



## **Understanding Your Property Valuation, Principal Residence Exemption and Property Transfers**

*Note: This material is intended as general information and should not be construed as legal advice. If you have specific legal questions, you should always consult an attorney.*

### **Assessed Value (AV)**

The assessor is statutorily required to set an AV equal to 50% of the market value of your property.

### **State Equalized Value (SEV)**

SEV is the AV adjusted following county and state equalization. The County Board of Commissioners and the Michigan State Tax Commission must review assessments by property classification and adjust (i.e., equalize) them if they are above or below the statutory 50% level of assessment. Typically, SEV is the same as AV.

### **Taxable Value (TV)**

TV is the figure used to calculate your property taxes. Multiplying the TV by the millage rate, then dividing by 1,000 will determine your tax liability. TV increases/decreases from year to year by the rate of inflation or 5%, whichever is lower. Transfers of ownership, which “uncap” the TV, and improvements to the property can increase the TV more than the rate of inflation. TV cannot exceed the SEV for the property.

### **How is the AV determined?**

To ensure properties are assessed uniformly and at 50% of market value, the Ingham County Equalization Department conducts annual sales and appraisal studies. These studies analyze the sale or appraised value of properties compared to their AV. Based on these studies, the assessor must increase or decrease values so that each class of property (e.g., residential, commercial, industrial, etc.) is at 50% market value. The 2024 residential sales study included sales from April 1, 2021 through March 31, 2023.

Residential sales data is then organized, by the assessor, into economic neighborhoods. For residential properties an economic neighborhood can be a single subdivision or a grouping of areas with similar characteristics. If the sales in an economic neighborhood indicate an increase or decrease in value, the AV of properties in that neighborhood are adjusted uniformly based on conclusions drawn from the sales.

A similar method is used to value commercial and industrial properties, although some commercial properties are also valued using an income approach. Personal property is assessed using personal property statements reporting the assets of a business. December 31, 2023 is situs day (i.e., “Tax Day”) for property taxes in Michigan for 2024 assessments. All AV are determined as of that day.

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

Your property’s AV and TV are separately calculated. The AV changes with the real estate market and can go up or down without limitation. AV is tied to market value and reflects market changes.

TV changes are based on a formula involving the rate of inflation (positive or negative) and any physical changes to the property (new construction or demolition). Because they are separately calculated, TV may increase even when AV has decreased. Generally, residential property values increased for 2024.

### **Can my taxes go up if market values have gone down?**

In 1994 voters adopted Proposal A. This limited increases in property taxes by how much taxable value can increase each year as opposed to being levied on SEV. Under Proposal A, annual property taxes can increase or decrease no more than the rate of inflation or 5%, whichever is less. (Exceptions include a transfer of ownership, omitted property, new construction, changes in millage rates, etc.)

Proposal A did not limit the growth of SEV. Over time, many properties SEV has become much greater than their TV. Even with recent economic downturns, many properties have an SEV greater than the TV. Since TV is the lesser of SEV and the prior year TV multiplied by the inflation rate multiplier, these properties TV increased by the rate of inflation (5.0%) for 2024. This is true even though those properties SEV may have decreased. In such cases, the mechanics of Proposal A may seem unfair. However, if Proposal A were not in place for these properties, their property taxes would be based on SEV and their property taxes would be higher. Generally, residential property values increased for 2024.

### **Can I contest my AV and TV?**

Yes. Every property owner has the right to appeal their assessment to the March Board of Review. The opportunity only comes once per year and if missed, there is not another opportunity that tax year. Your Assessment Change Notice comes mid-February by US mail and provides you with the dates and times for the March Board of Review. In addition, an informal Assessor's Review is offered by the Township prior to the March Board of Review as a time to discuss your property and ask questions with Assessing staff. For residential properties, an appeal to the March Board of Review is required to protect your right to further appeal to the Michigan Tax Tribunal. All other properties may appeal directly to the Michigan Tax Tribunal. Appeals to the March Board of Review can be made in person or by letter.

### **What is the Principal Residence Exemption (PRE)?**

The PRE removes the local school operating tax from your tax bill. On the Assessment Change Notice, the exemption is listed as 100.00% if you are eligible or 0.00% if you are not. You must file a Principal Residence Exemption (PRE) Affidavit (Form 2368) to claim the PRE. If you own and occupy a home as your principal residence by June 1, 2024, you are entitled to a PRE for the summer tax levy and subsequent tax levies. If you own and occupy a home as your principal residence after June 1, 2024 but by November 1, 2024, you are entitled to a PRE for the winter tax levy and subsequent tax levies.

### **Property Transfers**

Whenever real property ownership is transferred, a Property Transfer Affidavit (Form L-4260) must be completed and filed with the local assessor within 45 days of the date of sale (transfer). If this is not done, when the local assessor learns of the transfer of ownership, the assessor is required to complete an Assessor Affidavit Regarding "Uncapping" of Taxable Value (Form 3214) for the appropriate tax years. "Uncapping" means that the SEV becomes the TV, and additional property taxes become due immediately. The additional property taxes which become due can be for multiple tax years and can also be a substantial amount of money. For these reasons, it is to the advantage of the new owner to file the Property Transfer Affidavit as soon as possible after the transfer of property ownership. Fines will be incurred for failure to file.

In addition to filing a Property Transfer Affidavit whenever real property ownership is transferred, the new owner must file a Principal Residence Exemption (PRE) Affidavit (Form 2368) to claim the PRE. (See the section above on PRE for additional information.) If the transferred property has been receiving the PRE, the former owner is required to file a Request to Rescind Principal Residence Exemption (Form 2602) and their PRE will be removed on December 31 of the calendar year the property was transferred to the new owner.

To avoid problems, it is important that property transfer forms are correctly completed and timely filed with the Assessing Department. Property transfer forms are provided by the Assessing Department in the Municipal Building or by visiting the Michigan Department of Treasury Website ([www.michigan.gov/treasury](http://www.michigan.gov/treasury)). Many of the forms are fillable on-line.