

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

3

- 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

4

- 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

5

- 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

6

- 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

7

- 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

8

- 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

9

- 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?

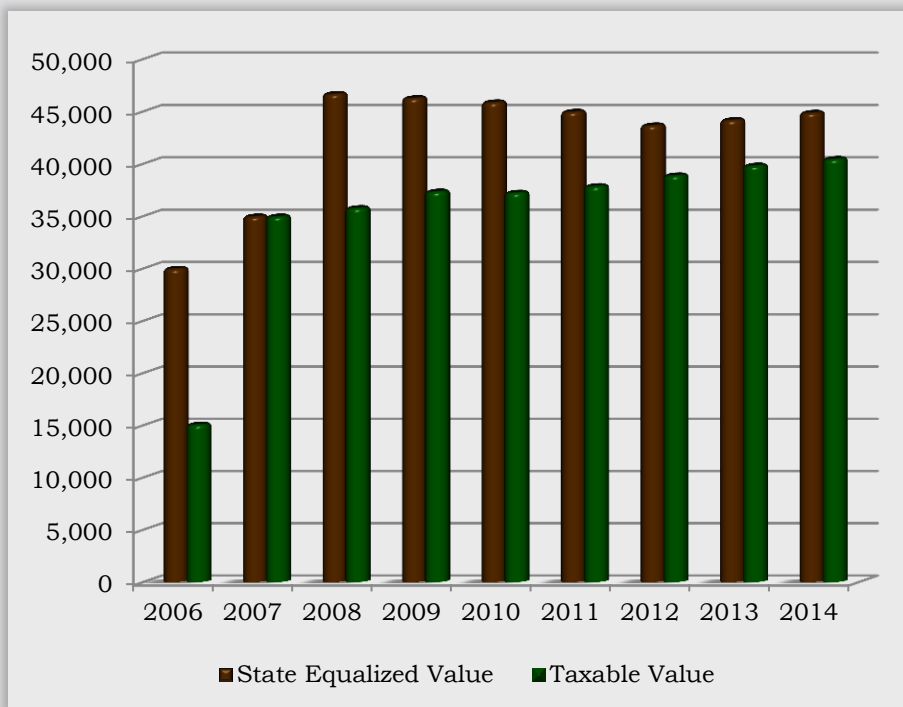
10

- 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

- 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.

Year	State Equalized Value	Capped Value	Taxable Value	CPI
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

- 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.

Midland County 2013 Millage Rates

13

<u>Unit</u>	<u>School District</u>	<u>Twp/City Operating</u>	<u>Real Prop. Only Fire Districts</u>	<u>County Operating Extra Voted</u>	<u>State Education Tax</u>	<u>Non PRE/Q Ag Tax/Debt/Supmt</u>	<u>School Bonded</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>
Edenville Township													
	56030 - Coleman	1.1120	1.4000	9.1355	6.0000	18.0000	1.8358	2.6756	2.0427	24.2016	42.2016	28.8016	16.8016
	56050 - Meridian	1.1120	1.4000	9.1355	6.0000	18.0000	5.2500	2.6756	2.0427	27.6158	45.6158	32.2158	20.2158
Geneva Township													
	56030 - Coleman	3.9584	0.0000	9.1355	6.0000	18.0000	1.8358	2.6756	2.0427	25.6480	43.6480	31.6480	19.6480
Greendale Township													
	29040 - Breckenridge	2.1622	0.0000	9.1355	6.0000	18.0000	2.8000	5.2985	2.0427	27.4389	45.4389	33.4389	21.4389
	29100 - St Louis	2.1622	0.0000	9.1355	6.0000	17.7440	8.0000	5.2985	2.0427	32.6389	50.3829	38.3829	26.6389
	37060 - Shepherd	2.1622	0.0000	9.1355	6.0000	18.0000	7.0000	5.2985	2.0427	31.6389	49.6389	37.6389	25.6389
	56020 - Bullock Creek	2.1622	0.0000	9.1355	6.0000	18.0000	7.0000	2.6756	2.0427	29.0160	47.0160	35.0160	23.0160
	56030 - Coleman	2.1622	0.0000	9.1355	6.0000	18.0000	1.8358	2.6756	2.0427	23.8518	41.8518	29.8518	17.8518
Homer Township													
	56010 - Midland	1.3463	1.7500	9.1355	6.0000	16.2086	1.7491	2.6756	2.0427	24.6992	40.9078	27.1578	16.9492
	56020 - Bullock Creek	1.3463	1.7500	9.1355	6.0000	18.0000	7.0000	2.6756	2.0427	29.9501	47.9501	34.2001	22.2001
	56050 - Meridian	1.3463	1.7500	9.1355	6.0000	18.0000	5.2500	2.6756	2.0427	28.2001	46.2001	32.4501	20.4501
Hope Township													
	56050 - Meridian	4.8209	0.0000	9.1355	6.0000	18.0000	5.2500	2.6756	2.0427	29.9247	47.9247	35.9247	23.9247
Ingersoll Township													
	56010 - Midland	1.3167	0.0000	9.1355	6.0000	16.2086	1.7491	2.6756	2.0427	22.9196	39.1282	27.1282	16.9196
	56020 - Bullock Creek	1.3167	0.0000	9.1355	6.0000	18.0000	7.0000	2.6756	2.0427	28.1705	46.1705	34.1705	22.1705
	56023 - BullockCrk/Hemlk	1.3167	0.0000	9.1355	6.0000	18.0000	6.7600	2.6756	2.0427	27.9305	45.9305	33.9305	21.9305
	73200 - Freeland	1.3167	0.0000	9.1355	6.0000	17.6994	4.2000	2.0872	2.0427	24.7821	42.4815	30.4815	18.7821
	73210 - Hemlock	1.3167	0.0000	9.1355	6.0000	18.0000	3.4000	2.0872	2.0427	23.9821	41.9821	29.9821	17.9821
	73230 - Merrill	1.3167	0.0000	9.1355	6.0000	18.0000	7.8300	2.0872	2.0427	28.4121	46.4121	34.4121	22.4121
Jasper Township													
	29040 - Breckenridge	2.3364	0.0000	9.1355	6.0000	18.0000	2.8000	5.2985	2.0427	27.6131	45.6131	33.6131	21.6131
	29100 - St Louis	2.3364	0.0000	9.1355	6.0000	17.7440	8.0000	5.2985	2.0427	32.8131	50.5571	38.5571	26.8131
	37060 - Shepherd	2.3364	0.0000	9.1355	6.0000	18.0000	7.0000	5.2985	2.0427	31.8131	49.8131	37.8131	25.8131
Jerome Township													
	56030 - Coleman	2.6302	0.0000	9.1355	6.0000	18.0000	1.8358	2.6756	2.0427	24.3198	42.3198	30.3198	18.3198
	56050 - Meridian	2.6302	0.0000	9.1355	6.0000	18.0000	5.2500	2.6756	2.0427	27.7340	45.7340	33.7340	21.7340
Larkin Township													
	56010 - Midland	2.0000	0.0000	9.1355	6.0000	16.2086	1.7491	2.6756	2.0427	23.6029	39.8115	27.8115	17.6029
	56050 - Meridian	2.0000	0.0000	9.1355	6.0000	18.0000	5.2500	2.6756	2.0427	27.1038	45.1038	33.1038	21.1038

Midland County 2013 Millage Rates (continued)

Unit	School District	Twp/City Operating	Real Prop. Only Fire Districts	County Operating Extra Voted	State Education Tax	Non PRE/Q Ag Tax	School Bonded Debt/Supmt	Intermediate School District	College	Total PRE/Q Ag (Homestead)	Total Non PRE/Q Ag	Commercial Personal Property	Industrial Personal Property
Lee Township													
	29040 - Breckenridge	0.8428	2.0000	9.1355	6.0000	18.0000	2.8000	5.2985	2.0427	28.1195	46.1195	32.1195	20.1195
	56020 - Bullock Creek	0.8428	2.0000	9.1355	6.0000	18.0000	7.0000	2.6756	2.0427	29.6966	47.6966	33.6966	21.6966
	56050 - Meridian	0.8428	2.0000	9.1355	6.0000	18.0000	5.2500	2.6756	2.0427	27.9466	45.9466	31.9466	19.9466
Lincoln Township													
	56010 - Midland	3.2806	0.0000	9.1355	6.0000	16.2086	1.7491	2.6756	2.0427	24.8835	41.0921	29.0921	18.8835
	56050 - Meridian	3.2806	0.0000	9.1355	6.0000	18.0000	5.2500	2.6756	2.0427	28.3844	46.3844	34.3844	22.3844
Midland Township													
	56010 - Midland	4.0000	0.0000	9.1355	6.0000	16.2086	1.7491	2.6756	2.0427	25.6029	41.8115	29.8115	19.6029
	56020 - Bullock Creek	4.0000	0.0000	9.1355	6.0000	18.0000	7.0000	2.6756	2.0427	30.8538	48.8538	36.8538	24.8538
Mills Township													
	56010 - Midland	1.2500	2.0000	9.1355	6.0000	16.2086	1.7491	2.6756	2.0427	24.8529	41.0615	27.0615	16.8529
Mt Haley Township													
	29040 - Breckenridge	1.2552	0.0000	9.1355	6.0000	18.0000	2.8000	5.2985	2.0427	26.5319	44.5319	32.5319	20.5319
	56020 - Bullock Creek	1.2552	0.0000	9.1355	6.0000	18.0000	7.0000	2.6756	2.0427	28.1090	46.1090	34.1090	22.1090
	73230 - Merrill	1.2552	0.0000	9.1355	6.0000	18.0000	7.8300	2.0872	2.0427	28.3506	46.3506	34.3506	22.3506
Porter Township													
	29040 - Breckenridge	2.2055	0.0000	9.1355	6.0000	18.0000	2.8000	5.2985	2.0427	27.4822	45.4822	33.4822	21.4822
	56020 - Bullock Creek	2.2055	0.0000	9.1355	6.0000	18.0000	7.0000	2.6756	2.0427	29.0593	47.0593	35.0593	23.0593
	73230 - Merrill	2.2055	0.0000	9.1355	6.0000	18.0000	7.8300	2.0872	2.0427	29.3009	47.3009	35.3009	23.3009
Warren Township													
	56030 - Coleman	1.9771	0.0000	9.1355	6.0000	18.0000	1.8358	2.6756	2.0427	23.6667	41.6667	29.6667	17.6667
City of Coleman													
	56030 - Coleman	19.4496	0.0000	9.1355	6.0000	18.0000	1.8358	2.6756	2.0427	41.1392	59.1392	47.1392	35.1392
City of Midland													
	56010 - Midland	15.0800	0.0000	9.1355	6.0000	17.2086	1.7914	2.6755	2.0427	36.7251	53.9337	41.9337	30.7251
	56020 - Bullock Creek	0.0000	0.0000	9.1355	6.0000	18.0000	7.0000	2.6755	2.0427	26.8537	44.8537	32.8537	20.8537

** Does not include DDA millage. Add 2.0000 in the City of Midland for properties in the DDA district.

Appeal Process

15

- 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>