



### **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 changed 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.

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### **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 (TCV). 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.

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### **WHAT IS STATE EQUALIZED VALUE**

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

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

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### **WHAT IS CAPPED VALUE?**

Capped Value (CV) 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 changed in the rate of inflation during the previous year. The final product is CV.

$$CV = (\text{Prior TV} - \text{Losses}) \times (\text{IRM})^* + \text{Additions}$$

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

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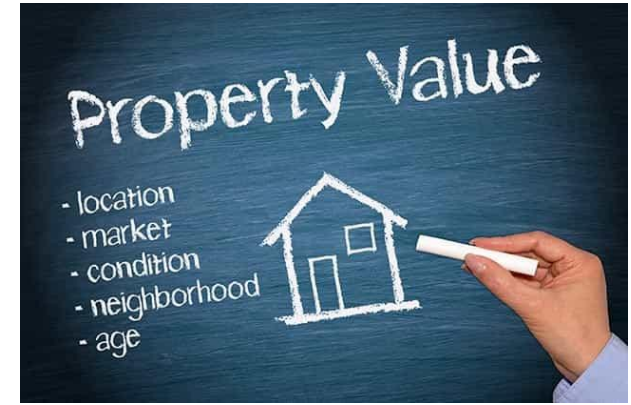
### **HOW ARE PROPERTY VALUES DETERMINED?**

Market sale transactions for real property are used by Michigan assessors to compare AV with the actual sale prices 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 reestablish the 50% ratio on an annual basis.

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### **WHAT IS THE 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 Valuation, and Property Classification" also includes SEV, the percent declared as a Principal Residence, Michigan Business Tax, or Qualified Agricultural Property, and if there was or was not a Transfer of Ownership.

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### **WHAT IS A PRINCIPAL RESIDENCE EXEMPTION?**

If you own and occupy your home as your primary residence, it may be exempt from a portion of local school operating taxes. On your Notice of

Assessment, review your percentage declared as principal residence exemption.

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



**WHAT IS UNCAPPING AFTER A TRANSFER OF OWNERSHIP?**

According to Proposal A, when a property (or interest in a property) is transferred, the following years SEV becomes the Taxable Value. In other words, if you bought a property in 2019, the TV for 2020 will be the same as the SEV. The TV is then “capped” again in the second year following the transfer of ownership.

**WHAT IS THE MARCH BOARD OF REVIEW?**

Your local Board of Review are members of the community appointed by the Supervisor to hear property valuation appeals and poverty exemption appeals.

If you believe the AV is more than half the value of your property or if you believe you qualify for a poverty exemption, you may appeal the AV and/or TV at the March Board of Review.

Read your Assessment Notice for dates and times to appeal.

**CAN A BOARD OF REVIEW SET THE SEV OR AV AT THE SALES PRICE OF THE PROPERTY?**

No, this practice is illegal in Michigan per Section 27 of the General Property Tax Act. An individual sale price IS NOT the same as True Cash Value of the property due to a variety of reasons, such as; an uninformed buyer, insufficient marketing time, and related parties. The purchase price paid in a transfer of property is NOT the presumptive TCV of the property transferred.

**WHAT IS CPI?**

The US Department of Labor, Bureau of Labor Statistics, reviews data and sets the Consumer Price Index for each year. The 2021 CPI is 1.4% or ratio 1.014. The CPI is applied to the TV each year. While market data may show different changes to the AV of properties, barring any sale, additions or losses, the properties TV should only increase by the CPI or 5%, whichever is less.

**EXAMPLES**

**NEW HOME PURCHASE:**

Last year, you purchased a new home valued at \$200,000 TCV, the AV & SEV are both \$100,000 and the TV is \$80,000. The TV will uncapped for current year due to last year’s transfer.

A study of sales in the neighborhood shows the TCV is \$210,000 for the current year.

Current Year-  
AV (half of \$210,000) = \$105,000  
TV (uncaps due to sale)= \$105,000

**NO CHANGES IN PROPERTY:**

In 2020, your home valued at \$200,000 TCV had an AV & SEV of \$100,000. The TV was \$80,000.

A study of sales in the neighborhood shows the TCV is \$210,000 for the current year.

Current Year-  
AV (half of \$210,000) = \$105,000  
CV (\$80,000 x 1.014) = \$81,120  
TV (lessor of the AV or CV)= \$81,120