

HOW DO PROPERTY TAXES WORK IN MICHIGAN

Property taxes can be confusing, even for those of us that deal with them everyday! Here's a brief and simple breakdown of the process.

In 1994, Michigan voters approved the constitutional amendment known as Proposal A. A term known as "**Taxable Value**" was created as a part of this legislation. The intent of Proposal A was to contain or limit how fast the value used to calculate taxes could increase in any given year. Your **taxable value** is only allowed to increase by the rate of inflation, or 5%, whichever is less.

The **Assessed Value** or **SEV** is the "**state equalized value**" of your home as determined by the Assessor's Office. This number is calculated by looking at recent sales trends in the area. It is usually a vague, but reasonably accurate figure for an average house in the area. Unlike "**taxable value**", this number has no cap, it will go up and down just as the market does.

For example, let's say the township has decided your home is worth \$100,000, (true cash value), so your **SEV** or **State Equalized Value** is 50% of your True Cash value, so in this demonstration your **SEV** would be \$50,000. For this hypothetical let's say this is your first year at this house. In that case, your **taxable value** would also be \$50,000. (When there is a transfer of ownership, the **SEV** and **Taxable Value** will match. The assessor must "uncap", the taxable value when a home sells).

So now that we have your **taxable value**, which is the actual value you will be taxed on, lets talk dollars and cents.

Each municipality has a millage rate. This rate includes monies for the schools, monies for the township, for the county, etc. Each school district with-in the township will have a separate millage rate, and there is also a separate millage rate for principal residences vs. second/investment homes (non- principal residences).

Now, your millage rate is the dollars per thousand you pay in property taxes based off of your taxable value. Let's say the total millage rate is 25 (ISD, Library, 911, etc.) and calculate your yearly taxes.

$$\begin{aligned} \$50,000 \text{ (taxable value)} / \$1,000 &= 50 \\ 50 \times 25 \text{ (millage rate)} &= \$1,250 \end{aligned}$$

You can also use the County Tax Calculator (which knows all the millage rates) to calculate your property taxes at the following link; which is also available on the township website, bainbridgetownship.org

https://berriencounty.org/inside.php?action=property_tax&dept=8

Taxable Value

Yes, Your Property Taxes CAN go up when your property value goes down.

In a slowed real estate market your SEV may go down, but your taxable value, which is already lower than your SEV, will not, it will go up 5% or the rate of inflation, whichever is lower. Your taxes will not go down until your SEV drops to the level of your taxable value.

So, if values in the area went up 20%, but the inflation rate for that year was 1.016, we can not raise you any more than 1.016. You're SEV will still go up the full amount, but your taxable will only go up the rate of inflation. This is where your SEV and Taxable begin to not match up. However, anytime there is a deed transfer, the cap is removed, and the properties Taxable value is reassigned to the SEV value. So here is a scenario;

Its now your 2nd year in your house. Home values have been going up, now your house is valued at \$120,000!! The tax assessment you received in the mail will read an SEV of \$60,000, but the inflation rate multiplier this year is 1.016, so your taxable value reads \$50,800 and you are only taxed on that \$50,800. Now, if you had made any improvements to your property that year, the improvements will add to the taxable value in addition to the inflation rate. These improvements will also be reflected in your SEV. Remember that the SEV has nothing to do with how much tax you pay, it can sky rocket to \$ 1 million and it does NOT cost you any more in tax.

Appealing your Taxes

If you do feel you are unfairly assessed, call the Assessor, any concerns might be resolved over the phone, otherwise the time to appeal is in March. Your assessment notice enclosed, is laying out what you will be assessed at for the next year. That statement will tell you the appeal procedure and dates for an appeal. Please note, your assessed value is 50% of the True Cash value of your home on December 31st of the previous year.