

## **THE DUTIES OF AN ASSESSOR**

The assessment of properties for the purpose of property taxes is the responsibility of the assessor or supervisor of each individual city and township in the State of Michigan. There are two basic duties required to be performed by each assessor. He or she must inventory and list all properties within the municipality. Then all taxable property must be equitably evaluated annually in accordance with the Michigan General Property Tax Laws. The result of these two duties is the annual assessment roll on which taxes will be levied. The tax bill will be determined by multiplying the taxable value after the application of all applicable equalization factors by the millage rates as set by the various school boards, city councils, township boards and the county commission.

The first duty is the easier of the two. All real property is tracked by the tax description and accompanying permanent parcel number (a twelve-digit number unique within the state to a particular parcel of land). Changes occur in tax descriptions due to sales of portions of parcels or through platting. For each parcel of land, the improvements (such as buildings, paving, etc.) must be measured and described. This information is noted on the Property Record Card in the assessor's office. Each property is periodically inspected by an appraiser to note improvements and to evaluate the loss of value due to wear and tear (depreciation).

For personal property, the state has instituted a self-reporting system to determine annually what furniture, fixtures, equipment, machinery, leasehold improvements and leasehold estates are located within the municipality subject to personal property tax. Such property used in the operation of a business must be reported annually by the owner on the "Personal Property Statement" available from the local assessor. This form is due by February 20th each year.

The second of the assessor's duties is to equitably evaluate all property identified as of Tax Day: December 31 of each year. This involves first determining the taxability of the property. Unless specifically exempted by the Michigan legislature, all tangible assets, land and buildings in the state are taxable. The owner or party responsible for the payment of the tax must be identified through deeds or land contracts. The property must then be accurately valued at its "usual selling price" in an open market, with the sale being an arm's-length transaction where neither buyer nor seller were under pressure to buy or sell. Michigan requires that assessed values be at fifty percent (50%) of the usual selling price.

**There are three main approaches to value recognized by professional appraisers.** These are the cost, market comparison and income approaches. A simple explanation is possible; however, the skilled application of these techniques is very complex and requires much expertise and good sound judgment.

### **1. Cost Approach**

The cost approach assumes that the value of a property is no more than the cost to replace or reproduce the property by new construction. The loss in value due to depreciation is deducted from the cost to replace the improvements, and the value of the land is added to give a total property value estimate.

### **2. Market Comparison Approach**

The second approach appraiser's use is to value the property by the market comparison approach. Here one assumes that a buyer will pay no more for a particular property than what he/she would pay for another property of similar utility. In utilizing the approach, sales data is needed. Comparable properties that have sold are selected to be compared to the property to be appraised in order to estimate the probable selling price of the subject property.

### **3. Income Approach**

The third approach is used to value income-producing (or potentially income-producing) properties. The income approach capitalizes the income stream of a property to determine the current value of future income benefits to a potential buyer.

To properly determine the value of properties, an assessor needs to have a data base from which to make value judgments. The characteristics of each property must be noted by actually inspecting and measuring each structure. Sale prices and terms of sale are gleaned from deeds recorded with the county register of deeds office. Rents and operating expenses of income properties are gathered from owners through rent surveys. Local building costs are determined through other surveys. Agricultural yields and soil ratings must be mapped. In short, the assessor needs to know what a typical buyer and seller consider in establishing sale prices in the open market.

Continuous monitoring of the accuracy of the municipality's assessed valuations against sale prices is essential to insure that the assessments are at the appropriate level and are equitable. Michigan requires that this be done annually for each of the seven classes of property: agricultural, commercial, industrial, residential, timber cut-over, developmental, and personal. These studies also are performed by the Ottawa County Equalization Department and the Michigan State Tax Commission to ensure that all properties within the state are at the same level of assessment.

In most assessors' offices these studies are not only done by class, but also by neighborhood. A neighborhood is defined as a group of homes that complement each other. This is for two reasons: first, to identify those areas where assessments need to be changed and, second, after making the indicated changes to be certain that all areas have been treated equitably. This allows assessments to more closely follow market trends. Typically one type of home will be a better seller than others at a given time. If, for example, lower priced homes are evidencing sharp appreciation, one would then expect that the assessments in lower-priced neighborhoods would be further from fifty percent than those in higher-priced neighborhoods. Adjustments can be made accordingly to individual neighborhoods rather than city or township wide changes which may not reflect actual market values in each neighborhood.

The goal of Michigan assessors is to produce the fairest possible assessment roll each year. By measuring sales against appraised values and assessed values, the assessor can work to bring assessments close to the mandated level of fifty percent of market value and establish an equitable assessment roll. In order to best accomplish this, the assessor needs the cooperation of taxpayers and other professionals in providing the needed data to allow for a proper estimate of the values of properties.