

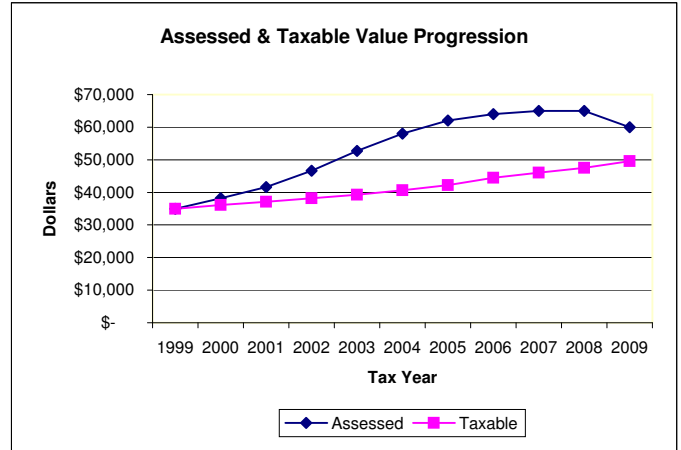
WHY ARE MY TAXES GOING UP WHEN HOME VALUES ARE GOING DOWN?

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 in the property was transferred. This means that, over time, property owners get a discount on what they pay in property taxes compared to what a new owner would pay.

Example:

John & Mary bought their home in 1998 and in 1999 their Assessed and Taxable Values were \$35,000. Over the next 10 years, their Assessed Value has risen to \$65,000 due to appreciation; but because of Proposal A, their Taxable Value has only increased to about \$47,500. Since they pay taxes on the Taxable Value and NOT the Assessed Value, they are paying roughly 26% less than someone who had just purchased their house would pay. In real terms, Mary & John will pay roughly \$1,750 in taxes, but a new owner who had purchased their home in 2007 would pay about \$2,400 in taxes.

Unfortunately, the existence of this "discount" creates some confusion when markets decline. Every year, as long it is lower than the Assessed Value, John & Mary's Taxable Value is going to go up at the rate of inflation.(capped at 5%) So even if their Assessed Value drops from \$65,000 to \$60,000, the Taxable Value is still going to go up to about \$49,600 for 2009. However, even with that situation, they are STILL getting an almost \$400 "discount" when compared to what a new owner would pay.



HOW IS THE INFLATIONARY INCREASE CALCULATED?

The Calculation of the Inflation Rate Multiplier is set in statute. MCL 211.34d states:

- (l) "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.
- (f) "General price level" means the annual average of the 12 monthly values for the United States consumer price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

Based on this statutory requirement, the calculation for 2009 is as follows:

Oct. 2006 - Sept. 2007 Avg.	Oct. 2007 - Sept. 2008 Avg.	2009 Inflationary Increase
205.338	214.463	1.044 (4.4%)

HOW DO FORECLOSURE / SHORT SALES AFFECT MY HOME VALUE?

Many people have heard that foreclosure/bank sales are not generally included in the sale studies that Assessors use and would like to know why they are excluded.

The reason is that Assessors are required by law to only consider "Arms Length" transactions when determining the "Usual Selling Price" of a property. What that means is that we only consider sales where: the property is available on the open market; both the buyer and seller have complete knowledge of the property and the general market conditions; the buyer and seller are unrelated; there are no unusual influences affecting the buyer's or seller's decision.

With Foreclosures, Bank Sales and Short Sales, there is almost always an undue influence on the Seller in the form of a desperate need to sell the property, either to avoid foreclosure, or get the property off their books. (in the case of a Bank) Therefore, these sales are, by definition, NOT Arms-length transactions, and Assessors are NOT allowed to include them.

****HOWEVER!!** Please understand that the impact that the current volume of these sorts of sales have on property values IS factored into home values. This happens because whatever impact these sales have on the overall market will be reflected in the sale prices of the homes that DID sell in an "Arms-Length" transaction.

***While the short sale across the street isn't added to our study, if the over-all market prices were being reduced by say, 5%, due to bank sales, then all of the "Arms-Length" sales in the area will be roughly 5% lower than normal as a result. And THOSE sales will be added to the sales study.*

WHAT SHOULD I DO IF I'M STILL NOT SURE I UNDERSTAND THIS ALL?

Call the Assessor's office at ph:(517) 647-2943. Property Tax Law is not always the easiest of subject matters to understand. (Or there wouldn't be whole books written on the subject!) I am more than happy to help you understand any details you might have questions on. I can also help you with the appeal process if you end up deciding to file an appeal. The time allowed by State Law to address these issues is limited, so DON'T WAIT.