BASIC EXPLANATION OF PROPERTY ASSESSMENTS & TAXES

WHAT ARE PROPERTY TAXES BASED ON?

On March 15, 1994 Michigan voters approved the Constitutional Amendment known as Proposal A. The purpose of Proposal A was to give homeowners some relief from increased taxes, because property values were rapidly increasing. Prior to Proposal A, taxes were calculated based upon State Equalized Value. Proposal A established Taxable Value (TV) as the basis for the calculation of property taxes. Increases in Taxable Value are capped or limited and cannot increase more than the rate of inflation or 5% whichever is less, except for additions (new construction) or losses to the property. The cap remains in place until the property sells or transfers. In the year following the sale or transfer of the property the taxable value uncaps and becomes equal to whatever the Assessed Value is that year. The uncapping is law, and the Assessor or Board of Review have no authority to change that. There are exemptions to the uncapping that is shown on the Property Transfer Affidavit. If it is a valid sale, arms length transaction between a willing buyer or seller, the taxable value will uncap.

HOW ARE PROPERTY TAXES CALCULATED?

Property Taxes = Taxable Value/1,000 x Local Millage Rate + 1% Administration Fee + Special Assessments
(PRE OR NPRE) (if applicable)

WHAT IS ASSESSED VALUE (AV)?

The Michigan Constitution requires that property be uniformly assessed and the assessment should not exceed 50% of the True Cash Value or usual selling price of a property. Each year the Assessor determines the Assessed Value (AV) of each property in the Township based upon the status as of tax day in the previous year. If property values are increasing in your neighborhood, the Assessed Value of your property will likely increase.

HOW ARE PROPERTY VALUES DETERMINED?

Market Sale transactions for real property are used by Michigan Assessor's to compare current assessed values (AV) with the actual sale price (market value) for those same properties. Market Value is defined as the most probable price, as of a specific date, where both buyer and seller are willing, knowledgeable and neither is under duress. Foreclosures and Short Sales are not considered to be Market Sales. The average ratio between the Assessed Value (AV) and the sale price should not exceed 50%. Since the market in real estate constantly changes, and all properties have different desirability, the average ratio will usually not be 50%. Your local Assessor is required by State Law to annually review all market sales and reestablish the assessment of property in the Township.

WHAT IS STATE EQUALIZED VALUE (SEV)?

State Equalized Value (SEV) is the Assessed Value as adjusted after County and State Equalization. The County Board of Commissioners and the State Tax Commission must review local assessment jurisdictions yearly and adjust (equalize) the assessments (if they are not adjusted by the Township) so that they do not exceed 50%.

WHAT IS TAXABLE VALUE (TV)?

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

WHAT HAPPENS TO THE ASSESSED & TAXABLE VALUE AFTER YOU PURCHASE A HOME?

When a property is sold or an interest in a property is transferred, the Taxable Value (TV) is uncapped in the year following the sale or transfer and becomes equal to or the same as that years State Equalized Value (SEV). In the second year following the sale or transfer of ownership the Taxable Value will then be capped and cannot increase by more than 5% or the rate of inflation (whichever is less), unless you add or build something new.