ASSESSOR'S OFFICE: FREQUENTLY ASKED QUESTIONS

True Cash Value (TCV): is defined as "the usual selling price at the place where the property to which the term is applied is at the time of assessment, being the price that could be obtained for the property at private sale, and not at auction or at forced sale."

Assessed Value (AV): 50% of a parcel's True Cash Value (TCV) or Fair Market Value of the property. Michigan law requires that all property be uniformly assessed at 50% of the usual selling price, or True Cash Value.

State Equalized Value (SEV): essentially this is the Assessed Value (AV) of your property after State Equalization is completed.

Capped Taxable Value: Capped Value is calculated by adjusting the prior year value of the property by any additions or losses and multiplying by the inflation rate multiplier (IRM). The IRM is calculated based on statute and cannot be greater than 1.05.

Capped Value = (Prior Year Taxable Value – Losses) x (IRM) + Additions

Taxable Value (TV): the Taxable Value is the lesser of SEV and Capped Value. The Taxable Value is used to calculate the property taxes.

Under Michigan law, the Taxable Value cannot increase by more than 5% or the rate of inflation, whichever is lower, except when something new is added to the property or if the Taxable Value is uncapped due to a transfer of ownership in the previous year.

How are Property Values Determined:

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

The average ratio between the assessed values and the sale prices in a neighborhood should be 50%. Since the market for real estate constantly changes, the average ratio actually found will usually not be 50%. Assessors are required to re-establish the 50% ratio, using the mass appraisal process on an annual basis.

Why isn't my new assessment 50% of my purchase price?

The simple answer is that it is against the law. MCL 211.27 states that the purchase price is not the presumptive True Cash Value of a property. Market sale transactions for real property are used by Michigan assessors to compare assessed value (AV) with the actual sale prices (market value) for those properties. Market value can be defined as the most probable price, as of a specific date, where both buyer and seller are knowledgeable and neither is under duress. Further a single sale may or may not be indicative of the market at large.

What happens when you purchase a home?

In the year following a transfer of ownership, the Taxable Value "uncaps" and becomes equal to the State Equalized Value (SEV), which is usually higher than the Capped Valued (Taxable Value). This can result in a significant increase in the property taxes if the previous owner has owned the property for a long time.

Example below using the 2024 millage rate in the Harper Woods SD. is 91.5802:

Last year you purchased a home with a State Equalized Value (SEV) of $50,000 and a Taxable Value (TV) of $35,000. **Current taxes = $3,205**

The year following the sale the SEV was increased 7% based on the market value increase for the neighborhood resulting in a new SEV of $53,500. The Taxable Value "uncaps" and will be the same as the new SEV of $53,500. **Estimated taxes the year after the sale = $4,900**

The Taxable Value will then be "capped" starting with the second year after the sale or transfer of ownership.

How are property taxes calculated?

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

To get the current millage rates, contact the Assessor or Treasurer's Office.

*** To estimate taxes for a new home buyer, it is recommended to use the current State Equalized Value of the property to take into account the uncapping of the Taxable Value the year after the sale or transfer of ownership*

Property values in my neighborhood have been decreasing. Will my property valuation be decreasing as well?

Unfortunately, there isn't a yes or no answer to that question. If you've owned your property for a significant amount of time, more than likely your State Equalized Value (SEV) far exceeds your Taxable Value. If this is the case, a decrease in valuation, caused by a cooling real estate market, will be reflected in the SEV. The Taxable Value is required by the Michigan Constitution to increase each year by the rate of inflation or 5%, whichever is lower. In the case of a longtime property owner, the SEV could decrease, while the Taxable Value will increase.

Does that mean I would pay more property taxes instead of less?

In the previous scenario, yes you would. The Taxable Value will rise by the inflationary increase. This figure multiplied by the local unit's millage rate will determine your new property tax liability.

Why won't my taxes decrease if my property value is going down?

Proposal A allowed many residents to pay property taxes on less than half of their market value by "capping" the Taxable Value, while still allowing the assessor to determine the market value by adjusting the State Equalized Value (SEV). This has caused, for many property owners, a great disparity between the SEV figure and the Taxable Value figure. The assessor can reduce the SEV to reflect the change in property value, but if the Taxable Value is still well below the SEV, it will keep increasing until the two figures meet. Taxes are based on Taxable Value; therefore you will end up with a tax increase.

Will my taxes ever go down?

If a property's value decreases each year, the State Equalized Value (SEV) will eventually meet the Taxable Value. The Taxable Value cannot exceed the SEV. When this happens, decreases in SEV will cause decreases in Taxable Value, which will then lower your property tax liability. Due to the gap between the SEV and Taxable Value figures, it would take several years of depressed market conditions to make the SEV and Taxable Value equal. If you happen to be a property owner who purchased a property in the last few years and you have decreasing property value, the SEV and Taxable Value figures could meet sooner than someone who has owned the property for a long period of time.

Why is my neighbor paying fewer taxes than me?

On March 15, 1994, Michigan voters approved the constitutional amendments known as Proposal “A”. Prior to Proposal “A” property tax calculations were based on State Equalized Value (SEV). Proposal “A” established “Taxable Value” 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).

Suppose your neighbor purchased his home March 20, 2024 and his 2024 State Equalized Value (SEV) was 50,000 and his Taxable Value was 35,000. His July 2024 tax bill will be calculated based on the prior owners taxable value of 35,000 for 2024 only. The year following the transfer the property becomes uncapped. Based on sales of homes in your neighborhood your neighbors new SEV for 2025 is 60,000. Because of Proposal “A” your neighbor's home became uncapped for tax year 2025 and his TV will be the same as his SEV for 2025. His July 2025 tax bill will be calculated using 60,000 TV instead of the prior year's 35,000.

In other words since Proposal “A” passed, there is no uniformity in property taxes. You can compare SEV, but remember to compare apples to apples. Items to compare would be square footage of the home, how many baths, fireplace, fireplace, garage, decks, lot size, etc.

When can I appeal my assessment?

By law, the only time you may appeal your assessment is at the **March Board of Review**. Dates and times for appointments are printed on the Notice of Assessment and typically mailed out at the end of February. They will also be posted on the city website. Petitions will be available on-line and in the Assessing Department. Letter of Appeals can be submitted by the indicated deadline. Postmarks not accepted.

What happens if I'm not happy with the decision of the March Board of Review?

State law provides the next level of appeal is with the Michigan Tax Tribunal. A Petition of appeal for RESIDENTIAL property must be filed by July 31, of the current year following an appeal at the March Board of Review first and required. You can obtain the Petition on the Michigan Tax Tribunal website: michigan.gov/taxtrib

Commercial and Industrial appeals are no longer required to file with the March Board of Review first and can file directly with the Michigan Tax Tribunal by May 31st of the current year.

Is there any way to apply for tax relief due to hardship?

You may apply for a Poverty Exemption. This is based on your income using the Federal Poverty Income Guidelines. You can obtain the application from the Assessor's Office or on the Township website. You can apply for this at the March, July or December Board of Review meetings. This exemption does not necessarily reduce your taxes to zero depending on the local government guidelines.

Do you have all of your information on line?

Almost all of the information in the Assessor's Office is public record. You may look up information by name, address or parcel number. Please visit: www.harperwoodscity.org for additional information.