



Oakland County

Equalization

Department of Management & Budget
250 Elizabeth Lake Rd., Ste 1000 West
Pontiac, MI 48341-0431



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County Executive



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.

Proposal "A" established "Taxable Value" as the basis for the calculation of property taxes.

Increases in Taxable Value are limited to the percent of change in the rate of inflation or 5%, whichever is less, as long as there were no additions or losses to the property.

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 that property be uniformly assessed and not exceed 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 as of December 31 (Tax Day) of the previous year.

The state allows the use of a one year sales study in declining markets. Sales occurring between Oct. 1, 2007 and Sept. 30, 2008 are analyzed to determine market value.

Assessed Values may increase or decrease as reflected by these sales.

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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 assessment jurisdictions and adjust (equalize) them so that they do not exceed 50%.

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 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.

$$\text{Capped Value} = (\text{Prior TV} - \text{Losses}) \times (1 + \text{IRM}^*) + \text{Additions}$$

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



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WHAT IS TAXABLE VALUE (TV)?

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

WHAT HAPPENS WHEN YOU PURCHASE A HOME?

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 for the following year will be the same as the SEV. The Taxable Value will then be "capped" for 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 a Transfer of Ownership.

HOW ARE PROPERTY TAXES CALCULATED?

WEB-LINK

State of Michigan - Property Tax Estimator
<https://treas-secure.state.mi.us/ptestimator/ptestimator.asp>

$$\text{Property Taxes} = (\text{Taxable Value} / 1,000) \times \text{Your Local Millage Rate}$$



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

-The following is a compilation of various assessment scenarios that could be similar to your particular situation-

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

Example A



*The Inflation Rate Multiplier(IRM)/Consumer Price Index(CPI) is determined annually by the State Tax Commission. A 1.044 multiplier (4.4% increase) is used in the examples on this page.

http://www.michigan.gov/documents/treasury/Bulletin_6_of_2008_Inflation_Rate_for_2009_254420_7.pdf

You Made No Changes to Your Property

Example B-1

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 1.044)*	\$83,520

Taxable Value, the lesser of SEV or CV, is.....\$83,520

Example B-2

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 1.044)*	\$83,520

Taxable Value, the lesser of SEV or CV, is.....\$83,520



*The Inflation Rate Multiplier is determined annually by the State Tax Commission. A 1.044 multiplier (4.4% increase) is used in the examples on this page.

You Made No Changes to Your Property

Example C-1

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 1.044)*	\$93,960

Taxable Value, the lesser of SEV or CV, is.....\$93,960

Example C-2

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 1.044)*	\$93,960

Taxable Value, the lesser of SEV or CV, is.....\$90,000



*The Inflation Rate Multiplier is determined annually by the State Tax Commission. A 1.044 multiplier (4.4% increase) is used in the examples on this page.

You Added a Family Room to Your Home

Example D

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 1.044)* + 50% of \$40,000].....	\$103,520

Taxable Value, the lesser of SEV or CV, is.....\$103,520

Related Web Links:

- Bulletin No.5 of 2007 - Single Year Sales Study Guidelines
http://www.michigan.gov/documents/treasury/Bulletin5of2007_205839_7.pdf
- Bulletin No.6 of 2007 - Guidelines for Foreclosure Sales
http://www.michigan.gov/documents/treasury/Bulletin6of2007_205860_7.pdf

UNDERSTANDING TAXABLE VALUE IN A DECLINING MARKET

Example 1- Decreasing State Equalized Value and Increasing Taxable Value

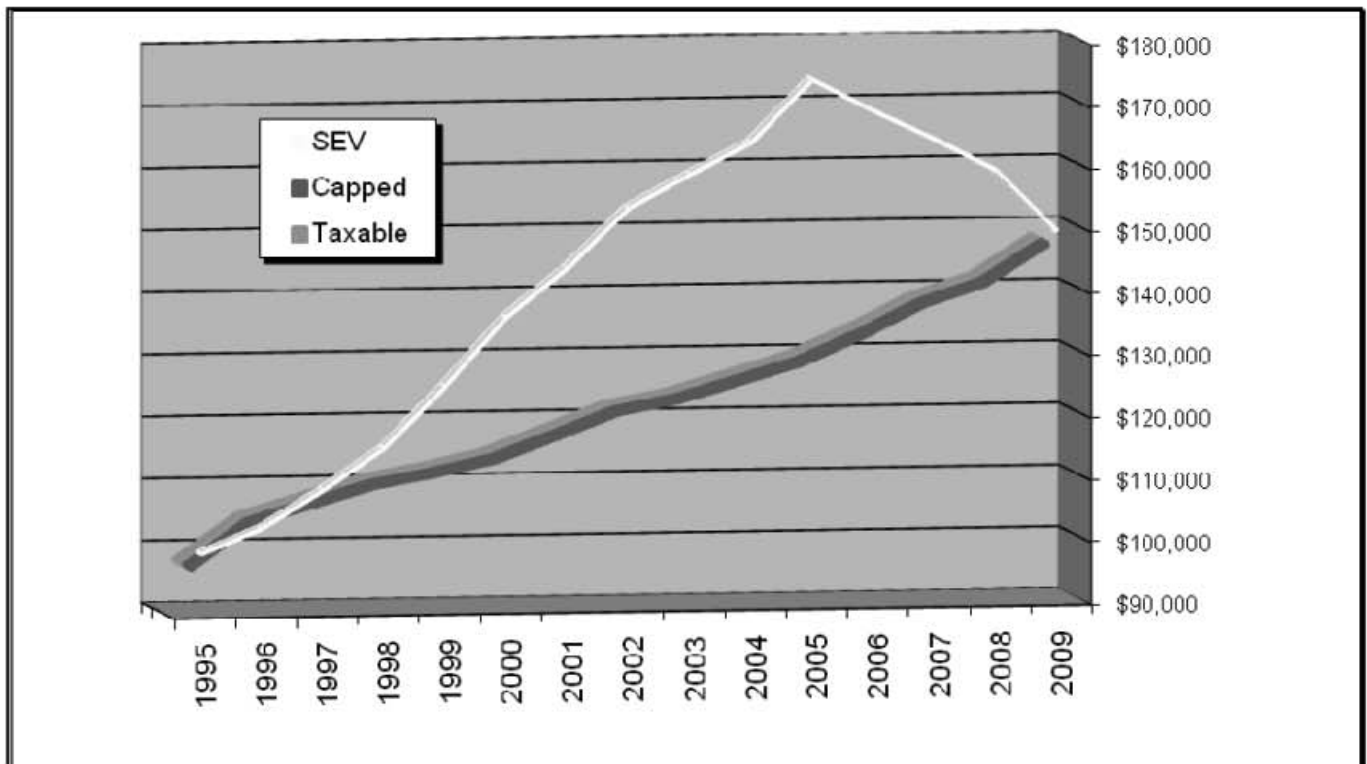
When a property (or interest in a property) is transferred, the following year's SEV becomes that year's Taxable Value (TV). In other words, if you purchase property, your Taxable Value the following year will be the same as the SEV. The Taxable Value will then be "capped" again in the second year following 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 2009. Although the loss was attributed to market conditions, the taxable value continued to increase by CPI during 2005-2009. The Taxable Value will continue to increase at CPI until the SEV value falls below the Capped value (example #2).

	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%
2008	\$160,000	\$140,928	\$140,928	2.30%
2009	\$150,000	\$147,128	\$147,128	4.40%



UNDERSTANDING TAXABLE VALUE IN A DECLINING MARKET

Example 2- Decreasing State Equalized Value and Decreasing 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 2001. The property became uncapped and then recapped in 2002. 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 Consumer Price Index (CPI) assigned for that 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 the same loss in the SEV from 2005 to 2008 as did the example #1. In 2007, 2008, and 2009 the SEV falls below the Capped value. At this point, the 2007, 2008, and 2009 SEV will become the Taxable Value rather than the Capped Value.

	SEV	Capped	Taxable	CPI
1995	\$100,000	\$97,000	\$97,000	2.60%
1996	\$104,000	\$99,716	\$99,716	2.80%
1997	\$110,000	\$102,508	\$102,508	2.80%
1998	\$116,650	\$105,276	\$105,276	2.70%
1999	\$126,500	\$106,960	\$106,960	1.60%
2000	\$137,500	\$108,992	\$108,992	1.90%
2001	\$145,250	\$112,480	\$112,480	3.20%
2002	\$154,750	\$154,750	\$154,750	3.20%
2003	\$160,000	\$157,071	\$157,071	1.50%
2004	\$165,000	\$160,684	\$160,684	2.30%
2005	\$175,000	\$164,380	\$164,380	2.30%
2006	\$169,804	\$169,804	\$169,804	3.30%
2007	\$165,110	\$176,087	\$165,110	3.70%
2008	\$160,000	\$168,907	\$160,000	2.30%
2009	\$150,000	\$167,040	\$150,000	4.40%

