2009

ASSESSMENT

INFORMATION

UNDERSTANDING

PROPOSAL A

THE LAW

GOVERNING YOUR

TAXABLE VALUE

(the basis for your property taxes)

Proposal A

On March 15, 1994, Michigan voters approved the constitutional amendment known as Proposal A. Proposal A was designed to limit the growth in property taxes by the Consumer Price Index (CPI) until ownership in the property was transferred.

How It Works

Prior to Proposal A, property taxes were based upon State Equalized Value (SEV). With the implementation of Proposal A, **property taxes are now based upon Taxable Value**. Each year, the Assessing Office must calculate the SEV for every property. Taxable value, unless there is a transfer of ownership, is calculated by multiplying the prior year's Taxable Value, with adjustments for additions (new construction) and losses, by the CPI as calculated by the State of Michigan, and cannot increase by more than 5%. This calculation is also know as Capped Value (CV) . Before Proposal A, there was no limit on the increase.

For 2009, the CPI has been calculated at 4.4%. Taxable Value (TV) will never be higher than the SEV, so **unless the current year SEV is less than the previous year's Taxable Value, after multiplied by the CPI, the current years Taxable Value will increase by the CPI.**

State Equalized Value (SEV) = 50% of True Cash Value+

Capped Value (CV) =

(Prior TV-Losses) x (1+ CPI*) + Additions

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

Taxable Value (TV)=

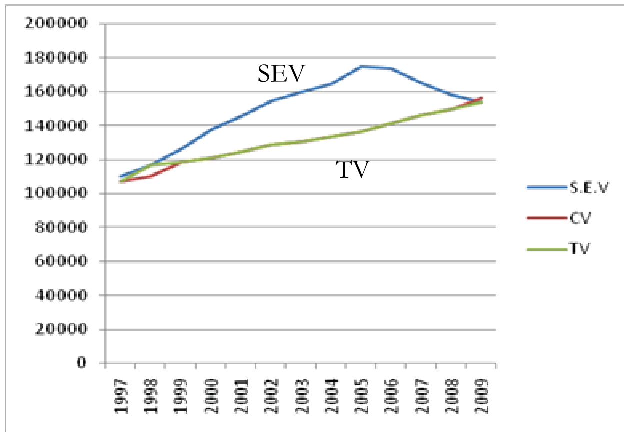
The lesser of State Equalized Value or Capped Value unless there is a transfer of ownership.

Example

The following is an example which illustrates a property purchased in 1997 and uncapped in 1998. In 1998 the SEV (State Equalized Value) becomes the new Taxable Value. In 1999 the property is subsequently recapped at the CPI (Consumers Price Index). The SEV will increase or decrease based on market conditions. The Capped Value is adjusted by the CPI in the following year also. In this example, the property experiences a loss in the SEV from 2005 to 2009. Although the loss was due to market conditions, the Taxable Value continues to increase by the CPI during 2005-2009. The Taxable Value will continue to increase at the CPI until the SEV falls below Capped Value.

Year	State Equalized Value (SEV)	Capped Value	Taxable Value	CPI
1997	110000	106910	106910	2.8%
1998	116650	109797	116650	2.7%
1999	126500	118516	118516	1.6%
2000	137500	120768	120768	1.9%
2001	145300	124633	124633	3.2%
2002	154800	128621	128621	3.2%
2003	160000	130550	130550	1.5%
2004	165000	133553	133553	2.3%
2005	175000	136625	136625	2.3%
2006	174000	141133	141133	3.3%
2007	165100	146355	146355	3.7%
2008	158000	149721	149721	2.3%
2009	154000	156309	154000	4.4%

The chart on the next page illustrates the data given above.. It is important to notice that the SEV increased significantly before decreasing, but the taxable value , the value you pay your taxes on has only increased by CPI, which has always been lower than the increase in the market.



So what does this all mean?

How can I expect my assessment to change in 2009?

As stated in the Equalization Timetable, (on back) for 2009, the time period of the sales study for assessment review is October 1, 2007 through September 30, 2008. Sales occurring after October 1, 2008 will not be reviewed until the 2010 assessment cycle. Using more current sales data means that **many SEV's will more closely reflect the market because a comparison to older sales is not required.** Some areas may have limited sales or no sales data in the current 12 month study for the Assessor to use for the 2009 assessment roll; therefore, some assessment adjustments will be based on market activity in the surrounding neighborhoods, general market trends or be frozen until market levels can be determined. Without sufficient sales to make proper calculations, you may find that your 2009 assessment may not change as much as you think it should.

How can my Taxable Value go up when my SEV goes down?

Since the beginning of Proposal A in 1994, overall increases in SEV have generally been greater than the increase in Taxable Value capped at the CPI. The longer a property has been owned and capped, the greater the gap between SEV and Taxable Value. Even with a decrease in SEV for 2009, **there still may be a gap between SEV and Taxable Value, which means that the Taxable Value** will still

Increase by the CPI or 5%, whichever is less.. If, however, the 2009 SEV is **lower** than the calculation of last year's Taxable Value multiplied by the CPI, then the 2009 Taxable Value will be the same as the 2009 SEV.

Transfers of Ownership and Uncapping of Assessments

According to Proposal A, when a property (or interest in a property) is transferred, the following year's SEV becomes that year's Taxable Value. In other words, if you purchased a property in 2008, the Taxable Value for 2009 will be the same as the 2009 SEV. The Taxable Value will then be "capped" again in the second year following the transfer of ownership.. It is the responsibility of the buyer in a transfer to file a Property Transfer Affidavit with the Assessors Office within 45 days of the transfer. Failure to file a Property Transfer Affidavit will result in a penalty of $5 per day for each day after the 45 day period with a maximum penalty of $200. Property Transfer Affidavit forms are available from the local assessor. **It is important to note that a property does not uncap to the selling price but to the SEV in the year following the transfer of ownership.**

Principal Residence Exemption (PRE)

If you **own and occupy** your home as your principal residence, it may be exempt from a portion of local school operating taxes. You may check your percentage of principal residence exemption on your "Notice of Assessment". If the percentage exempt as "Principal Residence" is 0% on your assessment change notice (this notice says in big bold letters, " This is not a tax bill") and you wish to claim an exemption for the current year, a Principal Residence Exemption Affidavit must be completed and filed with the Assessors Office prior to May 1. Furthermore, 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 Assessors Office. A Conditional Rescind form is also available for a limited time and is designed to help those who can not sell a previous exempted residence. For more details, if this applies to you, contact the assessing office.

The Equalization Timetable

With significant evidence of declining market values, the County Equalization Department has allowed local assessors to consider a 12-month sales study to determine values for the 2009 assessment cycle.

For 2009 assessments, the 12-month sales study begins October 1, 2007 and ends September 30, 2008.

Use of a 12-month study allows 2009 assessments to more accurately reflect current market conditions; however, some areas may have a limited number of current sales.

Actual Sale Price is 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. For this reason, when analyzing sales for determining assessment changes, the Assessing Office will review all sales but exclude non-representative sales from the assessment analysis.

Foreclosure Sales

Inherent in the definition on usual selling price is the assumption that the sale does not involve any element of distress from either party.

The State Tax Commission has issued guidelines concerning foreclosure sales and, generally speaking, these guidelines preclude the assessor from considering foreclosure sales when calculating values for assessment purposes. If the assessor has verified additional market information, then these sales may be considered.

For this reason, all distressed sales, such as sales involving **mortgage foreclosure,** or sales involving transfers to or from relocation companies, are usually not considered as typical sales in the valuation of property for assessment purposes nor are they necessarily reliable indicators of value when making market comparisons for current assessed values or appeals.