2011 ASSESSMENT / TAXABLE VALUES IN WASHTENAW COUNTY

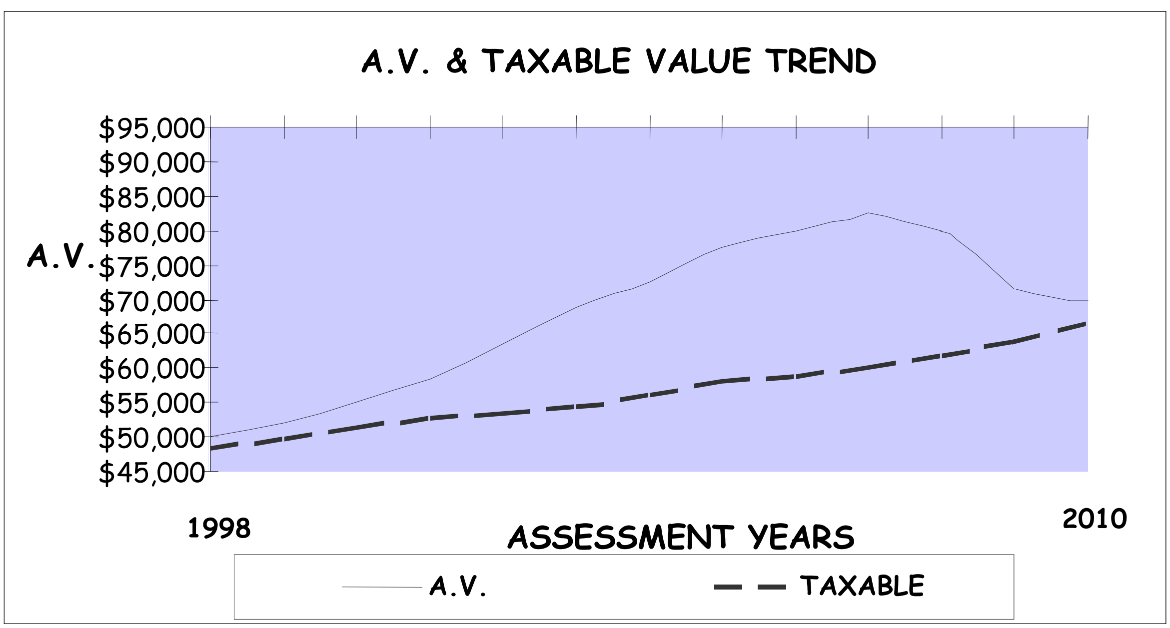
Answers to Frequently Asked Questions.

How is it possible that my assessment can go up with the current market conditions as they are?
State Tax Commission rules state that the local Assessing officer must generally utilize a twenty four-(24) month sales study to calculate assessments each year. The twenty four-(24) month time frame begins October 1, 2008 and ends September 30, 2010. **For years when the market is declining the local Assessing officer may utilize a 12 month study. The 12 months for the tax year 2011 occur between October 1, 2009 and September 30, 2010. *Most local Assessors are using the 12 month study to determine the 2011 assessed values.***
When you receive your assessment notice at the end of February, the market may have changed just since tax day on December 31st and has probably changed somewhat since April 1st or September 30th of the previous year. State law requires assessments to approximate 50% of market value, however, when market values are rising, assessments are generally lower than 50% of the market value by the time the assessment notice is mailed because of the change in market conditions that have occurred between the time of the sales study and the time the notices are mailed. Likewise, **if sales prices are declining, it will take time for the assessment cycle to incorporate lower sales prices as well.**

I just bought my property, why isn't my assessment exactly half of the sale price?
The law defines True Cash Value as the usual selling price of a property. The Michigan Legislature and the Michigan Supreme Court have clearly stated that the actual sales price of a property is not the only controlling factor in the True Cash Value and the Assessed Value as calculated by the assessing officer. The Assessing Office will analyze several sales in each neighborhood to arrive at a uniform and equitable assessment for all properties. This is similar to the process that is required when you buy property and want the bank to lend you money.

How can my taxable value change less then my assessment when it stays the same or even goes down?
Proposal A was designed to limit the changes in taxable value by the Consumer Price Index (excluding physical changes) until ownership of the property was transferred. The taxable value is capped each year by the CPI or 5% (whichever is lower). Over the past 15 years the CPI has not exceeded the 5% maximum level. Generally, the residential market values and assessments have increased at levels higher than the CPI; however, the taxable value has been limited to inflation increases. As long as the assessed value is higher than the current taxable value, changes to the taxable value by the CPI will occur. **It is even possible for your assessment to go down, yet the taxable value will change less until the assessment and taxable values are equal. The taxable value cannot be higher than the assessed value.**

The following example demonstrates how assessed values and taxable values changed based upon market values and the CPI. (A.V is 50% of market value). Note that if the trend continues, taxable value will eventually be the same as A.V. and will not increase more than taxable value.



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PROPOSAL A OF 1994

The passage of Proposal A in March of 1994 drastically changed the property assessment and taxation system. Some of the changes are hard to understand. One such change is the "taxable value cap." The language in Proposal A stated that starting in 1995; the taxable value can be increased only by the amount of the consumer price index (C.P.I.) or 5% (whichever is less) and for construction changes. However, other laws still require that the Assessed Value (A.V.) is to be 50% of the current market value. The Capped value and the A.V. could be totally different.

As a result, there will be three different "values" recorded for each property: the Assessed Value; the Capped Value; and the Taxable Value. **PROPERTY TAXES ARE CALCULATED ON THE TAXABLE VALUE.**

The Assessor is still required to determine the market value of every property and record 50% of that as the Assessed Value. That value will eventually be referred to as the **State Equalized Value**. In addition, the Assessor is also required to multiply individually each previous year's taxable value by the C.P.I. to calculate each individual **Capped value**. The lesser of the two will be the **Taxable value** for that property. Structural items not previously assessed, for example, new construction, are also added to the taxable value.

In most cases, a property's taxable value will not be increased more that the previous year's taxable value times the C.P.I. This "capping" process will continue annually until the **ownership** is transferred.

When a transfer of ownership occurs, the taxable value the following year will be based on the State Equalized Value that had been calculated annually.

TO SUMMARIZE:

ASSESSED VALUE
equals . . .
half of the Appraised Market Value.

CAPPED VALUE
equals . . .
last year's taxable value increased by the amount of the Consumer Price Index (with a maximum of 5%) plus construction changes.

TAXABLE VALUE
equals . . .
the lesser of the Assessed and Capped Values. Taxable Value can NOT be higher than the A.V. (Assessed Value). Taxable Value can still increase even if Assessed Value decreases as long as Taxable Value does not exceed (is lower than) Assessed Value.

The Taxable Value will be used for the calculation of property taxes.

EXAMPLE 1

A home has an A.V. of $100,000 in 2010. The taxable value was $88,000. Sales of comparable homes in the neighborhood show that the market value has decreased to $190,000. The annual C.P.I. is 1.7%.

- 2011 A.V. is $95,000 (half of the appraised value of $190,000)
- 2011 CAPPED VALUE is $89,496 (88,000 x 1.017)
- 2011 TAXABLE VALUE is $89,496 (lesser of Capped Value and A.V.)

EXAMPLE 2

Same information as in Example 1, except that in this instance, sale studies indicate that the market value has decreased to $175,000

- 2011 A.V. is $87,500. (half of the appraised value)
- 2011 CAPPED VALUE is $89,496 ($88,000 x 1.017)
- 2011 TAXABLE VALUE is $87,500 (lesser of Capped Value and A.V.)