

# 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) .....\$110,000  
SEV (tentative) 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 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 (1/2 of 240,000).....\$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

## You Made No Changes to Your Property

### Increased SEV/TV Increase

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 (1/2 of \$220,000).....\$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

### Decreased SEV/TV Increase

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 (1/2 of \$180,000).....\$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

### Decreased SEV/TV Decrease

Last year, your home valued at \$180,000 (true cash value) had a \$90,000 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 \$165,000 for the current year.

Current Year:  
Assessed Value (AV) is (1/2 of \$165,000).....\$82,500  
SEV (tentative) is.....\$82,500  
Capped Value (CV) is (\$80,000 x 1.044)\*.....\$83,520

Taxable Value, the lesser of SEV or CV, is.....\$82,500



L. Brooks Patterson  
County Executive

Prepared by:

OAKLAND COUNTY EQUALIZATION  
DEPARTMENT OF MANAGEMENT & BUDGET  
250 ELIZABETH LAKE RD., STE 1000  
WEST  
PONTIAC, MI 48341-0431

Ph: 248.858.0776

FAX: 248.858.2074

[http://www.oakgov.com/equal/info\\_pub](http://www.oakgov.com/equal/info_pub)

## HOW ARE PROPERTY VALUES DETERMINED?

Market sale transactions for real property are used by Michigan assessors to compare assessed values (AV) with the actual sales prices (market value) 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. A single year sales study is used to adjust assessed values in an attempt to illustrate current market value. For example, assessed values for the 2009 tax year are set by arms length transactions that have occurred from Oct 1, 2007 thru Sept 30, 2008.

### 1 Year Sales Study

*May be used in declining markets*

### 1 Year Sales Study Timeframe

Oct 1 2007 TO Sept 30 2008

### 2 Year Sales Study

*Shall be used in increasing markets*

### 2 Year Sales Study Timeframe

Apr 1 2006 TO Mar 31 2008

## 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 losses or additions 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.

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

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

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

The Capped Value limitation on Taxable Value does not apply if you purchased your home last year.

## CALCULATING INFLATION RATE MULTIPLIER?

Based on this statutory requirement, the calculation for 2009 is as follows:

1. The 12 monthly values for October 2006 through September 2007 are averaged.
2. The 12 monthly values for October 2007 through September 2008 are averaged.
3. The ratio is calculated by dividing the average of column 2 by the average of column 1.

Oct-06	201.800	Oct-07	208.936
Nov-06	201.500	Nov-07	210.177
Dec-06	201.800	Dec-07	210.036
Jan-07	202.416	Jan-08	211.080
Feb-07	203.499	Feb-08	211.693
Mar-07	205.352	Mar-08	213.528
Apr-07	206.686	Apr-08	214.823
May-07	207.949	May-08	216.632
Jun-07	208.352	Jun-08	218.815
Jul-07	208.299	Jul-08	219.964
Aug-07	207.917	Aug-08	219.086
Sep-07	208.490	Sep-08	218.783
Avg	205.338		214.463
			Ratio 1.044
			% Change 4.4%
			2009 IRM 4.4%

## WHAT IS "TAXABLE VALUE"?

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.

## 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.

## MARCH BOARD OF REVIEW

If you believe the Assessed Value is more than half the value of your property, you may appeal the Assessed and/or Taxable Values at the March Board of Review. You can obtain information about the specific meeting dates and schedule an appearance with the Board of Review by contacting your local assessing office. More information regarding the appeals process can be found at:

[http://www.oakgov.com/equal/how\\_do\\_i/index.html](http://www.oakgov.com/equal/how_do_i/index.html)

## HOW ARE PROPERTY TAXES CALCULATED?

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

\*The Inflation Rate Multiplier is determined annually by the State Tax Commission. A 1.044 multiplier (4.4% increase) has been used in the following examples.

[http://www.michigan.gov/documents/treasury/Bulletin\\_6\\_of\\_2008\\_Inflation\\_Rate\\_for\\_2009\\_254420\\_7.pdf](http://www.michigan.gov/documents/treasury/Bulletin_6_of_2008_Inflation_Rate_for_2009_254420_7.pdf)

## WHAT HAPPENS WHEN YOU PURCHASE A HOME?

When a property, or interest in a property, is transferred, the following year's State Equalized Value (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.

## 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, you must own and occupy your home and file a "PRE Affidavit" with your city or township by May 1st of the current year.

## FORECLOSURE SALES

Foreclosure sales are often considered an invalid sale, and not applicable to use when adjusting AV to market value. But, with the recent increase in foreclosure sales, specific guidelines have been established by the Michigan Department of Treasury to determine if they can be considered arms length transactions and included in Assessed Value (AV) setting sales studies. See the following link for more details:

[http://www.michigan.gov/documents/treasury/Bulletin6of2007\\_205860\\_7.pdf](http://www.michigan.gov/documents/treasury/Bulletin6of2007_205860_7.pdf)