Guide To Your Property Taxes And Proposal "A"

PROPOSAL "A" : WHAT ARE PROPERTY TAXES BASED ON?

Prior to 1995, your taxes were calculated on SEV (State Equalized Value). SEV is the Assessed Value of the property multiplied by the State Equalization Factor and must approximate 50% of market value. On March 15,1994, Michigan voters approved the constitutional amendment known as Proposal "A".

Starting in 1995, Proposal "A" established Taxable Value as the basis for the calculation of property taxes. Increases in Taxable Value are limited to 5% or the percent change in the rate of inflation, whichever is lower.

Even in years where we have a depreciating market, Taxable Value of a property will increase every year until it reaches the Assessed Value or SEV.

This limit on Taxable Value does not apply to a property in a year following a sale or transfer of ownership.

WHAT IS ASSESSED VALUE?

The Michigan Constitution requires property to be uniformly assessed at 50% of the usual selling price, often referred to as True Cash Value. Each tax year the local assessor determines the Assessed Value of each parcel of property based on the condition of the property on December 31 (Tax Day) of the previous year.

The Assessor's office is required by law to analyze sales in a 24-month period ending on March 31st of the preceding year to determine adjustments to your Assessed Value, April 1, 2004 through March 31, 2006 for the 2007 assessments.

If property values were increasing in your neighborhood during this 24 month period then your Assessed Value will likely increase. If property values were decreasing in that 24 month period your Assessed Value would likely decrease.

WHAT IS STATE EQUALIZED VALUE (SEV)?

The SEV (State Equalized Value) is the Assessed Value as adjusted following county and state equalization. The County Board of Commissioners and State Tax Commission must review local assessments and adjust (equalize) them if they are above or below the constitutional 50% level of assessment.

WHAT IS "CAPPED VALUE"?

"Capped Value" is the value established when the prior year's Taxable Value (with adjustments for additions or losses) is multiplied by the Inflation Rate Multiplier. The Inflation Rate Multiplier is capped at 5% or the rate of inflation, whichever is lower.

For 2007, the State of Michigan has determined the Inflation Rate Multiplier to be 3.7%. It represents the change in the rate of inflation (1 + 3.7% or 1.037) during the previous year and when multiplied by last year's Taxable Value generates this years "Capped Value".

Capped Value Formula

<u>Capped Value</u> = (prior year's Taxable Value – Losses) x (1 +rate of inflation)+ Additions

****** This Capped Value limitation on Taxable Value does not apply if you purchased your home or there was a transfer of ownership last year.******

WHAT IS TAXABLE VALUE?

Taxable Value is the <u>lesser</u> of the SEV (State Equalized Value) or "Capped Value" unless the property experienced a sale or transfer of ownership in the prior year.

HOW ARE PROPERTY TAXES CALCULATED?

<u>Property Taxes</u> = Taxable Value X Your Local Millage Rate

NOTICE OF ASSESSMENT

Each year, prior to the March meeting of the local Boards of Review, informational notices are mailed. The "Notice of Assessment, Taxable Value, and Property Classification" also includes the tentative State Equalized Value, and the percent of exemption as a Principal Residence, and if there was or was not a Transfer of Ownership.

The Notice includes the dates and times for the March Board of Review. The Board of Review can hear appeals of the current year's Assessed and / or Tentative Taxable Value, Property Classification Appeals, and Poverty Exemptions under MCL 211.7u.

WHAT IS A PRINCIPAL RESIDENCE EXEMPTION?

If you own and occupy your home as your <u>principal residence</u>, it may be exempt from a portion of local school operating taxes. On your "Notice of Assessment" the current amount of your principal residence exemption is listed.

WHAT HAPPENS IF YOU PURCHASED A HOME IN 2006?

When a property (or interest in a property) is transferred, the following year the Taxable Value will be the same as the SEV. The Taxable Value will then be "capped" again in the second year following the transfer of ownership.

Example #1
You purchased a home in 2006

<u>In 2006,</u> you purchased a home valued at $290,000 (true cash value) with Assessed and State Equalized Value both at $145,000 and a Taxable Value of $110,000.

A study of similar sales in your neighborhood shows the true cash value of the property has increased to $300,000 for 2007.

<u>FOR 2007:</u>
Assessed Value is ……………………………………. $150,000
Taxable Value is ……………………………………. $150,000

Value is "uncapped" the year following a sale or transfer of ownership of a property, and therefore the Taxable Value will be the same as the Assessed Value.

WHAT HAPPENS WHEN THERE WAS NOT A SALE OR TRANSFER AND YOUR PROPERTY VALUE INCREASED?

Example #2
You made no changes to your home in 2006, and your property's value increased from April 1, 2004 through March 31, 2006

<u>In 2006,</u> your home was valued at $290,000 (true cash value) with Assessed and State Equalized Value both at $145,000 and a Taxable Value of $110,000.

A study of similar sales in your neighborhood shows the true cash value of the property has increased to $300,000 for 2007.

<u>FOR 2007:</u>

Assessed Value is	**……………………………………**	**$150,000**
Capped Value is	**($110,000 x 1.037*)………………**	**$114,070**

Taxable Value (the lesser of the Assessed or Capped) is 114,070

*** The capped value equals the prior year's Taxable value multiplied by the rate of inflation (3.7%). The rate of Inflation is determined annually by the State Tax Commission.**

WHAT HAPPENS WHEN THERE WAS NOT A SALE OR TRANSFER AND YOUR PROPERTY VALUE DECREASED?

Example #3
You made no changes to your home in 2006, and your property's value decreased from April 1, 2004 through March 31, 2006

<u>In 2006,</u> your home was valued at $290,000 (true cash value) with Assessed and State Equalized Value both at $145,000 and a Taxable Value of $110,000.

A study of similar sales in your neighborhood shows the true cash value of the property has decreased to $280,000 for 2007.

<u>FOR 2007:</u>

Assessed Value is	**……………………………………**	**$140,000**
Capped Value is	**($110,000 x 1.037*)………………**	**$114,070**

Taxable Value (the lesser of the Assessed or Capped) is $114,070

Taxable Value will still increase even though there is a decrease in Assessed Value.

*** The capped value equals the prior year's Taxable value multiplied by the rate of inflation (3.7%). The rate of Inflation is determined annually by the State Tax Commission.**

WHAT HAPPENS WHEN THERE WAS NOT A SALE OR TRANSFER AND YOU ADDED TO YOUR PROPERTY?

Example #4
You added an addition to your home in 2006

In 2006, your home was valued at $300,000 (true cash value) with Assessed and State Equalized Value both at $150,000 and a Taxable Value of $110,000.

A study of similar sales in your neighborhood shows the true cash value of the property (with the addition) has increased to $340,000 for 2007.

FOR 2007:
Assessed Value is ……………………………………. $170,000
Capped Value is ($110,000 x 1.037*) + (50% of $40,000) $134,070

Taxable Value (the lesser of the Assessed or Capped) is $134,070

*** The capped value equals the prior year's Taxable value multiplied by the rate of inflation (3.7%). The rate of Inflation is determined annually by the State Tax Commission.**

WHERE CAN I GET ADDITIONAL INFORMATION?

There is additional information at our website under FAQ's (Frequently Asked Questions). In addition, you can contact our Assessor's office by calling 734-354-3267.