

R & R Assessing, LLC



Understanding Your Assessed Value, Taxable Value and Property Taxes

Assessment

- The assessed value is determined by the local assessor based on the condition of the property as of December 31st (also known as Tax Day) of the previous year. December 31, 2013 for the 2014 Assessment Year.
- Assessed Value is 50% of True Cash Value.
- Each year, the local assessor must calculate the assessed value for every property based upon the time frame set forth by the State Tax Commission.
 - The State Tax Commission ordered the use of two year sales studies for the 2014 starting base for the residential class for all local units.
 - **For 2014 assessments, the 24 month sales study begins October 1, 2011 and ends September 30, 2013.**
- 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.

Actual Sale Price is not True Cash Value

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- 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

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- Inherent in the definition on 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 values 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.

Equalization Process

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- First, as stated previously, the local Assessor determines the assessed value.
- Second, the Board of Commissioners in each county equalizes the values to ensure that property owners in all municipalities within the county pay their share of that unit's taxes.
- Third, the State Tax Commission then applies an adjustment factor to the county assessments to bring the total valuation across counties as close to 50% as possible. This process produces the property's state equalized value, or SEV.

Proposal A

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- 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 Inflation Rate Multiplier (IRM) until ownership in the property was transferred.

How it works

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- 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 IRM as calculated by the State of Michigan and cannot increase by more than 5%. **For 2014, the IRM has been calculated at 1.6%.**
- 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 IRM, the current years Taxable Value will increase by the IRM.

SEV = 50% of True Cash Value

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

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

Transfers of Ownership and Uncapping of Taxable Value

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- 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 2008, the Taxable Value for 2009 will be the same as the 2009 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 Office within 45 days of the transfer.
- **Again, it is important to note that a property does not uncap to the selling price but to the SEV in the year following the transfer of ownership.**

Principal Residence Exemption

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- If you **own and occupy** your home as your principal residence, it may be exempt from a portion of local school operating taxes. You may check your percentage of principal residence exemption on your “Notice of Assessment”.
- If the percentage exempt as “Principal Residence” is 0% on your assessment notice and you wish to claim an exemption for the current year, a Principal Residence Exemption Affidavit must be completed and filed with the Assessor’s Office.
- Furthermore, if you currently have a Principal Residence Exemption on your property and you no longer own and occupy the property as your primary residence, you must rescind the Principal Residence Exemption with the Assessor’s Office.

How can my Taxable Value go up when my SEV goes down?

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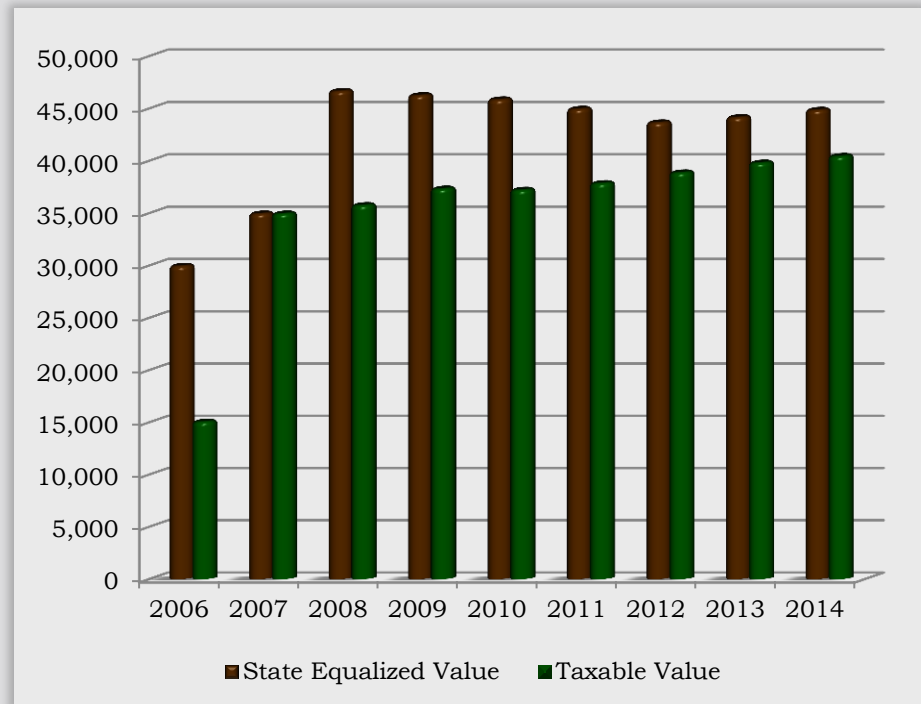
- Remember that the definition of Taxable Value is the lesser of SEV or last year's Taxable Value (adjusted for physical changes) times the IRM. (1.6% for 2014). Since the beginning of Proposal A in 1994, overall increases in SEV have generally been greater than the increase in Taxable Value capped at the IRM. The longer a property has been owned and capped, the greater the gap between SEV and Taxable Value. **If there is still a gap between SEV and Taxable Value and the 2014 SEV is greater than the Taxable Value in the previous year, the Taxable Value will increase to the limit of the IRM cap.**
- If, however, the 2014 SEV is **lower** than the calculation of last year's Taxable Value multiplied by the IRM, then the 2014 Taxable Value will be the same as the 2014 SEV.

Example of Declining State Equalized Value and Increasing Taxable Value

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- This example illustrates a property, purchased in 2006 and uncapped in 2007. In 2007 the SEV becomes the new Taxable Value and then the property is subsequently recapped at the IRM. The SEV will increase or decrease based on market conditions. The Capped Value is adjusted by the IRM in the following year. Taxable Value is determined by using the SEV or Capped Value, whichever is less.

<u>Year</u>	<u>State Equalized Value</u>	<u>Capped Value</u>	<u>Taxable Value</u>	<u>CPI</u>
2006	30,000	15,100	15,100	3.30%
2007	35,000	15,658	35,000	3.70%
2008	46,700	35,805	35,805	2.30%
2009	46,300	37,380	37,380	4.40%
2010	45,900	37,267	37,267	-0.30%
2011	45,000	37,900	37,900	1.70%
2012	43,700	38,923	38,923	2.70%
2013	44,200	39,857	39,857	2.40%
2014	44,900	40,494	40,494	1.60%



Calculating Your Taxes

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- Property owners can calculate their tax bill by multiplying their taxable value by the millage rate.
- FOR EXAMPLE, if the millage rate is 20 mills, property taxes on a home with a taxable value of \$45,000 would be \$900. The mathematical equation illustrates how this is figured: $(20/1,000) \times \$45,000 = \900
- Administration Fee: This fee is based upon the amount of property tax paid and is limited to one percent (1%). This helps cover the Township/City costs to determine and defend annual assessments and collect taxes for all taxing authorities.
- To figure the amount due in administration fees on a home with a taxable value of \$45,000, see the following example:
 - $\$900 \text{ property taxes} \times 0.01 = \9.00
- Total Taxes Due: In the example above, the administration fee of \$9 added to \$900 in property tax would equal a total of \$909 owed.

Gladwin County 2013 Millage Rates

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<u>Unit</u>	<u>School District</u>	<u>Twp/City Operating</u>	<u>Library</u>	<u>County Operating Extra Voted</u>	<u>State Education Tax</u>	<u>Non PRE/Q Ag Tax</u>	<u>School Bonded Debt/Supmt</u>	<u>Intermediate School District</u>	<u>College</u>	<u>Total PRE/Q Ag (Homestead)</u>	<u>Total Non PRE/Q Ag</u>	<u>Commercial Personal Property</u>	<u>Industrial Personal Property</u>
Beaverton Township													
	26010 - Beaverton	2.8012	0.4965	9.1552	6.0000	18.0000	1.5300	2.0385	1.2232	23.2446	41.2446	29.2446	17.2446
Bentley Township													
	09090 - Pinconning	3.7994	0.4965	9.1552	6.0000	18.0000	3.5500	4.9233	0.0000	27.9244	45.9244	33.9244	21.9244
Billings Township													
	26010 - Beaverton	2.8320	0.4965	9.1552	6.0000	18.0000	1.5300	2.0385	1.2232	23.2754	41.2754	29.2754	17.2754
Bourret Township													
	06050 - Standish Sterling	2.5922	0.4965	9.1552	6.0000	18.0000	5.1000	4.9233	0.0000	28.2672	46.2672	34.2672	22.2672
	65045 - WBranch/RoseCty	2.5922	0.4965	9.1552	6.0000	17.9208	2.5500	0.8859	2.2193	23.8991	41.8199	29.8199	17.8991
Buckeye Township													
	26010 - Beaverton	1.9815	0.4965	9.1552	6.0000	18.0000	1.5300	2.0385	1.2232	22.4249	40.4249	28.4249	16.4249
	26040 - Gladwin	1.9815	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	22.9949	40.9949	28.9949	16.9949
Butman Township													
	26040 - Gladwin	2.1943	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	23.2077	41.2077	29.2077	17.2077
Clement Township													
	65045 - WBranch/RoseCty	4.6076	0.4965	9.1552	6.0000	17.9208	2.5500	0.8859	2.2193	25.9145	43.8353	31.8353	19.9145
Gladwin Township													
	26040 - Gladwin	0.7780	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	21.7914	39.7914	27.7914	15.7914
Grim Township													
	09090 - Pinconning	0.7451	0.4965	9.1552	6.0000	18.0000	3.5500	4.9233	0.0000	24.8701	42.8701	30.8701	18.8701
	26010 - Beaverton	0.7451	0.4965	9.1552	6.0000	18.0000	1.5300	2.0385	1.2232	21.1885	39.1885	27.1885	15.1885
Grout Township													
	26010 - Beaverton	0.7685	0.4965	9.1552	6.0000	18.0000	1.5300	2.0385	1.2232	21.2119	39.2119	27.2119	15.2119
	26040 - Gladwin	0.7685	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	21.7819	39.7819	27.7819	15.7819

Gladwin County 2013 Millage Rates (continued)

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<u>Unit</u>	<u>School District</u>	<u>Twp/City Operating</u>	<u>Library</u>	<u>County Operating Extra Voted</u>	<u>State Education Tax</u>	<u>Non PRE/Q Ag Tax</u>	<u>School Bonded Debt/Supmt</u>	<u>Intermediate School District</u>	<u>College</u>	<u>Total PRE/Q Ag (Homestead)</u>	<u>Total Non PRE/Q Ag</u>	<u>Commercial Personal Property</u>	<u>Industrial Personal Property</u>
Hay Township													
	26010 - Beaverton	1.4069	0.4965	9.1552	6.0000	18.0000	1.5300	2.0385	1.2232	21.8503	39.8503	27.8503	15.8503
	26040 - Gladwin	1.4069	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	22.4203	40.4203	28.4203	16.4203
Sage Township													
	26040 - Gladwin	0.7686	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	21.7820	39.7820	27.7820	15.7820
Secord Township													
	26040 - Gladwin	4.5409	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	25.5543	43.5543	31.5543	19.5543
Sherman Township													
	26040 - Gladwin	0.7442	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	21.7576	39.7576	27.7576	15.7576
	18060 - Harrison	0.7442	0.4965	9.1552	6.0000	18.0000	2.8500	2.0385	1.2232	22.5076	40.5076	28.5076	16.5076
Tobacco Township													
	26010 - Beaverton	2.1998	0.4965	9.1552	6.0000	18.0000	1.5300	2.0385	1.2232	22.6432	40.6432	28.6432	16.6432
City of Beaverton													
	26010 - Beaverton	17.2023	0.4965	9.1552	6.0000	18.0000	1.5300	2.0385	1.2232	37.6457	55.6457	43.6457	31.6457
City of Gladwin													
	26040 - Gladwin	16.5017	0.4965	9.1552	6.0000	18.0000	2.1000	2.0385	1.2232	37.5151	55.5151	43.5151	31.5151

Appeal Process

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- If a taxpayer disagrees with the assessed value, taxable value, or assessment classification of property, they may appeal to the local board of review. Township review boards meet in the week containing the second Monday in March to hear protest.
- If the taxpayer is unsatisfied with the local board of review results, they may then appeal to the Michigan Tax Tribunal.

Additional Information

- Michigan Department of Treasury – Property Tax Info.
<http://www.michigan.gov/taxes/0,1607,7-238-43535---,00.html>
- Michigan Department of Treasury Property Tax Estimator:
<https://treas-secure.state.mi.us/ptestimator/ptestimator.asp>
- Michigan Taxpayer’s Guide
<http://www.legislature.mi.gov/documents/Publications/TaxPayerGuide2013.pdf>
- Michigan Tax Tribunal
<http://www.michigan.gov/taxtrib>