PROPOSAL "A"
WHAT ARE PROPERTY TAXES BASED ON?

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

Prior to Proposal "A" property tax calculations were based on Assessed Value.

Proposal "A" established "Taxable Value" as the basis for the calculations of property taxes.

Increases in Taxable Value (following adjustments for additions or losses) are limited to the percent of change in the rate of inflation or 5%, whichever is less.

The limit on Taxable Value increase does not apply to a property in the year following a transfer of ownership (sale).

WHAT IS ASSESSED VALUE?

The Michigan Constitution requires property be uniformly assessed at 50% of the usual selling price, often referred to as True Cash Value. Each tax year, the local assessor determines the Assessed Value (AV) of each parcel of real property based on the condition of that property on December 31 (Tax Day) of the previous year.

If property values are increasing in your neighborhood, your Assessed Value will likely increase.

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 must review local assessments and adjust (equalize) them if they are above or below the constitutional 50% level of assessment.

WHAT IS "CAPPED VALUE"?

"Capped Value" is the value established when the prior year Taxable Value, with adjustments for additions and losses, is multiplied by the Inflation Rate Multiplier (IRM). The multiplier is capped and cannot be greater than 1.05 (1 + 5%). It represents the change in the rate of inflation during the previous year. The final produce is Capped Value (CV).

The Capped Value limitation on Taxable Value does not apply if you purchased your home last year.

WHAT IS TAXABLE VALUE?

Taxable Value (TV) is the <u>lesser</u> of State Equalized Value (SEV) or Capped Value (CV) unless the property experienced a Transfer of Ownership in the prior year.

WHAT HAPPENS WHEN YOU PURCHASE A HOME?

When a property (or interest in a property) is transferred, the following year's SEV becomes that year's Taxable Value (TV). In other words, if you purchase property, your Taxable Value the following year will be the same as the SEV. The Taxable Value will then be "capped" again in the second year following the transfer of ownership.

NOTICE OF ASSESSMENT

Each year, prior to the March meetings of the local board of review, informational notices are mailed. The "Notice of Assessment, Taxable Valuation, and Property Classification" also includes State Equalized Value, the percent of exemption as a Principal Residence or Qualified Agricultural Property and whether or not there was an Ownership Transfer.

HOW ARE PROPERTY TAXES CALCULATED?

<u>Property Taxes</u> =

Taxable Value x [Your Local Millage Rate]