



## Understanding Proposal A in a declining Market.



What is My house worth as of December 31, 2010?

### Proposal A

On March 15, 1994 Michigan voters approved the constitutional amendment known as Proposal A.

Proposal A was designed to limit the growth in property taxes by the Consumer price index (CPI) until ownership of the property is transferred.

### How it Works

Prior to Proposal A, property taxes were based upon State Equalized Value (SEV). With the implementation of Proposal A, taxes are now based upon the Taxable Value.

Each year the Assessing Department must calculate the SEV for every property based upon the time frame as outlined by the State Tax Commission. A property's taxable status is determined as of December 31, which is called Tax Day.

Additionally, each property has a Capped Value, which is calculated by reducing the prior year's Taxable Value by any losses, multiplying by the CPI,

then adding any new construction. By state law, the CPI used in this calculation cannot exceed 5%. **For 2011, the CPI has been calculated at +1.7% (the CPI multiplier is 1.017). The CPI is developed by the US Department of Labor, Bureau of Statistics. The local Assessor has no control over the CPI %.**

Taxable Value (TV), which property taxes are based on, is defined as the lower of the (SEV) or capped value (CV).

**Generally speaking, for 2011 this means that unless the current year SEV is less than the previous year TV multiplied by the CPI, the current year TV will increase by 1.7%.**

### The Equalization Timetable

With significant evidence of declining market values, the Macomb County Equalization Department has allowed the

City of Roseville to consider a 12 month sales study to determine values for the 2011 assessment cycle.

**For 2011 assessments, the 12 month sales study begins October 1, 2009 and ends September 30, 2010.**

Use of a 12 month study allows 2011 assessments to more accurately reflect current market conditions; however, the limited number of current sales also means that many areas of the city have limited data for the Assessor to use when calculating current assessments. It may be necessary for the Assessor to expand areas for reviewing neighborhood analysis or to estimate market changes based upon area trends.

### Why isn't my Assessment half of my purchase price?

The law defines True Cash Value as the usual selling price of a property. The Legislature and Courts have very clearly stated that the actual selling price of a property is not a controlling factor in the True Cash Value or SEV as calculated by the Assessor. For this reason when analyzing sales for the purpose of determining assessment changes, the Assessing Office will review all sales, but exclude non representative sales from the assessment analysis.

### Foreclosure Sales

Inherent in the definition of

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"usual selling price" is the assumption that the sale price does not involve any element of distress from either party, and that there are not any severe maintenance issues.

For this reason, all distressed sales, such as **mortgage foreclosures** or sales involving transfers to or from relocation companies, and properties with many maintenance issues are under closer scrutiny to decide if they should be included in the study of property for assessment purposes. These types of sales are not reliable indicators of value when making market comparisons for current assessed values or appeals.

**SEV = 50% of true cash value.**

**2011 Capped Value (CV) = (2010 TV-losses) x (CPI\*) + additions**

**\*percent of change in the rate of inflation or 5%, whichever is less, expressed as a multiplier. (+1.7% expressed as a multiplier is .1.017)**

**Taxable Value =**

**The lesser of SEV or CV, unless there is a transfer of ownership**

## Transfers of Ownership and Uncapping of Assessments

According to Proposal A, when a property (or interest in a property) is transferred, the following year's SEV becomes that year's Taxable Value. Example: if you purchased a property in 2010 the Taxable Value for 2011 will be the same as the 2011 SEV. The Taxable Value will be "capped" again in the year following the uncapping.

It is the responsibility of the new owner to file a Property Transfer Affidavit (PTA) with the Assessor's Office within 45 days of the transfer. Failure to file a PTA will result in a penalty of \$5 per day for each day after the 45 day period with a maximum penalty of \$200. PTA forms are available at the City of Roseville Assessor's Office, or on our website: [www.roseville-mi.gov](http://www.roseville-mi.gov)

**Again, it is important to note that a property does not uncap to half of the selling price, but to the SEV in the year following the transfer of ownership.**

### Principal Residence Exemption (PRE)

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

If the percentage exempt as "principal residence" is 0% on your assessment notice and you wish to claim an exemption for the current year, a PRE Affidavit must be completed and filed with the Assessor's office. You must have been an owner and you also must have occupied the property by May 1, 2011 to qualify for the exemption for the 2011 tax year,

Furthermore, if you currently have a PRE on your property and you no longer own and occupy the property as your primary residence, you must rescind the PRE with the Assessor's Office.

Forms to claim a new exemption or to rescind a current exemption are available at the City of Roseville Assessor's Office and also on our website: [www.roseville-mi.gov](http://www.roseville-mi.gov)

Michigan home owners who have purchased

a new home in Michigan where they are claiming a new PRE, may claim a Conditional PRE on their previous home. The Conditional PRE can be filed at the Assessor's office if all of the following apply: 1) You still own the home. 2) The home had a PRE prior to your move. 3) The home is for sale. 4) The home is vacant.

### How can I expect my assessment to change in 2011?

As stated in the Equalization Timetable, for 2011 the time period of the sales study for assessment review is October 1, 2009 through September 30, 2010. Sales occurring on or after October 1, 2010 will not be used in the studies until the 2012 assessment cycle.

Using more current sales data means that almost every residential SEV in the City of Roseville will be reduced for 2011. However, because there is limited sales data in the current 12 month study, many neighborhoods have little or no sales for the Assessor to use for the 2011 assessments. Therefore, many adjustments will be based on market activity in the surrounding areas, general market trends, or may be frozen until market levels can be determined. Without sufficient sales to make proper calculations, you may find that your 2011 assessment may not go down as much as you think it should.

### Why didn't my Taxable Value go down by the same percentage as my SEV did?

Remember that the definition of the 2011 Taxable Value is the either the 2011 SEV or the 2011 Cap Value, whichever is less. (See the box on page 1, column 2 for calculating the Cap Value.

Since the beginning of Proposal A in 1994, overall increases in SEV have generally been greater than the increase in Taxable Value, capped at the CPI. The longer a property has been owned and capped, the greater the gap between SEV and TV became. Recently, the market has been declining causing the SEV on most properties to decrease. A large decrease in an SEV does not always mean a large decrease in TV. However, in many cases the SEV is lower than the Capped value calculation, which means the SEV and TV will be the same,

(excluding losses and additions).

### What is the March Board of Review?

Every year, all property owners will receive an assessment notice the first week of March. On the notice, the days and hours the Board of Review is scheduled to meet, is listed. The Board is made up of residents from the community that have knowledge of property values. If you disagree with the values on the notice, you may make an appointment to be heard by the Board of Review. **The Board can review an appeal by appointment or by written appeal.** A taxpayer may send someone to appear on their behalf with written authorization. If appealing in writing, an appeal form L4035 must also be completed and received by the Board by the first day the board is scheduled to hear appeals. The Board of Review does not make a decision at the meeting. A decision will be mailed to you no later than the first Monday in June.

### What the March Board of Review can and cannot do?

1. **The Board cannot change the calculation for the capped value which generally becomes your Taxable Value.**
2. **The Board cannot change your tax bill.**
3. **The Board cannot change values from prior years.**
4. **The March Board cannot hear appeals of Principal Residence Exemptions.**
5. **The Board CAN hear appeals and make changes to assessed values and property classifications. If the change results in an assessed value that is lower than the Capped Value, the Taxable Value will change accordingly.**
6. **The Board CAN grant a Poverty Exemption. Poverty Exemption Policies & Guidelines have been adopted by the City Council and are available in the Assessing Office.**

