

Frequently Asked Questions

What determines my property tax?

In 1994, Michigan voters approved the constitutional amendment known as Proposal A.

Before then, Proposal A property taxes were based on state equalized value (SEV) or assessed value (AV). Proposal A established taxable value as the way to calculate property taxes.

Now taxable value increases are limited to the change in the inflation rate or 5%, whichever is less, if there were no losses or additions to the property.

The limit on taxable value does not apply to a property the year after it is sold.

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 of each parcel of real property based on its condition as of Dec. 31 (Tax Day) of the previous year.

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 review local assessment jurisdictions and adjusts (equalizes) them so they do not exceed 50% of true cash value.

What does Capped Value mean?

Capped value is 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 cannot be greater than 1.05 (1 + 5%). It represents any inflation rate change from the previous year. The final product is capped value (CV).

Capped value = (Prior taxable value – losses) x (IRM)* + 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 doesn't apply if you purchased your home last year.

How are Property Values Determined?

The sale of real property is used by Michigan assessors to compare assessed values with the actual sale prices or market values for those properties. Market value is 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 assessed value and the sale price should be 50%. Since real estate prices change constantly, the average ratio is usually not exactly 50%. Local assessors are required to reestablish the 50% ratio annually.

Notice Of Assessment

Taxpayers are notified each year before local boards of review meet in March. The "Notice of Assessment, Taxable Valuation and Property Classification" includes state equalized value; percent of exemption as a principal residence, Michigan Business Tax, or qualified agricultural property; and if the property was sold.

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 June 1 for the immediately succeeding summer tax levy and all subsequent tax levies or by Nov. 1 for the immediately succeeding winter tax levy and all subsequent tax levies.

How are Property Taxes Calculated?

Property taxes = taxable value / 1,000 x your millage rate

Can a Board Of Review Set The SEV Or Assessed Value At The Sales Price Of The Property?

No, this practice is illegal in Michigan. An individual sale price IS NOT the same as true cash value of the property for many reasons including:

- An uninformed buyer
- Insufficient marketing time
- Related parties

The price paid in a property transfer is not the presumptive true cash value of the property transferred.

March Board Of Review & Poverty Exemptions

If you believe the assessed value is more than half the value of your property or if you believe you qualify for a poverty exemption, you may appeal the assessed and/or taxable values at the Board of Review in March. You can obtain information about the specific meeting dates and schedule an appearance with the board by contacting your local assessing office.

- Read your notice for dates/times of the March board of review.
- 211.7u Poverty Exemptions - Check with your local municipality for poverty guidelines and an application.

Calculating Inflation Rate Multiplier

Based on this statutory requirement, the calculation for 2022 from the U.S. Department of Labor can be found at the below link. The 2022 inflation rate multiplier (IRM) is 1.033.

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What Is "Taxable Value"?

Taxable value is the lesser of state equalized value or capped value unless the property was sold the prior year.

What Happens When You Purchase A Property?

When a property or interest in a property is transferred, the following year's state equalized value becomes that year's taxable value. In other words, if you purchase property, your taxable value for the following year will be the same as the state equalized value. The taxable value will then be capped for the second year following the sale.

Section 211.27a(7)(u): Beginning December 31, 2014, it is not a transfer of residential real property if the transferee is the transferor's or the transferor's spouse's mother, father, brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter and the residential real property is not used for any commercial purpose following the conveyance.

What Sales Information Is Used In Determining Assessments?

A 24-month sales study is performed to determine property assessments. The timeframe is determined by the State Tax Commission.

- For this year, the sales study timeframe is April 1, 2019 to March 31, 2021