

??? Property Taxes ???

I originally created this memo for a prior assessment year. It received favorable review and is still largely pertinent today. I have made some minor changes that address the current assessment cycle...

The 2011 Assessment Change Notices are out. So what do they mean, anyway? Information about each parcel is maintained and updated annually. The following details are located on the change notice: Owner Name and Address, Property address, Parcel ID No., Legal Description, Property Classification, Transfer information, Exemption status, Consumer Price Index and most notably, the Assessed Value (AV), State Equalized Value (SEV) and Taxable Value (TV).

Most attention is typically directed to the AV/SEV and TVs, and in this economy, taxpayers are bee-lining toward this information. Again, what does it all mean-- in "laymen's" terms?

The most concise explanation of these terms was delivered to me years ago, and for the sake of brevity, it's the best there is: Assessed Value represents half of market value. This is the value as determined by the assessor. If the State agrees with this figure, the SEV will be the same as the AV. The Taxable Value is what the millage is levied against.

In 1994, the voters of Michigan adopted Proposal A. This is the basis for our property tax structure today. While the sales tax increased from 4% to 6%, some "safety mechanisms" were built into the property tax structure. No longer were taxes levied upon the "market value" of a property—which could shift radically (usually increasing) from one year to the next. Instead, 'caps' were instituted which limited our annual (taxable value) increases to the Consumer Price Index (CPI) or 5%, *whichever is less*. Since Proposal A was implemented, the market values of properties have risen dramatically when compared to the CPI increases. So the system still affords some savings. This is readily apparent to those who have owned their property since the implementation of Proposal A. The disparity between the AV and the TV are greatest in these circumstances. The safety mechanism built into the system is...the TV can NEVER be more than the AV. However, the system is rigid in its calculation methodology...as long as there is "room" for the Taxable Value to rise, it will. This explains the question, "Why are my taxes going up if my assessment is going down?" CPI for 2011 is 1.7%.

Many properties experienced a change in classification for the 2011 year. This was a matter of "housekeeping". All of the townships within Grand Traverse County adopted standardized classification codes this year. This was done to assist the County Equalization Department in processing our data.

Those who wish to contest their assessment should first contact their local assessor to be certain there aren't any errors in the property record card. Most assessors are happy to lend some assistance in this regard.

Assessments can be appealed annually at the March Board of Review. This is a three member panel of your 'peers'—that is, property owners within your township. A successful appeal to the MBOR is dependent upon an understanding of how assessed values are generated, namely the sales study period time frame. Assessments are based upon an analysis of sales, in your township, over a specific period of time. The sales study period for 2011 is October 1, 2009 through September 30, 2010. If you believe an assessed value is too high, **provide sales evidence to the contrary**—within the statutory time frame. That is the foundation to a successful appeal. Remember, it is *interesting* to know how long your neighbor's property has been on the market or how much the asking price has been reduced. It is *insightful* to know what the house down the street sold for *last week*. A current appraisal may give *testimony* to today's economy. Many homes are *on* the market and the nationwide statistics are sobering. However, these are not the informative gauges upon which assessments are generated. Most important is the fact that an assessor cannot simply halve a recent sale price and consider that an accurate assessment. As a matter of fact, that is an illegal practice (typically referred to as "following sales") and does not formulate uniform assessments. See State Tax Commission Bulletin Number 19 of 1997 for more information on that topic at the MI Dept of Treasury website, noted below.

Be aware that a successful appeal to your assessed value may have no corresponding impact on your taxes. Again, the millage is applied against the taxable value. Unless the AV is reduced to some value *below* your current TV, your taxes will remain unchanged.

This information, clearly, is not an in depth analysis of our property tax system. It is provided to you as a simple overview of the process. If you would like additional information, please visit our Peninsula Township website at www.peninsulatownship.com, the Michigan Department of Treasury website at <http://www.michigan.gov/taxes/0,1607,7-238-43535-207881--,00.html> or contact the township assessor, Sally Akerley, at 231.223.7313 or assessor@peninsulatownship.com

---Sally Akerley, MAAO