PROPOSAL "A":

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 Assessed Value. Proposal "A" established "Taxable Value" as the basis for the calculation of property taxes. Increases in Taxable Value (following adjustments for additions or losses) are limited to the percent of change in the rate of inflation or 5%, whichever is less. The limit on Taxable Value does not apply to a property in the year following a transfer of ownership (sale).

WHAT IS ASSESSED VALUE?

The Michigan Constitution requires property be uniformly assessed at 50% of the usual selling price, often referred to as True Cash Value. Each tax year, the local assessor determines the Assessed Value (AV) of each parcel of real property based on the condition of the property on December 31 (Tax Day) of the previous year. If property values are increasing in your neighborhood, your Assessed Value will likely increase.

WHAT IS STATE EQUALIZED VALUE (SEV)?

The State Equalized Value (SEV) is the Assessed Value as adjusted following county and state equalization. The County Board of Commissioners and State Tax Commission must review local assessments and adjust (equalize) them if they are above or below the constitutional 50% level of assessment.

WHAT IS "CAPPED VALUE"?

"Capped Value" is the value established when the prior year Taxable Value, 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 change in the rate of inflation during the previous year. The final product is Capped Value (CV). The Capped Value limitation on Taxable Value does not apply if you purchased your home last year.

Capped Value = (Prior TV – Losses) x (1+ IRM*) + Additions
*** Percent of change in the rate of inflation or 5%, whichever is less, expressed as a multiplier**

WHAT HAPPENS WHEN YOU PURCHASE PROPERTY?

When a property (or interest in a property) is transferred, the following year's SEV becomes that year's Taxable Value (TV). In other words, if you purchase property, your Taxable Value the following year will be the same as the SEV. The Taxable Value will then be "capped" again in the second year following the transfer of ownership.

NOTICE OF ASSESSMENT

Each year, prior to the March meetings of the local boards of review, informational notices are mailed. The "Notice of Assessment, Taxable Valuation, and Property Classification" also includes State Equalized Value, the percent of exemption as a Principal Residence or Qualified Agricultural Property, and if there was or was not an Ownership Transfer.

HOW ARE PROPERTY TAXES CALCULATED?

Property Taxes = Taxable Value (per $1,000) x Your Local Millage Rate

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 a "Principal Residence Exemption Affidavit" must have been completed and filed with your city or township by May 1st of the current year.

EXAMPLES:

You purchased a new home.

Last year, you purchased a new home valued at $200,000 (true cash value) with Assessed Value (AV) and State Equalized Value (SEV) both at $100,000, and a Taxable Value (TV) of $80,000. A study of sales in the neighborhood shows true cash value of the property has increased to $220,000 for the current year.
Current Year:
Assessed Value (AV) is (1/2 of $220,000) is $110,000
SEV (tentative factor of 1.000) is.......................... .... $110,000
Value is "uncapped" the year following an ownership transfer (sale) of a property; the Taxable Value will be the same as the State Equalized Value.
Taxable Value (TV) is.. $110,000

You made no changes to your property.

Increased Assessed/SEV Value

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $80,000. A study of sales in the neighborhood shows your property true cash value has increased to $220,000 for the current year.
Current Year:
Assessed Value (AV) is $110,000
SEV (tentative) is.. $110,000
Capped Value (CV) is ($80,000 x 1.037)*............... .... $82,960
Taxable Value, the lesser of SEV or CV, is............... .... $82,960

Decreased Assessed/SEV Value

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $80,000. A study of sales in the neighborhood shows your property true cash value has decreased to $180,000 for the current year.
Current Year:
Assessed Value (AV) is $90,000
SEV (tentative) is.. $90,000
Capped Value (CV) is ($80,000 x 1.037)*............... .... $82,960
Taxable Value, the lesser of SEV or CV, is............... .... $82,960

You made no changes to your property.

Increased Assessed/SEV Value

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $90,000. A study of sales in the neighborhood shows your property true cash value has increased to $210,000 for the current year.

Current Year:

Assessed Value (AV) is $105,000
SEV (tentative) is.. $105,000
Capped Value (CV) is ($90,000 x 1.037)*.. $93,330
Taxable Value, the lesser of SEV or CV, is.. $93,330

Decreased Assessed/SEV Value

Last year, your home valued at $200,000 (true cash value) had a $100,000 State Equalized Value (SEV), and a Taxable Value (TV) of $90,000. A study of sales in the neighborhood shows your property true cash value has decreased to $180,000 for the current year.

Current Year:

Assessed Value (AV) is $90,000
SEV (tentative) is.. $90,000
Capped Value (CV) is ($90,000 x 1.037)*.. $93,330
Taxable Value, the lesser of SEV or CV, is.. $90,000

You added a family room to your home.

Last year, your home valued at $200,000 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 (with the addition) has increased to $240,000.

Current Year:

Assessed Value (AV) is.. $120,000
SEV (tentative) is.. $120,000
Capped Value (CV) is [($80,000 x 1.037)* + 50% of $40,000]........... $102,960
Taxable Value, the lesser of SEV or CV, is.. $102,960

**Inflation Rate Multiplier is determined annually by the State Tax Commission. A 1.037 multiplier (3.7% increase) is used in the above examples.*

UNDERSTANDING TAXABLE VALUE

Decreasing Assessed Value & Increasing Taxable Value

• When a property (or interest in a property) is transferred, the following year's SEV becomes that year's Taxable Value (TV). In other words, if you purchase property, your Taxable Value the following year will be the same as the SEV. The Taxable Value will then be "capped" again in the second year following the transfer of ownership. • Taxable Value is the lesser of the State Equalized Value or Capped Value, except the year following a transfer.

This example illustrates a transfer of a property in 1995. The property became uncapped and then recapped in 1996. The year of recapping the State Equalized Value (SEV) becomes the new taxable value. The SEV will increase or decrease as it adjusts to market conditions. The capped value increases by the new Consumer Price Index (CPI) every year. The Taxable Value is determined by using the SEV or Capped Value, whichever is the lesser, except the year following a transfer. The property in this example experiences a loss in the SEV from 2005 to 2007. Although the loss was attributed to market conditions, the taxable value continued to increase by CPI during 2005-2007. The Taxable Value will continue to increase at CPI until the SEV value falls below the Capped value

	SEV	Capped	Taxable	CPI
1995	*$100,000*	*$97,000*	$97,000	*2.60%*
1996	*$104,000*	*$104,000*	$104,000	*2.80%*
1997	*$110,000*	*$106,912*	$106,912	*2.80%*
1998	*$116,650*	*$109,799*	$109,799	*2.70%*
1999	*$126,500*	*$111,555*	$111,555	*1.60%*
2000	*$137,500*	*$113,675*	$113,675	*1.90%*
2001	*$145,250*	*$117,313*	$117,313	*3.20%*
2002	*$154,750*	*$121,067*	$121,067	*3.20%*
2003	*$160,000*	*$122,883*	$122,883	*1.50%*
2004	*$165,000*	*$125,709*	$125,709	*2.30%*
2005	*$175,000*	*$128,600*	$128,600	*2.30%*
2006	*$169,804*	*$132,844*	$132,844	*3.30%*
2007	*$165,110*	*$137,759*	$137,759	*3.70%*