WHAT ARE PROPERTY TAXES BASED ON?

On March 15, 1994, Michigan voters approved the constitutional amendment known as Proposal "A".

Prior to Proposal "A" property tax calculations were based on State Equalized Value (SEV).

Proposal "A" established "Taxable Value" (TV) as the basis for the calculation of property taxes.

Increases in Taxable Value (TV) are limited to the percent of change in the rate of inflation or 5%, whichever is less, as long as there were no losses or additions to the property.

The limit on TV does not apply to a property in the year following a transfer of ownership (sale).

WHAT IS ASSESSED VALUE?

The Michigan Constitution requires that property be uniformly assessed and not exceed 50% of the usual selling price, often referred to as True Cash Value. Each tax year, the local assessor determines the Assessed Value (AV) of each parcel of real property based on the condition of the property as of December 31 (Tax Day) of the previous year.

WHAT IS STATE EQUALIZED VALUE (SEV)?

The State Equalized Value (SEV) is the Assessed Value as adjusted following county and state equalization.

The County Board of Commissioners and State Tax Commission must review local assessment jurisdictions and adjust (equalize) them so that they do not exceed 50% of True Cash Value.

WHAT IS "CAPPED VALUE"?

"Capped Value" is the value established when the TV of the prior year, with adjustments for additions and losses, is multiplied by the Inflation Rate Multiplier (IRM). The multiplier is capped and cannot be greater than 1.05 (1 + 5%). It represents the change in the rate of inflation during the previous year. The final product is Capped Value (CV).

Capped Value = (Prior TV – Losses) x (IRM)* + Additions

*Percent of change is the rate of inflation or 5%, whichever is less, expressed as a multiplier

The Capped Value limitation on Taxable Value does not apply if you purchased your home last year.

CALCULATING INFLATION RATE MULTIPLIER

Based on this statutory requirement, the calculation for 2019 is as follows:

1. The 12 monthly values for October 2016 through September 2017 are averaged.
2. The 12 monthly values for October 2017 through September 2018 are averaged.
3. The ratio is calculated by dividing the average of column 2 by the average of column 1.

Oct-16	241.729	Oct-17	246.663
Nov-16	241.353	Nov-17	246.669
Dec-16	241.432	Dec-17	246.524
Jan-17	242.839	Jan-18	247.867
Feb-17	243.603	Feb-18	248.991
Mar-17	243.801	Mar-18	249.554
Apr-17	244.524	Apr-18	250.546
May-17	244.733	May-18	251.588
Jun-17	244.955	Jun-18	251.989
Jul-17	244.786	Jul-18	252.006
Aug-17	245.519	Aug-18	252.146
Sep-17	246.819	Sep-18	252.439
Average	243.841	Average	249.749

Ratio	1.024
% Change	2.4%

HOW ARE PROPERTY VALUES DETERMINED?

Market sale transactions for real property are used by Michigan assessors to compare assessed values (AV) with the actual sale prices (market values) for those same properties. Market value can be defined as the most probable price, as of a specific date, where both buyer and seller are knowledgeable and neither is under duress.

The average ratio between the AV and the sale price should be 50%. Since the market for real estate constantly changes, the average ratio actually found will usually not be 50%. Local assessors are required to re-establish the 50% ratio on an annual basis.

NOTICE OF ASSESSMENT

Each year, prior to the March meetings of the local boards of review, informational notices are mailed. The "Notice of Assessment, Taxable Valuation, and Property Classification" also includes State Equalized Value, the percent of exemption as a Principal Residence, Michigan Business Tax, or Qualified Agricultural Property, and if there was or was not a Transfer of Ownership.

WHAT IS A PRINCIPAL RESIDENCE EXEMPTION?

If you own and occupy your home as your principal residence, it may be exempt from a portion of local school operating taxes. On your "Notice of Assessment", review your percentage of principal residence exemption.

To claim an exemption for the current year, you must own and occupy your home and file a "PRE Affidavit" with your city or township by June 1 for the immediately succeeding summer tax levy and all subsequent tax levies or by November 1 for the immediately succeeding winter tax levy and all subsequent tax levies.

WHAT IS "TAXABLE VALUE"?

Taxable Value (TV) is the lesser of State Equalized Value (SEV) or Capped Value (CV) unless the property experienced a Transfer of Ownership in the prior year.

WHAT HAPPENS WHEN YOU PURCHASE A PROPERTY?

When a property, or interest in a property, is transferred, the following year's State Equalized Value (SEV) becomes that year's Taxable Value (TV). In other words, if you purchase property, your Taxable Value for the following year will be the same as the SEV. The Taxable Value will then be "capped" for the second year following the transfer of ownership.

WHAT SALES INFORMATION IS USED IN DETERMINING ASSESSMENTS?

A 24 month sales study is performed in order to determine property assessments. The timeframe of the sales study, determined by the State Tax Commission, is detailed below for this year:

2 Year Sales Study

Shall be used in increasing markets

2 Year Sales Study Timeframe

Apr 1 2016 TO *Mar 31 2018*

EXAMPLES

-The following is a compilation of various assessment scenarios that could be similar to your particular situation-

You Purchased a New Home

Example A

Last year, you purchased a new home valued at $200,000 (true cash value) with Assessed Value (AV) and State Equalized Value (SEV) both at $100,000, and a Taxable Value (TV) of $80,000.

A study of sales in the neighborhood shows the true cash value of the property has increased to $210,000 for the current year.

Current Year:
Assessed Value (AV) is (1/2 of $210,000) $105,000
SEV (tentative) is..............................$105,000

Value is "uncapped" the year following an ownership transfer (sale) of a property, the Taxable Value will be the same as the State Equalized Value.

Taxable Value (TV) is..............................$105,000

You Added a Family Room to Your Home

Example B

Last year, your home valued at $200,000 had a $100,000 SEV, and a Taxable Value (TV) of $80,000. You added a family room addition valued at $40,000 (true cash value).

A study of sales in the neighborhood shows the true cash value of your property (with the addition) has increased to $240,000.

Current Year:
Assessed Value (AV) is (1/2 of 240,000)............$120,000
SEV (tentative) is..............................$120,000
Capped Value (CV) is
[($80,000 x 1.024)* + 50% of 40,000]..............$101,920
Taxable Value, the lesser of SEV or CV, is..........$101,920

You Made No Changes to Your Property

Example C-1

Increased SEV/TV Increase

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $80,000.

A study of sales in the neighborhood shows the true cash value of your property has increased to $220,000 for the current year.

Current Year:
Assessed Value (AV) is (1/2 of $220,000)............$110,000
SEV (tentative) is..............................$110,000
Capped Value (CV) is ($80,000 x 1.024)*..............$81,920

Taxable Value, the lesser of SEV or CV, is..............$81,920

Example C-2

Increased SEV/TV Increase

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $100,000.

A study of sales in the neighborhood shows the true cash value of your property has increased to $200,100 for the current year.

Current Year:
Assessed Value (AV) is (1/2 of $200,100)............$100,050
SEV (tentative) is..............................$100,050
Capped Value (CV) is ($100,000 x 1.024)*..........$102,400

Taxable Value, the lesser of SEV or CV, is..........$100,050

Example C-3

Decreased SEV/TV Increase

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $80,000.

A study of sales in the neighborhood shows the true cash value of your property has decreased to $180,000 for the current year.

Current Year:
Assessed Value (AV) is (1/2 of $180,000............ $90,000
SEV (tentative) is..............................$90,000
Capped Value (CV) is ($80,000 x 1.024)*............$81,920
Taxable Value, the lesser of SEV or CV, is.........$81,920