

## SO WHAT DOES IT ALL MEAN?

### How can I expect my assessment to change in 2010?

As stated in the Equalization Timetable for 2010, the time period of the sales study for assessment review is October 1, 2008 through September 30, 2009. Sales occurring on or after October 1, 2009 will not be reviewed until the 2011 assessment cycle.

Using more current sales data means that **almost every SEV will be reduced for 2010**. The problem, however, is that there is limited sales data in the current 12 month study so many neighborhoods have little or no sales for the Assessor to use for the 2010 assessment roll. Therefore, many neighborhood adjustments will be based on market activity in the surrounding areas, general market trends or be frozen until market levels can be determined. Without sufficient sales to make proper calculations, you may find that your 2010 assessment may not go down as much as you think it should.

### Are all Taxable Values Going Down ?

Remember that the definition of Taxable Value is the lesser of SEV or last year's Taxable Value (adjusted for physical changes) times the CPI -0.003% for 2010.

Since the beginning of Proposal A in 1994, overall increases in SEV have generally been greater than the increase in Taxable Value capped at the CPI. The longer a property has been owned and capped, the greater the gap between SEV and Taxable Value. However most properties have seen market value reductions for the last few years. This has led to many property's Taxable Values being reduced to that of their SEV.

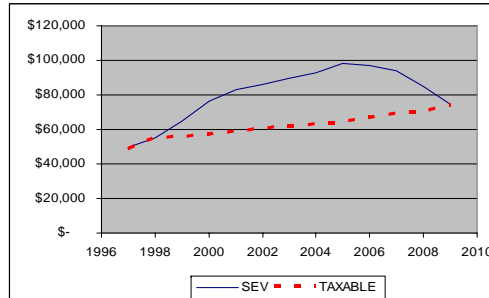
In those cases where the 2010 SEV is not the same as the Taxable Value, then due to the negative CPI, the vast majority of those properties will have their Taxable Value reduced by -0.003%. While small, this amount will result in less taxes being levied. **An estimate of the reduction of taxes is printed upon the " Notice of Assessment " for your review.**

## EXAMPLE OF DECLINING STATE EQUALIZED VALUE AND A REDUCING TAXABLE VALUE

This example illustrates a property purchased in 1997 and uncapped in 1998. In 1998 the SEV becomes the new Taxable Value and then the property is subsequently recapped at the CPI. The SEV will increase or decrease based on market conditions. The Capped Value is adjusted by the CPI in the following year. **Taxable Value is determined by using the SEV or Capped Value, whichever is less.**

In this example, the property experiences a loss in the SEV from 2006 to 2010. Although the loss was due to market conditions, the Taxable Value continues to increase by the CPI during 2006-2009. The Taxable Value will continue to increase or decrease at the CPI until the SEV falls below the Capped Value, which in this example has occurred for 2010.

	SEV	CAPPED	TAXABLE	CPI
1998	\$ 55,000	\$49,810	\$55,000	2.70%
1999	\$ 65,000	\$55,880	\$55,880	1.60%
2000	\$ 76,650	\$56,942	\$56,942	1.90%
2001	\$ 83,000	\$58,764	\$58,764	3.20%
2002	\$ 86,250	\$60,644	\$60,644	3.20%
2003	\$ 90,000	\$61,554	\$61,554	1.50%
2004	\$ 93,000	\$62,970	\$62,970	2.30%
2005	\$ 98,000	\$64,418	\$64,418	2.30%
2006	\$ 97,000	\$66,544	\$66,544	3.30%
2007	\$ 94,100	\$69,006	\$69,006	3.70%
2008	\$ 84,700	\$70,593	\$70,593	2.30%
2009	\$ 74,500	\$73,699	\$73,699	4.40%
2010	\$70,000	\$73,477	\$70,000	-0.003%



# UNDERSTANDING PROPOSAL A IN A DECLINING MARKET

## 2010 EDITION



### IMPORTANT INFORMATION:

Please read the enclosed information. If you still have questions, please contact the Assessor's Office. The phone number is located on your Notice of Assessment.

## PROPOSAL A

On March 15, 1994, Michigan voters approved the constitutional amendment known as Proposal A.

Proposal A was designed to limit the growth in property taxes by the Consumer Price Index (CPI) until ownership in the property was transferred.

### HOW IT WORKS

Prior to Proposal A, property taxes were based upon State Equalized Value (SEV). With the implementation of Proposal A, **property taxes are now based upon Taxable Value.**

Each year, the Assessing Office must calculate the SEV for every property based upon the time frame as outlined by the State Tax Commission. A property's taxable status is determined as of December 31, which is called Tax Day.

Additionally, each property has a Capped Value. Capped Value is calculated by multiplying the prior year's Taxable Value, with adjustments for additions and losses, by the CPI as calculated by the State of Michigan and cannot increase by more than 5%. **For 2010, the CPI has been calculated at -0.003%. This is the first time we have experienced a negative CPI.**

Taxable Value (TV), which property taxes are based on, is defined as the **lower** of State Equalized Value or Capped Value.

**Generally speaking, this means that unless the current year SEV is less than the previous year Taxable Value multiplied by the CPI, the current year's Taxable Value will be reduced by the CPI.**

**SEV** = 50% of True Cash Value

**Capped Value** = (Prior TV-Losses) x (1+ CPI\*) + Additions

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

**Taxable Value** = The lesser of State Equalized Value or Capped Value unless there is a transfer of ownership.

## THE EQUALIZATION TIMETABLE

With significant evidence of declining market values, the County Equalization Department has allowed local Assessing Offices to consider a 12 month sales study to determine values for the 2010 assessment cycle. **For 2010 assessments, the 12 month sales study begins on October 1, 2008 and ends September 30, 2009.**

Use of a 12 month study allows 2010 assessments to more accurately reflect current market conditions.

However, the reduced number of current sales also means that many areas have limited data for the Assessor to calculate current assessments. It may be necessary for the Assessor to expand areas for reviewing neighborhood analysis or estimate market changes based upon area trends.

### ACTUAL SALES PRICE IS NOT TRUE CASH VALUE

The law defines True Cash Value as the **usual** selling price of a property. The Legislature and the Courts have very clearly stated that the **actual selling price of a property is not a controlling factor in the True Cash Value or State Equalized Value** as calculated by the Assessor. For this reason, when analyzing sales for the purpose of determining assessment changes, the Assessing Office will review all sales but exclude non-representative sales from the assessment analysis.

### FORECLOSURE SALES

Inherent in the definition of usual selling price is the assumption that the sale does not involve any element of distress from either party.

The State Tax Commission has issued guidelines concerning foreclosure sales and generally speaking, these guidelines preclude the Assessor from considering foreclosure sales when calculating value for assessment purposes.

For this reason, all distressed sales, such as sales involving mortgage foreclosure or sales involving transfers to or from relocation companies are not considered as typical sales in the valuation of property for assessment purposes, nor are they reliable indicators of value when making market comparisons for current assessed values or appeals.

## TRANSFERS OF OWNERSHIP AND UNCAPPING OF ASSESSMENTS

According to Proposal A, when a property (or interest in a property) is transferred, the following year's SEV becomes that year's Taxable Value. In other words, if you purchased a property in 2009, the Taxable Value for 2010 will be the same as the 2010 SEV. The Taxable Value will then be "capped" again in the second year following the transfer of ownership.

It is the responsibility of the buyer in a transfer to file a Property Transfer Affidavit with the Assessor's or Treasurer's Office within 45 days of the transfer. Failure to file a Property Transfer Affidavit can result in a penalty. Property Transfer Affidavit forms are available at the local Assessing Office.

**Again, it is important to note that a property does not uncapped to the selling price, but to the SEV in the year following the transfer of ownership.**

### PRINCIPLE RESIDENCE EXEMPTION

If you **own and occupy** your home as your principle residence, it may be exempt from a portion of local school operating taxes. You may check your percentage of principle residence exemption on your "Notice of Assessment".

If the percentage exempt as "Principle Residence" is 0% on your assessment notice and you wish to claim an exemption for the current year, a Principle Residence Exemption Affidavit must be completed and filed with the Assessor's/Treasurer's Office on or before May 1.

Furthermore, if you currently have a Principle Residence Exemption on your property and you no longer own and occupy the property as your primary residence, you must rescind the Principle Residence Exemption with the Assessor's/Treasurer's Office.

Forms to claim a new exemption or rescind a current exemption are available at your local Assessor's or Treasurer's Office during normal business hours.