PROPOSAL A INFORMATION

Property Tax Revisions Due to Proposal A (P.A. 415 of 1994)

Beginning in 1995 a new value was introduced to the property tax system. This value was termed taxable value. Prior to 1995 property taxes were based on the state equalized value (S.E.V.), which represented the assessor's estimate of 50% of a property's market value. As of 1995, the taxable value is now the basis for the calculation of property taxes. Before the implementation of Proposal A, a property tax bill would increase or decrease in direct proportion to the change of the state equalized value. For example, if a property's state equalized value increased 10%, one could expect that the next tax bill would be 10% greater than the previous year's amount. Now, the taxable value has replaced the S.E.V. in property tax computation. The annual increase of tax is limited due to the method by which the taxable value is calculated. Proposal A mandates that the taxable value is to be determined as follows:

TV = Previous year's taxable value - losses x CPI + additions

TV = Taxable Value
CPI = Consumer Price Index

The taxable value calculation is made annually, independent to the change of the state equalized value. Proposal A implicitly requires that the Consumer Price Index shall not exceed 5% in any one year, and the taxable value shall not exceed the state equalized value. These restrictions effectively place a "cap" or limit to the annual increase of property taxes. The determination of the taxable value will only vary in the year following a property transfer (see property transfer below) or if new construction has occurred. Past Consumer Price Indexes are as follows:

Year	C.P.I.
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%
1995	2.6%

State Equalized Value

The annual determination of a property's state equalized value follows the same procedure as that prior to Proposal A. County and state equalization continues to follow the previous methods of measuring a local unit's level of assessments. The assessor must still estimate each property's market value and use 50% of that amount as the assessed/ state equalized values. There is no cap or limit to the amount that the S.E.V. can change in any year. As long as a property remains in the same ownership, the S.E.V. is irrelevant when property tax bills are calculated with the exception of ad-valorem based special assessments.

Property Transfer

The year following a sale or transfer of ownership of real estate, the transferred property's state equalized value becomes relevant. When a transfer of ownership occurs statutes require the removing of the value cap and the adjustment of the taxable value to that of the following year's state equalized value. This means that the taxable value will equal the state equalized value in the year following the transfer of ownership. It is important to note that the assessor does not utilize 50% of the property's selling price as the new SEV. This is the most common misconception regarding the uncapping of taxable values. The following year's SEV is determined by the same method as if it had not transferred.

Principle Residence & Qualified Agricultural Property

Property owners may declare their principal residence as a Principle Residence and exempt the property from 18 mills of school operating tax. In order to qualify as a Principle Residence property, the property must be occupied as a Principle Residence by May 1 of the first year claimed. Partial Principle Residence exemptions are also available for multi-family dwellings. The 18-mill school operating tax exemption also extends to agricultural classed property. Non-agricultural classed property devoted primarily to agricultural uses may also be eligible for the exemption. Please contact the assessor's office for additional information regarding Principle Residence and qualified agricultural exemptions.

Additional Proposal A Facts

Principle Residence and agricultural property is exempt from 18 mills of school operating tax. The Michigan sales tax was increased from 4% to 6%. The State of Michigan now levies 6 mills (state education tax). In all cases the SEV and taxable value are equal for personal property. Purchasers of real estate must file additional forms with the assessor. The Michigan Department of Treasury administers the Principle Residence program, including audits. Local participation is needed for proper administration.