Property Assessment and Taxation

An informational presentation brought to you by the City of Grand Ledge Assessing Department.

City of Grand Ledge

How Does Proposal "A" Affect Me?

Proposal "A" Before and After

BEFORE 1994	AFTER 1994
Property taxes calculated using the Assessed Value	Property taxes calculated using the Taxable Value
Taxes could increase annually as much as the property's value increased.	Capped the amount the taxable value could increase, therefore limiting tax increases.
School operating millage uniformly applied to all properties.	Removed school operating tax for certain properties.
Same type properties paid the same in property taxes.	In some cases, similar properties do not pay the same taxes.

What is the Purpose of Proposal "A"?

- To generally limit increases in the property taxes on a parcel of property by capping the amount the taxable value may increase annually.
- Provided a valid transfer of ownership has not taken place, Proposal A limited the amount a property's taxable value can increase to 5% or the rate of inflation whichever is LESS. This proposal was adopted into the Michigan Constitution effective February 1, 1994 and taxation has been conducted as such since that date.

Additional Proposal Results

- Increased sales tax from 4% to 6% while exempting school operating millage from uniform taxation requirements, therefore creating the Principal Residence Exemption (PRE), exempting homeowners from local school operating millage taxation.
- A residential property in Michigan is exempt from school operating taxes in their school district provided the property is the principal residence.

How are Assessed Values Determined?

COUNTY SALES STUDY
USES ALL VALID SALES IN CITY
ASSESSED VALUE SHOULD BE 50% OF MARKET VALUE

ASSESSED VALUE	SALE PRICE	RATIO
50,000 (100,000)	100,000	50.00
76,000 (152,000)	140,000	54.28
86,500 (173,000)	168,000	51.48
85,300 (170,600)	175,000	48.74
64,500 (129,000)	136,300	47.32
92,600 (185,200)	160,000	57.87
96,900 (193,800)	185,000	52.37
90,200 (180,400)	175,000	51.54
642,000	1,239,300	51.80

50.00% / 51.80% = 3.6% DECREASE

- Grand Ledge can give an across the board assessed value decrease of 3.6% OR treat each neighborhood independently, adjusting values based on neighborhood sales data.
- Grand Ledge chooses to value each neighborhood separately and not use the across the board method.
- Some neighborhoods may decease 8%, some may increase 3%, but in the end the total City Residential value can not decrease more then 3.6%.

For Analysis' after 2008

Unlike previous years, Assessors were given the option of using foreclosure sales IF the following criteria were met:

1. Sale was not from one financial institution to another.
2. Sale must be an "open-market transaction", meaning the property was listed, and exposed to the general real estate market.
3. Sale was verified by local assessing authority and a physical inspection was conducted to determine the assessment reflects the condition of the property at the time of sale.

Neighborhood Sales Studies

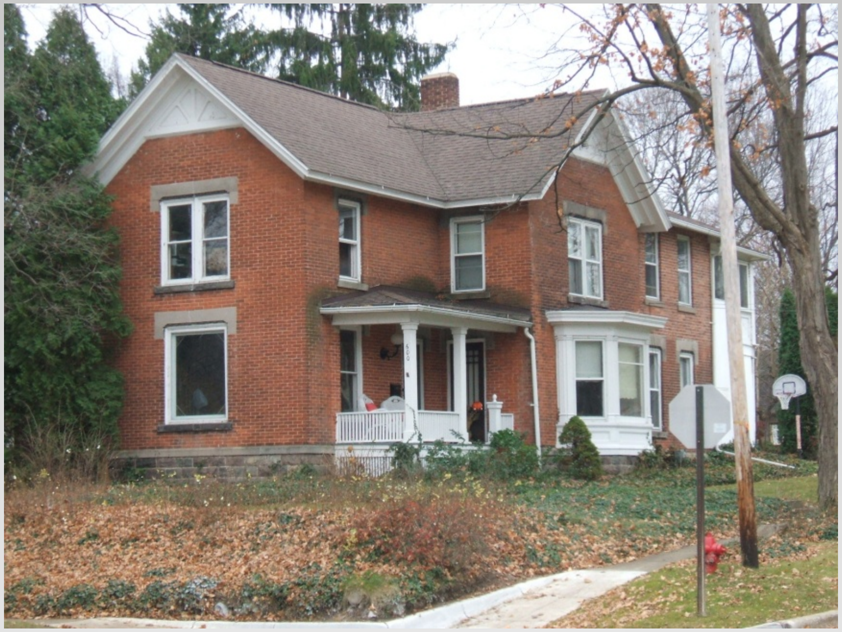
NEIGHBORHOOD "A"

VALID SALES OCCURING SEPTEMBER 2008 THRU OCTOBER 2009

ASSESSED VALUE		SALE PRICE	RATIO
50,000	(100,000)	100,000	50.00
65,000	(130,000)	155,000	41.93
86,500	(173,000)	181,200	47.73
75,600	(151,200)	155,000	48.77
277,100		591,200	46.87

50.00% / 46.87% = 6.6% increase for Neighborhood "A"

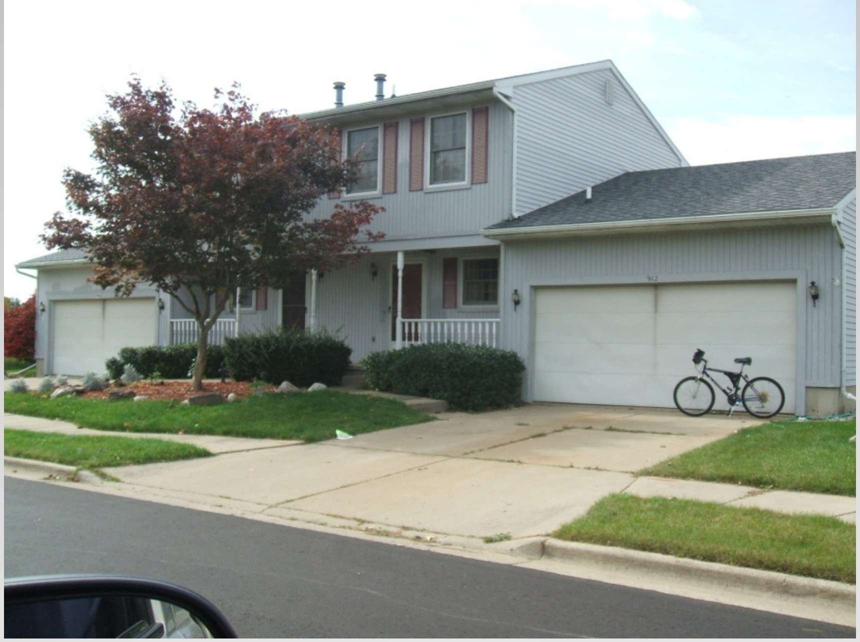
600 E. Jefferson



Sale Date: 4/2009
Sale Price: $175,000

Assessed Value at Time of Sale: $80,700
Estimated TCV at Time of Sale: $161,400

910 Registry Drive



Sale Date: 7/2009
Sale Price: $175,000

Assessed Value at Time of Sale: $67,970
Estimated TCV at Time of Sale: $135,940

406 E. Jefferson

Sale Date: 12/2008
Sale Price: $206,000

Assessed Value at Time of Sale: $90,940
Estimated TCV at Time of Sale: $181,880

NEIGHBORHOOD "B"

ASSESSED VALUE		SALE PRICE	RATIO
50,000	(100,000)	100,000	50.00
85,000	(170,000)	162,000	52.46
76,800	(153,600)	149,500	51.37
93,200	(186,400)	179,800	51.83
305,000		591,300	51.58

50.00 / 51.58 = 3.1% decrease for Neighborhood "B"

Example of Declining Market Sale Price

ACTUAL PROPERTY SALE

ORIGINAL ASKING PRICE	$184,000
SOLD	$165,000
DIFFERENCE IN ASKING/SALE PRICE	-$19,000

OWNER VIEW OF SALE: THE MARKET HAS DROPPED SIGNIFICANTLY BASED ON THE ASKING VS. FINAL SELLING PRICE

CITY VIEW AS USED IN SALE STUDY: THOUGH THE FINAL SELLING PRICE WAS $165K, THE CITY ASSESSED VALUE WAS 78,700 (OR $157,400 TRUE CASH VALUE). BECAUSE THE HOME SOLD FOR HIGHER THAN THE CITY'S VALUE, IT WOULD INDICATED THE VALUE SHOULD BE INCREASED, EVEN THOUGH IN THE MIND OF THE TAXPAYER, THE VALUE SHOULD HAVE DECREASED.

50.00% / 46.87% = 6.6% increase for Neighborhood “A”

50.00 / 51.58 = 3.1% decrease for Neighborhood “B”

All added together should equal the county recommended 3.6% decrease.

“Following Sales”

- “Following sales” is described in the STC Assessor’s Manual as the practice of ignoring the assessments of properties which HAVE NOT RECENTLY SOLD while making significant changes to properties which HAVE RECENTLY SOLD.
- “Following sales” can also be described as the practice of assessing properties which HAVE RECENTLY SOLD significantly different from properties which HAVE NOT RECENTLY SOLD.

" Following Sales"

- Article IX, Section 3 of the State Constitution states that "The legislature shall provide for UNIFORM general ad valorem taxation of real and tangible personal property…"
- Section 27(5) of the General Property Tax Act states the following:

  "In determining true cash value of transferred property, an assessing officer shall assess that property using the same valuation method used to value all other property of that same classification in the assessing jurisdiction."
- The State Tax Commission, in a letter to the State's Assessors, reminds Assessors the practice of following sales is "**UNCONSTITUTIONAL AND ILLEGAL**".

How are Taxable Values Determined?

- The Taxable Value on each property will increase the rate of inflation (not to exceed 5%) each year, even if the Assessed Value (and thus True Cash Value) decreases.

- The Taxable Value cannot exceed the Assessed Value, therefore only in the event that these values are the same will a reduction of the Assessed Value result in a Taxable Value, and therefore property tax, reduction.

The General Property Tax Act Act 206

Section 27a.

2) For taxes levied in 1995 and for each year after 1995, the taxable value of each parcel of property ***IS*** the lesser of the following:

a) The property's value in the immediately preceding year minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus all additions. For taxes levied in 1995, the property's taxable value in the immediately preceding year is the property's state equalized valuation in 1994.

Article IX § 3
Section 3

The legislature shall provide for the uniform and general ad valorem taxation of real and tangible personal property not exempt by law except for taxes levied for school operating purposes. The legislature shall provide for the determination of true cash value of such property; the proportion of true cash value at which such property shall be uniformly assessed, which shall not, after January 1, 1966, exceed 50 percent; and for a system of equalization of assessments. 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.

The General Property Tax Act Act 206

Section 34d.

1f) "General price level" means the annual average of the 12 monthly values for the United States consumer price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

1l) "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.

NON-SALE

TAXABLE VALUE CALCULATIONS

	PREVIOUS ASSESSED VALUE	% INC/ DECR	NEW ASSESSED VALUE	ASSESSED VALUE DIF	PREVIOUS TAXABLE VALUE	RATE OF INFLATION	NEW TAXABLE VALUE	TAXABLE VALUE DIF
1994	50,000		50,000	-0-	50,000	----	50,000	-0-
1995	50,000	5%	52,500	2,500	50,000	2.6%	51,300	1,300
1996	52,500	7%	56,200	3,700	51,300	2.8%	52,736	1,436
1997	56,200	4%	58,500	2,300	52,736	2.8%	54,212	1,476
1998	58,500	5%	61,400	2,900	54,212	2.7%	55,675	1,463
1999	61,400	6%	65,100	3,700	55,675	1.6%	56,565	890
2000	65,100	4%	67,700	2,600	56,565	1.9%	57,639	1,964
2001	67,700	8%	73,100	5,400	57,639	3.2%	59,483	1,844
2002	73,100	4%	76,000	2,900	59,483	3.2%	61,386	1,903
2003	76,000	6%	80,600	4,600	61,386	1.5%	62,306	920
2004	80,600	3%	83,100	2,500	62,306	2.3%	63,739	1,433
2005	83,100	4%	86,400	3,300	63,739	2.3%	65,204	1,465
2006	86,400	0%**	86,400	-0-	65,204	3.3%	67,355	2,151
2007	86,400	3%	89,000	2,600	67,355	3.7%	69,847	2,492
2008	89,000	(-5%)	84,500	(-4,500)	69,847	2.3%	71,453	1,606

Difference between the assessed value and taxable value is 13,047.

Results in a tax savings of:

Grand Ledge School District $450

SALE

TAXABLE VALUE CALCULATIONS

	PREVIOUS ASSESSED VALUE	% INC/ DECR	NEW ASSESSED VALUE	ASSESSED VALUE DIF	PREVIOUS TAXABLE VALUE	RATE OF INFLATION	NEW TAXABLE VALUE	TAXABLE VALUE DIF
1994	50,000		50,000	-0-	50,000	----	50,000	-0-
1995	50,000	5%	52,500	2,500	50,000	2.6%	51,300	1,300
1996	52,500	7%	56,200	3,700	51,300	2.8%	52,736	1,436
1997	56,200	4%	58,500	2,300	52,736	2.8%	54,212	1,476
1998	58,500	5%	61,400	2,900	54,212	2.7%	55,675	1,463
1999	61,400	6%	65,100	3,700	55,675	1.6%	56,565	890
2000	65,100	4%	67,700	2,600	56,565	1.9%	57,639	1,964
2001	67,700	8%	73,100	5,400	57,639	3.2%	59,483	1,844
2002	73,100	4%	76,000	2,900	59,483	3.2%	61,386	1,903
2003	76,000	6%	80,600	4,600	61,386	1.5%	62,306	920
2004	80,600	3%	83,100	2,500	62,306	2.3%	63,739	1,433
2005	83,100	4%	86,400	3,300	63,739	2.3%	65,204	1,465
2006	86,400	0%**	86,400	-0-	65,204	3.3%	67,355	2,151
****sold in 2006****								
2007	86,400	3%	89,000	2,600	67,355	3.7%	89,000	21,645
2008	89,000	(-5%)	84,500	(-4,500)	89,000	2.3%	91,047	2,047

**** 2008 taxable value capped at 84,500 ****

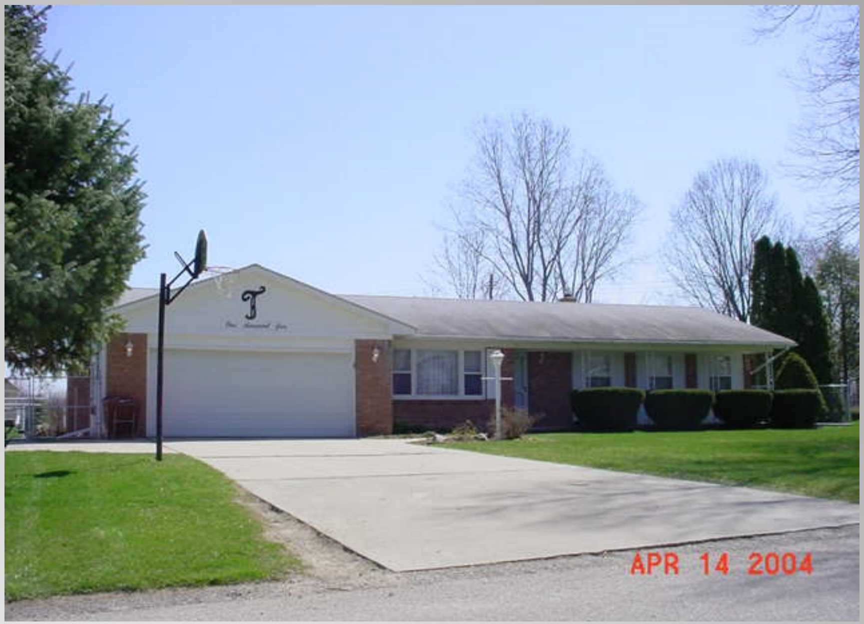
Assessed vs. Taxable Value

2009 Assessed Value: $77,500
2009 Taxable Value: $77,500
Last transfer of ownership 11/2008,
therefore values were uncapped for 2009.

2009 Total Taxes: $3,220

2009 Assessed Value: $77,300
2009 Taxable Value: $62,618
Last transfer of ownership 1/2003
therefore values are separated.

2009 Total Taxes: $2,612



2009 Assessed Value: $75,000
2009 Taxable Value: $75,000
Last transfer of ownership 05/2008, therefore values were uncapped for 2009.

2009 Total Taxes: $3,002

2009 Assessed Value: $77,600
2009 Taxable Value: $60,768
Last transfer of ownership 12/1989, therefore values are separated.

2009 Total Taxes: $2,125

2009 Assessed Value: $74,800
2009 Taxable Value: $74,800
Last transfer of ownership 8/2008, therefore values are uncapped for 2009.

2009 Assessed Value: $75,600
2009 Taxable Value: $61,279
Last transfer of ownership 1/1986, therefore values are separated.

2009 Total Taxes: $2,810

2009 Total Taxes: $2,518

How Do I Best Prepare an Appeal for the Board of Review?

City of Grand Ledge Board of Review

Q: Who is on the Board of Review?

A: The BOR consists of three City residents appointed by the Board of Directors.

Q: What is the function of the Board of Review?

A: The March Board of Review sessions are for:

1) Property value appeals
2) Property classification appeals
3) Poverty Exemption requests

Q: What type of documentation should I present as proof of value?

A: Examples of such documentation are:

1) Recent sale of property
2) Neighborhood sales of property comparable to yours that took place within a three year time period.
3)Recent real estate appraisal of property

Items for Consideration:

- **Burden of proof is on the taxpayer**; be prepared to support your value contention.
- **The Board of Review cannot adjust your tax bill**; the review board ONLY deals with the value of your property. You must have a supported value in mind.

- **A reduction in your assessed value by the Board of Review will not always result in a reduction of your property taxes.** For example:

2008 Assessed Value: 75,000
2008 Taxable Value: 62,000*

The Board of Review agrees based on the evidence presented to reduce the assessed value of this property to $68,000. This is a $14,000 reduction of the property’s True Cash Value. As the Taxable Value of this property is $62,000, and therefore still less than the Assessed Value, the original Taxable Value remains the same, and NO PROPERTY TAX REDUCTION WILL OCCUR.

**this is the amount you pay taxes on, NOT the assessed value.*

- **Board of Review decisions may be appealed to the Michigan Tax Tribunal until July 31, 2009.**

- **Commercial and Industrial classed properties do not need appeal to the Board of Review as they may appeal directly to the Michigan Tax Tribunal. It is however, recommended these cases do utilize the BOR to hopefully resolve any valuation disputes.**