We are required by law to look at a collection of sales and use the Assessor's Manual in determining our assessments. We do not visit every property every year as that would be cost prohibitive. Michigan Assessor's use the Mass Appraisal Approach to set annual assessments.

Valuation Appeals made to the Local Board of Review should include relevant sales comparison data from the time period of the sales study.

## WAYS TO SAVE

**Principal Residence Exemption (PRE) -** Years ago this was also referred to as a HOMESTEAD exemption. Today, *HOMESTEAD* exemptions are for *INCOME* tax filing purposes and Principal Residence Exemptions (**PRE**) are for PROPERTY tax purposes. A **PRE** is available to those that **own and occupy** their home as their principal residence. A **PRE** exempts a property from the local school operating millage portion of a property tax bill.

**PLEASE NOTE,** if you currently have a Principal Residence Exemption on your property and you no longer own and occupy the property as your primary residence, you must rescind the Principal Residence Exemption with the Assessor's Office. If your property is up for sale and un-occupied, you may qualify for a Conditional Rescind Exemption.

**Qualified Agricultural Property Exemption -** Property that is utilized for certain Agricultural purposes may qualify for an Agricultural Exemption, which exempts a property from the school millage portion of a property tax bill. Hobby Farms, as defined by law, are not considered Qualified Agricultural Property.

**Disable Veteran's Exemption -** Military Veterans that **own and occupy** their home as their principal Residence and are 100% disabled (or you are an unmarried surviving spouse of a 100% disabled Veteran), may be exempt from **ALL** property taxes. Michigan's way of recognizing their service and sacrifice for our Freedoms.

## **MORE INFORMATION ON SALES / TRANSFERS

Taxable Values are exempt from uncapping ***if*** transfer of the property is between ***first degree blood related family members.*** It is the responsibility of the buyer to file a Property Transfer Affidavit (**PTA**) with the Assessor's Office with-in 45 days of the property transfer to notify the Assessor of the transfer and type of transfer to avoid uncapping of the property value.

**Actual Sale Price DOES NOT = True Cash Value -** The law defines True Cash Value as the **usual** selling price of a property. The Legislature and the Courts have very clearly stated that **the actual selling price of a property is not a controlling factor in the True Cash Value or State Equalized Value** as calculated by the Assessor. **Foreclosure Sales -** are generally **NOT** considered as typical sales in the valuation of property for assessment purposes nor are they reliable indicators of value when making market comparisons for current assessed values or appeals.

## FOR MORE INFORMATION OR FORMS PLEASE REFER TO THE FOLLOWING:

www.townshipassessing.com
or
http://www.michigan.gov/treasury

We are here to serve the public. We are mandated by law to perform specific assessment duties. We are also taxpayers, which drives us to ensure accuracy, provide excellent service to our community members, promote understanding and education of the property assessment and taxation process and help answer questions or concerns.

Please don't hesitate to contact us:

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Forms and Correspondence can be sent to:
www.townshipassessing@gmail.com

**OR**

Mailed to: Township Assessor
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