

**Assessment Information Packet  
For Taxpayers**

**City of Detroit  
Board of Assessors**

April 2013

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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".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.capped value is calculated annually using the following formula: (Prior Year Taxable Value - LOSSES) x (lesser of the consumer's price index or 1.05) + ADDITIONS = CAPPED

## VALUE.

Taxable value is equal to the lesser of Assessed Value or Capped Value. 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:

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

(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:

Deed  
Land Contract  
Conveyance of Trust  
Distribution of Trust  
Change in Beneficiary of Trust  
Distribution after Owner Dies  
Lease  
Corporation, Partnership,  
Tenancy in Common

### Typically **not** Transfers of Ownership:

Spouse to Spouse  
Tenancy by Entireties  
Life Lease  
Foreclosure or Forfeiture  
Redemption—Tax Reverted Lands  
Conveyance to Trust When Beneficiary is same as Settlor  
Court Order  
Joint Tenancy  
Security Interest  
Affiliated Group  
Normal Public Trading  
Common Control  
Tax Free Reorganization  
Memorandum of Land Contract

### Date of Transfer of Ownership:

Transfers of Ownership started January 1, 1995 per Proposal A  
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.

### **Example of Assessment Notice**

### **Calculating Your Property Tax Bill**

**Your Total Property Tax Bill is Based on Two Factors:**

Your individual property taxable value multiplied by:  
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 2012 is 1.027.

**Taxable Value is Adjusted When Property is Sold**

When a property is sold, Proposal A MANDATES that the taxable value of that property is RESET 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, fire damaged and demolished properties that occurred by December 31 of the previous year. To appear before the March Board of Review, an appeal must be made during the Board of Assessors Review either in person, by mail or online from February 1-15.

**March Board of Review** the Board of Review must meet on the second Monday in March and end the first Monday in April. A written protest must be received by the Board of Review in order to appear in front of the Board of Review or 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**

### **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  
-current millage rates

City of Detroit—Buildings and Safety Engineering: 4th floor CAYMC 313-224-3212  
-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 313-224-9254

Neighborhood Enterprise Zone New & Rehab questions: 313-628-0269  
Neighborhood Enterprise Zone Homestead questions: 313-224-3053  
Renaissance Zone questions: 313-224-3053  
Board of Review questions: 313-224-3053

## **How Property is Assessed In Michigan**

Property subject to taxation by local units of government is classified as either real or personal property. Real property consists of land and any improvements to the land, such as buildings and water and sewer facilities. Real property is further divided into the following classifications: agricultural, commercial, developmental, industrial, residential, and timber cutover. In contrast, personal property includes tangible items such as furniture, machines, and equipment belonging to a business and those items not permanently attached to land or buildings. Personal property is classified as either agricultural, commercial, industrial, residential, or utility personal property.

In 1954, the Michigan Supreme Court ruled that the “assessed value” of property shall be the value placed upon the property by the local assessing officer. The Michigan Constitution requires that property be assessed uniformly at a rate not to exceed 50% of true cash value. In 1965, the Michigan Legislature set the assessment rate at 50% of true cash value, as authorized by the Constitution. The county and the state then equalize the assessed value. Equalization is needed to ensure that property owners in all parts of the county or school district pay their fair share of that unit’s taxes. Equalization provides that all similar properties are equally and uniformly assessed and serves to ensure that a school district, city, township, or village in which property is under assessed does not get more than its fair share of state aid.

**Property assessment is an annual, three-step process.** First, the local assessor determines the assessed value of property based on the condition of the property on December 31 of the previous year. Second, the board of commissioners in each county equalizes or applies an adjustment factor to the assessments of each city and township in which assessments are above or below the required level. Third, the State Tax Commission applies an adjustment factor to the assessments of a county when its assessments, after the county adjustments, still fail to meet the required level.

The Michigan Constitution requires uniform assessments and because, prior to 1981, some taxing jurisdictions had not assessed property at 50% of true cash value, counties and the state had equalized the assessment roll by multiplying the assessed value by a factor designed to bring the total assessed value of all real or personal property on the roll to 50% of true cash value. In carrying out this annual equalization process, it became apparent that among the six different classes of real property and five different classes of personal property, which local units combined for assessment and equalization purposes, some were being assessed at or near the 50% rate, while others were being assessed at a considerably lower rate. This meant that when the local unit of government combined the different classes to determine what rate was needed to bring the total assessed valuation of all property up to the prescribed 50% rate, those classes that were already at or near it would be carrying a greater tax burden than those classes that were at a lower rate.

The process of equalization is now done separately for personal property and for each class of real property within each of the assessing units and the counties. Therefore, if, within an assessing unit, a particular classification of real property, such as residential, has been



assessed at the proper percentage of true cash value, no equalization factor will be necessary. The 1981 equalization process was the first year in which the separate equalization by class was accomplished.

## **How Property is Assessed in Michigan—cont'd**

As a further step to encourage local assessors to assess property at 50% of its true cash value, 1981 PA 213 was enacted. This law has required a city or township, when its state equalized valuation exceeds its assessed valuation, to reduce its maximum authorized millage rate to produce the same amount of property tax dollars which would have been generated on the assessed valuation.

Furthermore, the law also requires that the local assessor send to each owner or person or persons listed on the assessment roll of the property a notice, by first-class mail, of an increase in the tentative state equalized valuation (SEV) or the tentative taxable value for the year. The tentative taxable value is the value used to calculate property taxes under the requirements of Proposal A. This notice must be sent at least fourteen days before the meeting of the local board of review, and it must specify each parcel of property, the tentative taxable value for the current year, and the taxable value for the immediately preceding year. The notice must also include the SEV for the immediately preceding year, the tentative SEV for the current year, the net change between the tentative SEV for the current year and the SEV for the immediately preceding year, the classification of the property, the inflation rate for the immediately preceding year, and a statement explaining the relationship between SEV and taxable value. The notice must also include a reminder that, if the owner purchased the principal residence after May 1 of the prior year, the owner must file a homeowner's principal residence exemption claim on or before May 1.

When looking at your property tax assessment, it is important to remember that property has been assessed on the basis of its usual selling price (true cash value). For tax purposes, property has traditionally been assessed at 50% of the true cash value and, on equalization, this resulted in the determination of the property's state equalized valuation (SEV). With the passage of Proposal A in March of 1994, however, the annual increase in a property's value for tax purposes, adjusted for all additions or losses, was capped at the rate of inflation or 5%, whichever is less. Taxable value is now the basis for the property tax assessment and, under 1998 PA 542, is the basis for special assessments that are levied on a millage rate basis.

Therefore, a property will have both an SEV and a taxable value. Assuming that your property's true cash value rises faster than the rate of inflation or 5%, whichever is less, over time the property's taxable value may grow at a rate that is significantly lower than the rate of growth of its SEV.

Although increases in taxable value were limited under Proposal A, the taxable value of property cannot decrease absent the property's suffering of a loss due to destruction, environmental contamination, etc. (MCL § 211.34d) or deflation as reflected by the consumer price index. The taxable value must increase by the rate of inflation (or decrease by the rate of deflation) regardless of whether or not the SEV remains the same or decreases, unless the SEV actually decreases to an amount less than the preceding year's taxable value multiplied by the inflation rate. At this point, the taxable value will decrease to the SEV, but no further. The inflation rate used to calculate 2012 taxable values is 2.7%.

When a property is transferred, however, the following year's SEV becomes the property's

taxable value. A transfer of ownership occurs when a title or present interest in the property is transferred by, but not limited to, conveyance by deed, land contract, trust, distribution under a will, and certain leases. Transfers of property from one spouse to the other spouse or from a decedent to a surviving spouse, among other exceptions, are not considered to be a transfer of ownership.

## **MTT Small Claims Appeal Form—page 2**

### **MTT Small Claims Appeal Form**

#### **Personal Property**

In Michigan, all business Personal Property is assessable. Personal Property is the tangible (physical) assets of a business. Some common examples are: office furniture, computers, and industrial machinery & equipment, copy & fax machines. Inventory of goods would not be considered Personal Property. Personal Property should not be confused with Real Property, which is the land and building.

Leasehold improvements are considered personal property and are therefore assessable. Leasehold improvements generally include trade fixtures and improvements of a real nature made to rented space by a tenant.

Leased equipment is assessable to the owner of the equipment. However, all businesses must report leased equipment on their annual Personal Property Statement.

All businesses must file a Personal Property Statement annually with the jurisdiction in which the property is located as of December 31 of the preceding year. The filing deadline is February 20. Personal Property statements are mailed to all businesses after January 1.

There is also the option to file electronically, also known as **e-file**. E-file authorization forms are sent to businesses each fall, and must be completed and sent back in order to file electronically. E-file authorization forms only need to be filed once, unless there is a change of ownership or location. The e-file deadline is also February 20.

The assessor is required to estimate a Personal Property assessment for each year for any business which does not file or file timely. Businesses which do not file or file timely forfeit their appeal rights to the Michigan Tax Tribunal for each year not filed. A penalty is also added to the assessment for each year not filed.

Any business moving to a new location, ceasing operations, or with a change in ownership must notify the Assessors Office.

A sample of the Personal Property Statement is located on the preceding pages.