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 1.25 (150%). It represents the change in the rate of inflation during the previous year. The final product is Capped Value (CV).

Capped Value = TV(150%) x Inflation Rate Multiplier

- If the increase is 150% or more, the cap is 1.25 (the final value is Capped Value).
- If the increase is less than 150%, the cap remains 1.0
- If the increase is negative, the cap remains 1.0 (no cap applied).

The Capped Value on the Taxable Value is not applied if you purchased your home last year.

WHAT IS TAXABLE VALUE?
"Taxable Value" is the lesser of State Equalized Value (SEV) or Capped Value (CV). If the property experienced a Transfer of Ownership in the prior year, the Taxable Value is the SEV.

HOW ARE PROPERTY VALUES DETERMINED?
Market sales 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, when 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 consistently 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 board of review, informational notices are mailed. The "Notice of Assessment, Taxable Valor, 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 "FREE APPLICATION" with your city or township by June 1 for the immediately succeeding sum tax year and all subsequent tax years beginning on November 1 for the immediately succeeding winter tax year and all subsequent tax years.

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.

WHEN IS TAXABLE VALUE APPLICABLE?
When a property or interest in a property, is transferred, the following year's State Equalized Value (SEV) becomes the next 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.

HOW SALES INFORMATION IS USED IN DETERMINING ASSESSMENTS?
A 24 month sales study is performed in order to determine property assessments. The timeframe of this 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
  April 1, 2016 to March 31, 2018

EXAMPLES
You Purchased a New Home
You purchased a new home valued at $200,000 (true cash value) at $180,000 (true cash value) with 9% assessment value (9%) and State Equalized Value (SEV) both at $190,000, and a Taxable Value (TV) of $180,000.

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 Value
Assessed Value (AV) ($180,000) x 1.10 ($198,000)
State Equalized Value (SEV) ($190,000)
Taxable Value (TV) ($180,000)

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

You Added a Family Room to Your Home
Last year, your home valued at $100,000 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 has increased to $230,000 for the current year.

Current Value
Assessed Value (AV) $140,000 x 1.10 ($154,000)
State Equalized Value (SEV) $190,000
Taxable Value (TV) $170,000

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

You Made No Changes to Your Property
Increased SEV/TV Increase
Last year, your home valued at $200,000 (true cash value) had a $190,000 State Equalized Value (SEV), and a Taxable Value (TV) of $180,000.

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 Value
Assessed Value (AV) $190,000 x 1.05 ($200,500)
State Equalized Value (SEV) $210,000
Taxable Value (TV) $202,500

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

Decreased SEV/TV Increase
Last year your home valued at $200,000 (true cash value) had a $190,000 State Equalized Value (SEV), and a Taxable Value (TV) of $180,000.

A study of sales in the neighborhood shows the true cash value of your property has decreased to $150,000 for the current year.

Current Value
Assessed Value (AV) $160,000 x 1.05 ($168,000)
State Equalized Value (SEV) $170,000
Taxable Value (TV) $162,000

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