

2021

Property Tax Information and Proposal “A”



Assessor's Office
West Bloomfield Township
4550 Walnut Lake Road
(248) 451-4850
www.wbtownship.org

Hours
Monday – Friday
8:00am – 4:30pm

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 State Equalized Value (SEV).

Proposal “A” established “Taxable Value” (TV) as the basis for the calculation of property taxes.

Increases in Taxable Value (TV) are limited to the percent of change in the rate of inflation or 5%, whichever is less, as long as there were no losses or additions to the property. The limit on TV does not apply to a property in the year following a transfer of ownership (sale).

What is Assessed Value?

The Michigan Constitution requires that property be uniformly assessed and not exceed 50% of the usual selling price, often referred to as True Cash Value. Each tax year, the local 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 Taxable Value?

Except when there is a transfer of ownership in the prior year, Taxable Value for a parcel of property is the **LOWER** of the *State Equalized Value* for the parcel or the *Capped Value* for the parcel.

What is State Equalized Value?

The State Equalized Value (SEV) is the Assessed Value as adjusted following county and state equalization. The County Board of Commissioners and State Tax Commission must review local assessment jurisdictions and adjust (equalize) them so that they do not exceed 50%.

What is Capped Value?

“Capped Value” is the value established when the TV of the prior year, with adjustments for additions and losses, is multiplied by the Inflation Rate Multiplier (IRM). The multiplier is capped and cannot be greater than 1.05 (1 + 5%). It represents the change in the rate of inflation during the previous year. The final product is Capped Value (CV).

Capped Value= (Prior TV- Losses) X (IRM)* + Additions

*Percent of change is the rate of inflation or 5% whichever is less, expressed as a multiplier

How are Property Values Determined?

Market sale transactions for real property are used by Michigan assessors to compare assessed values (AV) with the actual sale prices (market values) for those same properties. Market value can be defined as the most probable selling price, as of a specific date, where both buyer and seller are knowledgeable and neither is under duress.

The average ratio between the AV and the sale price should be 50%. Since the market for real estate constantly changes, the average ratio actually found will usually not be 50%. Local assessors are required to re-establish the 50% ratio on an annual basis.

What happens when you purchase a home?

When a property, or interest in a property, is transferred, the following year's State Equalized value (SEV) becomes that year's Taxable Value (TV). In other words, if you purchase property, your Taxable Value for the following year will be the same as the SEV. The Taxable Value will then be “capped” for the second year following the transfer of ownership.

What sales information is used in determining assessments?

A 24 month sales study is performed in order to determine property assessments. The timeframe of the sales study, determined by the State Tax Commission, is detailed below for this year:

2 Year Sales Study
Shall be used in increasing markets

2 Year Sales Study Timeframe
April 1, 2018 TO March 31, 2020

What is a Principal Residence Exemption?

If you own and occupy your home as your principal residence, it may be exempt from a portion of local school operating taxes. On your "Notice of Assessment", review your percentage of principal residence exemption.

To claim an exemption for the current year, you must own and occupy your home and file a "PRE Affidavit" with your city or township by June 1 for the immediately succeeding summer tax levy and all subsequent tax levies or by November 1 for the immediately succeeding winter tax levy and all subsequent tax levies.

How are Property Taxes Calculated?

Property Taxes= Taxable Value X Millage Rate/1,000

*The Inflation Rate Multiplier is determined annually by the State Tax Commission. A 1.014 multiplier (1.4% increase) has been used for the following examples.

Example 1 - You purchased a home

Last year, you purchased a new home valued at \$250,000 (true cash value) with a \$125,000 Assessed Value and State equalized Value, and a Taxable Value of \$90,000.

A study of sales in the neighborhood shows the property has increased in value to \$260,000.

Current Year:
Assessed Value is \$130,000
(½ of \$260,000)
SEV (tentative) is \$130,000

Because the sale removed the "Capped Value", the Taxable Value is the same as the Assessed Value.

Taxable Value is \$130,000

Example 2 – No physical changes made to the property.

Last year, your home valued at \$250,000 (true cash value) had a \$125,000 State Equalized Value (SEV), and a Taxable Value of \$90,000.

A study of sales in the neighborhood shows your property has increased in value to \$265,000.

Current Year:
Assessed Value is \$132,500
SEV (tentative) is \$132,500
Capped Value is \$91,260
(\$90,000 x 1.014) *
Taxable Value is the lesser of AV or CV

Taxable Value is \$91,260

*Inflation Rate Multiplier is determined each year by the State Tax Commission. The 2021 rate of 1.014 (1.4%) is used in the examples.

Example 3 –You put an addition on your home.

Last year, your home valued at \$240,000 (true cash value) had a \$120,000 SEV, and a Taxable Value of \$90,000. You added a family room (addition) valued at \$50,000.

A study of sales in the neighborhood shows your property including the addition has increased in value to \$304,400.

Assessed Value
2020 \$120,000
Mkt. Adjust \$7,200
Addition \$25,000*
2021 \$152,200

Taxable Value
2020 \$90,000
\$91,260 (1.4% IRM)
\$25,000*
2021 \$116,260

*The market value of the addition is \$50,000. 50% of the value, which is \$25,000, is added to Assessed Value and Taxable Value.

The 2020 Assessed Value of \$120,000 has a market adjustment of \$7,200. It is then increased by \$25,000 for a total assessment of \$152,200. The market value is \$304,400.

The 2020 Taxable Value of \$90,000 is increased by the Inflation Rate Multiplier 1.4%, then 50% of the improvement value, \$25,000 is added, for a total 2021 Taxable Value of \$116,260.

Revised 1/21/21