

**Assessment Information Packet
For Taxpayers**

**City of Detroit
Board of Assessors**



January 2014

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Background of Proposal A

The property tax reforms instituted under "Proposal A" required a "cap" or limitation on the annual increase in a property's taxable value while it is owned by the same person. An excerpt from the Michigan 1963 Constitution, Section 3, states: "For taxes levied in 1995 and each year thereafter, the legislature shall provide that the taxable value of each parcel of property adjusted for additions and losses, shall not increase each year by more than the increase in the immediately preceding year in the general price level, as defined in section 33 of this article, or 5 percent, whichever is less until ownership of the parcel of property is transferred." Therefore, in the tax year following the transfer of the property, the taxable value will "uncap" and become equal to the "assessed value". The year following the uncapping, the limitation will begin anew until such time the property transfers again.

The assessed value is one-half of the assessor's estimate of market value of your property. The capped value is calculated annually using the following formula: $(\text{Prior Year Taxable Value} - \text{LOSSES}) \times (\text{lesser of the consumer's price index or } 1.05) + \text{ADDITIONS} = \text{CAPPED VALUE}$.

Taxable value is equal to the lesser of Assessed Value or Capped Value. The taxable value, the number upon which the property taxes are levied, is determined each year by comparing the assessed and capped values and choosing the lower of the two.

On March 15, 1994 the voters of the State of Michigan approved Proposal A which made significant changes to the State Constitution. Most notably, for Boards of Review, Proposal A implemented a cap on the growth in Taxable Value. Taxable Value was a new term. Starting in 1995, property taxes have been calculated using Taxable Value rather than State Equalized Value which was used prior to 1995.

On December 29, 1994 the Governor signed into law Public Act (PA) No. 415 of 1994. PA 415 of 1994 contains many changes to the General Property Tax Act regarding the implementation of Proposal A. Significant additional changes were implemented by PA 476 of 1996.

What has not changed is the method of computing Assessed Value and the system of county and state equalization. The "traditional" Assessed Value is still required to be 50% of market value. There shall still be a State Equalized Value (SEV) for each property in the State of Michigan. Properties of similar value within a township or city must still have similar Assessed Values. In other words, the uniformity provisions of the 1963 Michigan Constitution still apply.

The biggest change, starting in 1995, was the requirement to calculate a Taxable Value for each property in the State of Michigan. Starting in 1995, property taxes were calculated using Taxable Value rather than State Equalized Value. It is Taxable Value, not assessed or equalized value, which is subject to the cap required by Proposal A.

The Board of Assessors and the Board of Review ARE REQUIRED BY LAW to increase the Taxable Value by the applicable rate of inflation.

Explanation of the Proposal A uncapping the year after a property transfers ownership

Did you know that the year after you purchase a property in the State of Michigan the property's taxable value uncaps? This uncapping happens whenever there is a transfer of ownership. This may mean a SIGNIFICANT rise in your yearly property taxes. BE INFORMED! Do not allow misinformation about Proposal A to cost you. The following definitions should assist in giving you a better understanding of what the uncapping means.

ASSESSED VALUE & STATE EQUALIZED VALUE (SEV): The assessed value should represent 50% of the current true cash value of your property. IT IS NOT BASED UPON THE PURCHASE PRICE OF YOUR INDIVIDUAL SALE. IT IS BASED UPON A SALES STUDY OVER A PERIOD OF TIME.

E.g. the subject property has an assessed value of 38,500, which represents a true cash value of \$77,000. The **State Equalized Value (SEV)** for the subject property is also \$38,500.

TAXABLE VALUE: The TAXABLE VALUE is an important number to understand. The taxable value is used to calculate your property taxes. The taxable value multiplied by the authorized Millage rate (a mill is 1/1,000th) yields the tax levy (or the taxes you pay).

E.g. the assessed value of the subject property is \$38,500. The owner has been in the home since 1994 and the taxable value is 9,194.

For this EXAMPLE ONLY, let's assume a Millage rate of 50 mills for the current year.

The original owner's taxes would be:

$9,194 \text{ (Taxable Value)} * 50 \text{ (Millage Rate)} = 459,700/1000 = \459.70 in Taxes



(Remember that a mill is 1/1000th) so divide number by 1,000.

UNCAPPED: The subject property TRANSFERS OWNERSHIP ONE YEAR. The first year in the property the taxes for our subject property were \$459.70. The year AFTER THE TRANSFER OF OWNERSHIP THE PROPERTY UNCAPS and the **Taxable Value is set equal to the State Equalized Value**. In our example, the Taxable Value would now be \$38,500.

Taxable Value of 9,194 UNCAPS to \$38,500

The new owner's taxes would be:

$38,500 \text{ (Taxable Value)} * 50 \text{ (Millage Rate)} = 1,925,000/1000 = \$1,925 \text{ in Taxes}$

In one year, the subject property's taxes increased from \$459.70 to \$1,925 due to the transfer of ownership. **PROPOSAL A WAS ADOPTED BY VOTE ON MARCH 15, 1994 AND WENT INTO EFFECT IN 1995. THE UNCAPPING OF THE TAXABLE VALUE IS PER STATE LAW.**

PRINCIPAL RESIDENCE EXEMPTION (PRE) - The principal residence exemption status of a property is set as of May 1st of that year. You must OWN AND OCCUPY the property by May 1st and your driver's license must reflect this same address to qualify for the PRE. Please check the School Operating Mills on your tax bill for Millage rate savings.

Transfers of Ownership

Typical Transfers of Ownership:

1. Deed
2. Land Contract
3. Conveyance of Trust
4. Distribution of Trust
5. Change in Beneficiary of Trust
6. Distribution after Owner Dies
7. Lease
8. Corporation, Partnership, etc.
9. Tenancy in Common

Typically not Transfers of Ownership:

1. Spouse to Spouse
2. Tenancy by Entireties
3. Life Lease
4. Foreclosure or Forfeiture
5. Redemption—Tax Reverted Lands
6. Conveyance to Trust When Beneficiary is same as Settlor
7. Court Order
8. Joint Tenancy
9. Security Interest
10. Affiliated Group
11. Normal Public Trading
12. Common Control
13. Tax Free Reorganization

Date of Transfer of Ownership:

1. Transfers of Ownership started January 1, 1995 per Proposal A
2. Date of an Individual Transfer is the Date of Deed or Land Contract is DELIVERED to buyer, however:
 - a. Usually not the same as the date the Deed or Land Contract is signed
 - b. Frequently NOT the same as the date recorded with the Register of Deeds
 - c. Usually NOT the same as the date of the Offer to Purchase.

NOTE: All Property Transfer Affidavits must be accompanied by a Deed or Closing Statement. A Memo of Land Contract **cannot** be used to transfer ownership.

Foreclosure Sales

From State Tax Commission Bulletin No. 6, August 15, 2007

TO: Assessing Officers and County Equalization Directors

FROM: State Tax Commission

RE: Guidelines for Foreclosure Sales

Market sale transactions for real property are used by Michigan assessors and equalization directors to compare the assessor's assessments of particular properties that have sold in arms-length transactions with the actual sale prices for those same properties. The average ratio between the assessments and the sale prices should be 50%, since the assessment of the property should be at 50% of true cash value, as required by MCL 211.27a. However, since the market for real estate constantly changes, the average ratio actually found will usually not be 50%. In such cases, the county equalization director will require the assessor to adjust his or her level of assessment the next year so that the 50% ratio is reestablished. Further, within each local assessment jurisdiction, the assessor must conduct similar ratio studies to determine the levels of assessment in the various neighborhoods or sub-markets in the jurisdiction.

The proper selection of sales for inclusion in these ratio studies is critically important to the development of uniform and accurate assessments. The State Tax Commission has established guidelines to be used when reviewing sales for sales-ratio studies. The purpose of the guideline is to provide direction when compiling a "desk-reviewed" sales study. Desk-review means determining whether a particular sale will be used in a study based on transfer documents and other information in the office without additional investigation or field inspection.

Deviation from the guidelines should be based on investigation of the transaction beyond the normal steps of a desk review process. The recent increase in foreclosures has caused those transactions to have an impact on the real estate market in some parts of the state. While the following guidelines are specifically addressed to foreclosure sales, similar steps should be used in determining the use of any sale that would normally be excluded from study in a sales study.

GUIDELINES FOR FORECLOSURE SALES

- Sales to financial institutions are excluded from a sales ratio study unless the financial institution is using the property for its operations and it was not previously held as collateral.
- Sheriff's deeds are not typically included in sales ratio studies.
- If it is determined that sales from financial institutions are open market transactions the sales may be used if they have been verified.
- All sales must be analyzed and verified to ensure they are arms-length transactions. The appropriate verification process contains but is not limited to:
 1. A determination as to whether the type of sale being reviewed is a measurable portion of the market.
 2. A determination that the sale property was properly exposed to the market. For example, by listing with a real estate company.
 3. A physical inspection of the property to make a determination that the

assessment reflects the condition of the property at the time of sale unless the condition can be verified by other means.

4. Receipt of a properly completed real property statement to determine the terms and conditions of the sale unless adequate alternative statistical procedures are utilized to ensure the sales are an adequate part of the market.
 5. A determination that the parties to the transaction were not related and each was acting in their own best interest.
- Additional analysis specific to foreclosure transactions:
 1. Was a market value appraisal obtained before listing?
 2. Did the seller have the right to refuse all offers?
 3. Did the property have full market exposure after governmental intervention?
 4. Was the property marketed for an adequate period of time?
 5. Whether the seller was obligated to prorate taxes in accordance with local custom and provide evidence of title and a warranty deed to the purchaser.
 6. Was property purchase "as is" and was property well maintained during the marketing period?
 7. Was purchaser supplied with a disclosure and/or lead paint statement?
 8. Did seller help with financing? If yes, then the sale must also be treated as a creative financed sale and be treated under the same rules established for adjusting creatively financed sales.
 9. Were concessions involved and if so, are they typical of market?
 10. Were sale conditions affected by the financial institutions requirement to dispose of the foreclosed property within 1 year to avoid the uncapping of taxable value or because of banking regulation conditions requiring special treatment of property owned by the institution?
 - If a sale is used in the sales ratio study, it is also used to help determine land values and Economic Condition Factor's.
 - Counties and local units using "usually excluded sales" in a sales study for a particular period must maintain documentation of the verification process for each sale included in the study.
 - Once verified for use in a study, a sale is included in the study in the appropriate year in the same manner as all other sales used in the study.
 - Please note that if the foreclosing institution is also financing the sale for the new owner, the property is subject to analysis for creative financing as outlined in State Tax Commission Bulletin 11 of 1985.

Example of Assessment Notice

Michigan Department of Treasury - P.O. Box 300, Lansing, MI 48906
 Issued under the authority of P.A. 206 of 1993, Sec. 211.24 (c), as amended.

L-4400

NOTICE OF ASSESSMENT, TAXABLE VALUATION AND PROPERTY CLASSIFICATION

FROM:
 CITY OF DETROIT
 FINANCE-ASSESSMENTS DIVISION
 P.O. BOX 44410
 DETROIT, MI 48244

THIS IS NOT A TAX BILL

NAME AND ADDRESS OF OWNER OR PERSON NAMED ON ASSESSMENT ROLL: [REDACTED]	PROPERTY IDENTIFICATION: [REDACTED]
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THIS PROPERTY IS CLASSIFIED AS: 401 (401-RESIDENTIAL) **DISTRICT #:** 8
PRIOR YEAR'S CLASSIFICATION IF DIFFERENT:

Prior to 1993, your taxes were calculated on State Equalized Value (see line 4 below). State Equalized Value (SEV) is the Assessed Value multiplied by the Equalization Factor, if any (see line 3 below). State Equalized Value must be approximately 30% of market value.
 Proposal A, passed by the voters on March 13, 1994, places a limit on the value used to compute property taxes. Starting in 1993, your property taxes were calculated on Taxable Values (see line 1 below). If there is a number entered in the "Change" column at the right side of the Taxable Value line, that number is not your change in taxes. It is the change in Taxable Value.

IF THERE WAS A TRANSFER OF OWNERSHIP on your property in 2009, your 2010 Taxable Value will be the same as your 2010 State Equalized Value. Please see line 5 below regarding Transfer of Ownership on your property.

IF THERE WAS NOT A TRANSFER OF OWNERSHIP on your property in 2009, your 2010 Taxable Value is calculated by multiplying your 2009 Taxable Value (see line 1 below) by .997 (which is the Inflation Rate Multiplier for the current year). Physical changes in your property may increase or decrease the Taxable Value. Your 2010 Taxable Value cannot be higher than your 2010 State Equalized Value.

Principal Residence Exemption: 100.00 %	PRIOR AMOUNT YEAR: 2009	CURRENT AMOUNT YEAR: 2010	CHANGE
1. TAXABLE VALUE (Current amount is tentative):	99,200	81,344	-17,856
2. ASSESSED VALUE:	99,200	81,344	-17,856
3. TENTATIVE EQUALIZATION FACTOR: 1.0000			
4. STATE EQUALIZED VALUE (Current amount is tentative):	99,200	81,344	-17,856
5. There WAS/WAS NOT a transfer of ownership on this property in 2009. WAS			

BASED ON 2009 TAX RATES YOUR CITY, SCHOOL AND COUNTY PROPERTY TAXES WILL CHANGE THIS YEAR BY APPROXIMATELY: -\$1,163

HOMEOWNER'S PRINCIPAL RESIDENCE EXEMPTION INFORMATION REQUIRED BY P.A. 201 OF 2007: If you purchased your principal residence after May 1 last year, to claim the principal residence exemption, if you have not already done so, you are required to file an affidavit before May 1 this year. The denial of an exemption from the local school operating tax for a "homeowner's principal residence" may be appealed to the Michigan Tax Tribunal.

PROPERTY CLASSIFIED AS RESIDENTIAL: If you believe the property value, the property classification, or the information on line 5 is incorrect, you must appeal during the **ASSESSORS REVIEW PERIOD**, February 1st - 15th, 8:30 A.M. - 4:30 P.M., Monday - Saturday. Protest during the Assessors Review Period may be made in person or by letter to: Assessors Review, Two Woodward Avenue, Coleman A. Young Municipal Center, Room 804, Detroit, MI 48226. Protest during the February Assessors Review Period is required to protect your right to appear before the March Board of Review. Protest at the March Board of Review is necessary to protect your right for further appeals to the Michigan Tax Tribunal.

PROPERTY CLASSIFICATION APPEALS: If you believe the property classification is incorrect, you must appeal during the **ASSESSORS REVIEW PERIOD**, February 1st - 15th, 8:30 A.M. - 4:30 P.M., Monday - Saturday. Protest during the Assessors Review Period may be made in person or by letter to: Assessors Review, Two Woodward Avenue, Coleman A. Young Municipal Center, Room 804, Detroit, MI 48226. Protest during the February Assessors Review Period is required to protect your right to appear before the March Board of Review. Protest at the March Board of Review is necessary to protect your right for further Classification Appeals to the Michigan State Tax Commission.

PROPERTY CLASSIFIED COMMERCIAL, REAL, INDUSTRIAL, REAL: Note: Appeal to the March Board of Review is not required. However, if desired, an appeal must be made during the **ASSESSORS REVIEW PERIOD** (see above paragraph for deadline and mailing address) in order to appeal to the March Board of Review. OR an appeal can be made directly to the Michigan Tax Tribunal, P.O. Box 30232, Lansing MI 48909, prior to May 31.

PROPERTY CLASSIFIED COMMERCIAL, PERSONAL, INDUSTRIAL, PERSONAL, UTILITY PERSONAL: Note: Appeal to the March Board of Review is not required. However, if desired, an appeal may be made to the March Board of Review (see above paragraph for deadline and mailing address) or directly to the Michigan Tax Tribunal, P.O. Box 30232, Lansing MI 48909, prior to May 31, ONLY IF A PERSONAL PROPERTY STATEMENT WAS FILED with the local unit, prior to the commencement of the Board of Review, as provided by MCL 211.19.

Calculating Your Property Tax Bill

Your Total Property Tax Bill is Based on Two Factors:

1. Your individual property taxable value multiplied by:
2. Your tax rates (school, city, county millages)

How Your Individual Property Is Valued

There are three values that directly relate to your individual property.

State Equalized Value (SEV)

This value represents 50% of estimated market value as mandated by state law.

Capped Value (CV)

The value is computed as last year's taxable value minus losses, multiplied by the Consumer Price Index (Rate of Inflation) or 5% (whichever is lower) plus any additions.

Taxable Value (TV)

This value is the lower of either the state equalized value (SEV) or capped value (CV) for a property in a given year.

How Your Final Yearly Taxable Value is Determined

The taxable value (TV) is determined by comparing the state equalized value (SEV) and the capped value (CV) of a given property. The *lower* value is determined to be the taxable value as mandated by the statewide voter-approved Proposal A of 1994. This computation will produce your new taxable value for the upcoming tax year. The Consumer Price Index (rate of inflation) for 2010 is 0.997.

Taxable Value is Adjusted When Property is Sold

When a property is sold, Proposal A MANDATES that the taxable value of that property is RE-SET to the state equalized value (SEV) in the following year.

Since the state equalized value (50% of market value) may be different than the taxable value, the property value for that sold property will be adjusted. The Board of Assessors has NO CONTROL over this mandated increase.

Board of Review: How to Appeal Your Property Assessment

The procedures require the taxpayer to appeal to the Board of Assessors Review first.

Board of Assessors Review can take into account such circumstances as structural defects of the property and fire damaged and demolished properties made so before the beginning of the new year. To appear before the March Board of Review, an appeal must be made during the Board of Assessors Review, February 1-15.

March Board of Review begins the Tuesday following the first Monday in March and ends the first Monday in April. Protest at the Board of Review is necessary to protect your right to further appeals to the Michigan Tax Tribunal for valuation and exemption appeals and/or the State Tax Commission for classification appeals. A further appeal of a decision by the Board of Review may be made to:

**Michigan Tax Tribunal
PO Box 30232
Lansing, MI 48909**

No later than:

- May 31 for Commercial & Industrial class real property
- May 31 for Commercial & Industrial class personal property
(If a Personal Property Statement was filed prior to commencement
of the March Board of Review)
- July 31 for Residential class property

Classifications appeals must be made by June 30 to:

**State Tax Commission
Michigan Department of Treasury
P.O. Box 30471
Lansing, MI 48909-7971**

Neighborhood Enterprise Zone (NEZ) Information

Dear Homeowner:

Your home is located in one of the Neighborhood Enterprise Zone Homestead (NEZ-H) areas. To apply for the NEZ-H designation for the 2015 tax year, applications may be filed with the City of Detroit Assessors' Office beginning on April 1, 2014 through October 1, 2014 for the 2014 tax year. Applications for 2015 SHALL NOT be accepted before April 1, 2014 in person or by mail. Please note: Incomplete applications shall not be accepted or kept on file pending completion.

WHAT YOU WILL NEED TO FILE A COMPLETE NEZ-H APPLICATION:

* Three (3) copies of the RECORDED Conveyance showing transfer of ownership on or after January 1, 1997, (i.e. Warranty Deed, Land Contract or Quit Claim Deed). If you are unable to locate your record conveyance, the Assessors' Office can provide these copies for a nominal fee of \$10.00.

* One (1) original and two (2) copies of the completed application. The original application must be signed in BLUE, not black ink. If you are unable to secure copies, the Assessor's Office will provide these copies for a nominal fee of \$5.00.

* A Michigan Drivers License or State of Michigan picture identification showing the NEZ - Homestead address for which you are applying. This must be your principal residence and purchased after January 1, 1997. You cannot apply for NEZ- Homestead on rental property.

* A property Transfer Affidavit (PTA) is required by law to be filed with the Assessors' Office within 45 days from the date of transfer. If it is not filed timely, it carries a late filing penalty of \$5.00 per day up to \$200 maximum. If this fee is owed, it must be paid in full for the application to be filed.

* Your property taxes must be current, (paid-in-full) before your NEZ-H application can be approved. Also, an annual review with the Treasurers of Detroit and Wayne County will be conducted to verify that property taxes remain current (not delinquent). If it is determined that property taxes on your NEZ-H property are delinquent, you are subject to forfeit your NEZ-H designation for the delinquent tax year.

THE ASSESSORS' OFFICE SHALL ONLY ACCEPT COMPLETED APPLICATIONS WHICH SHALL CONSIST OF:

- 1) THREE COPIES OF RECORDED CONVEYANCE (Deed, Land Contract).
- 2) ONE (1) ORIGINAL AND TWO (2) COPIES OF NEZ-H APPLICATION.
- 3) A COPY OF YOUR DRIVERS LICENSE OR STATE ID. IT MUST SHOW THE SAME NEZ-H ADDRESS FOR WHICH YOU ARE APPLYING.
- 4) ALL APPLICABLE FEES(S) MUST BE PAID AT THE TIME OF APPLICATION FOR THE APPLICATION TO BE FILED.
- 5) YOUR PROPERTY MUST BE ALREADY NOTED IN OUR RECORDS AS YOUR PRINCIPAL RESIDENCE.
- 6) COMPLETE DESCRIPTION OF PROPOSED IMPROVEMENTS THAT WILL BE MADE AFTER THE NEZ- HOMESTEAD CERTIFICATE IS ISSUED.

INCOMPLETE APPLICATIONS SHALL NOT BE ACCEPTED

PLEASE BRING THE NECESSARY DOCUMENTS AND NECESSARY FEE (S) TO:
Coleman A. Young Municipal Center
City of Detroit, Finance -Assessments Division
2 Woodward Ave, Suite 804 (on the 8th Floor)
Detroit, MI 48226

Assessors' Office hours are Monday thru Friday, 8:30 am till 4:30 pm.

The City of Detroit issues NEZ-H (NEZ-Homestead) Certificates. To comply with legislation, your application must be processed by the Assessors' Office, approved by the City of Detroit City Council, and then sent to the Certified Assessor for final approval. Depending on the time of year you apply, it can take up to six months for your application to be processed. For example: To have the NEZ- H Millage rates applied to your 2015 tax bills, your application must be received by October 1, 2014.

For your information: Michigan law prohibits legislation from abating land. Land receives the full-authorized Millage. The building(s) that comprise your property must be separated on the Tax Roll to enable the reduced (NEZ) Millage to be calculated properly.

Your property will have two (2) Parcel Identification Numbers (PIN), as long as it retains NEZ-H designation. The PIN that begins with the number 27 represents the building and is taxed at the NEZ-H rate. The PIN that begins with any number between 0 and 22 represents the land portion and is taxed at the principal residence rate. For as long as the NEZ-H certificate remains in effect, it is your responsibility to notify your mortgage company that you will receive two (2) tax bills in the summer and two (2) tax bills in the winter. One bill is for the land and the other is for the building(s). Please be advised that failure to pay either tax bill may result in the removal of the NEZ-H certificate and/or tax foreclosure on the property.

We look forward to serving you. Should you have any questions, please feel free to call (313) 224-3011 during business hours or visit our website www.detroitmi.gov.

Additional Information

City of Detroit Board of Assessors: 313-224-3011
Assessment Data Management: 313-224-3035

City of Detroit Treasury Department: Room 136 CAYMC 313-224-3560
-copy of current tax bill
-removal of mortgage code
-apply for seniors citizens discount
-current millage rates

City of Detroit—Buildings and Safety Engineering: 4th floor CAYMC 313-224-3258
-copy of Demolition Report to verify when building was demolished
-verify that home is single-family dwelling (2nd kitchen removed)
-register as Rental Unit, ACRs, Permits, Inspections, etc.

Wayne County Treasurer's Office: 400 Monroe, 5th floor 313-224-5990
-copy of delinquent tax bills or to pay delinquent tax bills
-prior year Board of Review refunds

Wayne County Register of Deeds: 400 Monroe, 7th floor 313-224-5850
-to record Deeds
-obtain copy of Deeds
-verify ownership information by deed holder

Additional Referral Information:

Michigan Land Bank Ownership Disputes: 517-636-4898
Questions on City Owned Property—P&DD Welcome Center 313-628-0199
Neighborhood Enterprise Zone questions about certificates filed: 313-224-3053
Legal Aid or Legal Advice about deeds, probate, etc: 313-964-4700
Renaissance Zone questions: 313-224-3053
Land Patent: 313-237-5030
Probate Court: 13th Floor CAYMC