

WHAT HAPPENS WHEN YOU PURCHASE A HOME?



WHEN A PROPERTY IS TRANSFERRED, THE FOLLOWING YEAR'S SEV BECOMES THAT YEAR'S TAXABLE VALUE (TV). THEREFORE, IF YOU PURCHASE PROPERTY, YOUR TAXABLE VALUE THE FOLLOWING YEAR WILL BE THE SAME AS YOUR SEV. THE TAXABLE VALUE WILL THEN BE "CAPPED" AGAIN IN THE SECOND YEAR FOLLOWING THE TRANSFER OF OWNERSHIP.

EXAMPLES

A: You purchased a new home.

Last year, you purchased a new home valued at \$200,000 (true cash value) with Assessed Value (AV) and State Equalized Value (SEV) both at \$100,000, and a Taxable Value (TV) of \$80,000.

A study of sales in the neighborhood shows true cash value of the value of the property has increased to \$220,000 for the current year.

Current Year:

Assessed value (AV) is (1/2 of \$220,000) is\$ 110,000
 SEV (tentative factor of 1.000) is\$ 110,000

Value is "uncapped" the following year an ownership transfer (sale) of a property, the Taxable Value will be the same as the State Equalized Value.

Taxable Value (TV) is\$110,000

B: You made no changes to your property.

Increased Assessed /SEV Value

Last year, your home valued at \$200,000 (true cash value) had a \$100,000 State Equalized Value (SEV), and a Taxable Value (TV) of \$80,000.

A study of sales in the neighborhood shows your property true cash value has increased to \$220,000 for the current year.

Current Year:

Assessed Value (AV) is \$ 110,000
 SEV (tentative) is \$ 110,000
 Capped Value (CV) is (80,000 x 1.023) \$ 81,840

Taxable Value, the lesser of SEV or CV, is \$ 81,840

Decreased Assessed /SEV Value

Last year, your home valued at \$200,000 (true cash value) had a \$100,000 State Equalized Value (SEV), and a Taxable Value (TV) of \$80,000.

A study of sales in the neighborhood shows your property true cash value has decreased to \$180,000 for the current year.

Current Year:

Assessed Value (AV) is \$ 90,000
SEV (tentative) is \$ 90,000
Capped Value (CV) is (80,000 x 1.023) \$ 81,840

Taxable Value, the lesser of SEV or CV, is \$ 81,840

C: You made no changes to your property.

Decreased Assessed /SEV Value

Last year, your home valued at \$200,000 (true cash value) had a \$100,000 State Equalized Value (SEV), and a Taxable Value (TV) of \$89,000.

A study of sales in the neighborhood shows your property true cash value has decreased to \$180,000 for the current year.

Current Year:

Assessed Value (AV) is \$ 90,000
SEV (tentative) is \$ 90,000
Capped Value (CV) is (89,000 x 1.023) \$ 91,047

Taxable Value, the lesser of SEV or CV, is \$ 90,000

D: You added a family room to your home.

Last year, your home valued at \$200,000 (true cash value) had a \$100,000 State Equalized Value (SEV), and a Taxable Value (TV) of \$80,000. You added a family room addition valued at \$40,000 (true cash value).

A study of sales in the neighborhood shows the true cash value of your property (with the addition) has increased to \$240,000 for the current year.

Current Year:

Assessed Value (AV) is \$120,000
SEV (tentative) is \$120,000
Capped Value (CV) is (80,000 x 1.023) + 20,000 (50% of \$40,000) \$101,840

Taxable Value, the lesser of SEV or CV, is \$101.840

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 CALCULATION OF PROPERTY TAXES.

INCREASES IN TAXABLE VALUE (AFTER 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 DOES NOT APPLY TO A PROPERTY IN THE YEAR FOLLOWING A TRANSFER OF OWNERSHIP (SALE).

WHAT IS ASSESSED VALUE?

THE MICHIGAN CONSTITUTION REQUIRES PROPERTY TO BE UNIFORMLY ASSESSED AT 50% OF THE USUAL SELLING PRICE, ALSO REFERRED AS TRUE CASH VALUE. EACH TAX YEAR THE ASSESSOR DETERMINES THE ASSESSED VALUE (AV) OF EACH PARCEL OF REAL PROPERTY BASED ON THE CONDITION OF THE PROPERTY AS OF DECEMBER 31 (TAX DAY) OF THE PREVIOUS YEAR.

WHAT IS STATE EQUALIZED VALUE (SEV)?

THE STATE EQUALIZED VALUE (SEV) IS THE ASSESSED VALUE AFTER ADJUSTMENTS BY COUNTY AND STATE EQUALIZATION.

THE COUNTY BOARD OF COMMISSIONERS AND THE STATE TAX COMMISSION REVIEWS THE LOCAL ASSESSMENTS AND ADJUSTS (EQUALIZE) THEM IF THEY ARE ABOVE OR BELOW THE 50% LEVEL OF ASSESSMENT.

WHAT IS “CAPPED VALUE”?

“CAPPED VALUE” (CV) IS DETERMINED WHEN THE PRIOR YEAR TAXABLE VALUE ADJUSTED FOR ADDITIONS AND/OR LOSSES, IS MULTIPLIED BY THE RATE OF INFLATION, AS GIVEN BY THE STATE OF MICHIGAN. THE MULTIPLIER CANNOT BE GREATER THAN 1.05.

THE CAPPED VALUE LIMIT DOES NOT APPLY IF YOU PURCHASED YOUR HOME LAST YEAR.

<u>CAPPED VALUE</u> = (PRIOR TV – LOSSES) X (1 + CPI*) + ADDITIONS

*PERCENT OF CHANGE IN CPI OR 5% WHICHEVER IS LESS, AS MULTIPLIER

WHAT IS TAXABLE VALUE?

TAXABLE VALUE (TV) IS THE LESSER OF SEV OR CV UNLESS THE PROPERTY HAS HAD A TRANSFER OF OWNERSHIP.