

# Property Assessing Reform Proposal

## Frequently Asked Questions

### General Information:

#### 1. What is Property Assessing Reform?

In its simplest form Property Assessing Reform, P.A. 660 of 2018, provides a statutory framework to ensure proper assessing in order to guarantee the highest quality assessments for taxpayers as well as local units. The Act defines the requirements for a local unit to be determined to be in substantial compliance with the General Property Tax Act, provides timetables for audits as well as follow up audits and provides a process for bringing a local unit into compliance if they remain non-compliant after a follow up review (also known as the designated assessor).

The Act also mandates training for local unit Boards of Review and allows for local units to combine Boards of Review for efficiency purposes and provides for a village located within two assessing districts may request that the assessment of property be completed within one of the districts.

#### 2. How does the reform benefit taxpayers, local units, and the state?

By ensuring accurate, uniform, and equitable assessments across the state, reform will significantly reduce the unnecessary costs associated with incorrect assessments. When errors occur, taxpayers, local units, and the state are all negatively impacted.

Not only do errors raise the risk of taxpayers being over-assessed and unfairly taxed or local units and the state having their revenues improperly reduced, but they also often generate litigation expense, as the aggrieved party is forced to appeal simply to enforce constitutional and statutory requirements. Further, by reducing faith in the system, errors create a culture of litigation that forces local units to allocate more resources to defending correct assessments. All of these costs are associated with the quality of the initial assessment. As assessment quality increases, these costs to taxpayers, local units, and the state will drop significantly.

#### 3. The AMAR audits just started, why aren't we giving them time to work?

The Audit of Minimum Assessing Requirements ("AMAR") reviews are in the 2<sup>nd</sup> five-year cycle. What those audits have demonstrated is that while certain individual units may face unique challenges with assessing, there are also some systemic deficiencies with our assessing system that need to be addressed. The minimum quality standards are designed to address those systemic deficiencies, which will allow the AMAR audits to work more effectively on addressing challenges faced by individual local units.

#### **4. Isn't this just county assessing by another name?**

No. While participating in county assessing is always an option, local units can continue to do their own assessing or share an assessor of record with another local unit. The only requirement is that every city, township, and county in the state meet certain specified minimum quality standards. The objective is not to move every local unit to county assessing but to ensure accurate, uniform, and equitable assessments across the state that meet statutory and constitutional requirements.

#### **5. What is an assessing district?**

An assessing district is defined in the statute as City, Township, or Joint Assessing Authority.

#### **6. Does Assessing Reform force local units to give up their assessing function?**

No. With the changes in P.A. 660, there are also consequences if a local unit does not correct assessing deficiencies identified in the AMAR. As with the current AMAR process, the statute provides for an initial audit and a corrective action plan to be approved by the State Tax Commission ("STC"). The statute then provides for a follow up review to be conducted in accordance with the approved corrective action plan. If the local unit continues to be in noncompliance after the follow-up review, the local unit will have the opportunity to utilize the option that is most effective for that community. If after that follow up review, the local unit remains in non-compliance then the local unit has three options: they can employ or contract with a new assessor of record at the Advanced or Master Level, the STC may assume jurisdiction, or they can contract with the Designated Assessor for the County to serve as their assessor of record.

#### **7. Does the proposal eliminate all MCAO Assessors?**

No. Local units that only require a Michigan Certified Assessing Officer ("MCAO") will be able to show that they are in substantial compliance through the audit process and continue utilizing a MCAO as their assessor of record.

### **Designated Assessor**

#### **8. What is a Designated Assessor?**

The Designated Assessor is part of a process to ensure that local units are in compliance with the statutory provisions of the AMAR. In other words it is part of a process to make sure that local units are meeting minimum assessing requirements.

As with the current AMAR process, the statute provides for an initial audit and a corrective action plan to be approved by the STC. The statute then provides for a follow up review to be conducted in accordance with the approved corrective action plan. If after that follow up

review, the local unit remains in non-compliance then the local unit has three options: they can employ or contract with a new assessor of record at the Advanced or Master Level, the STC may assume jurisdiction, or they can contract with the Designated Assessor for the County to serve as their assessor of record.

### **9. Who are the Designated Assessors?**

The statute provides the process for determining who the Designated Assessors are. Each County is required to enter into an interlocal agreement that designates the individual who will serve as the County's Designated Assessor. That interlocal agreement must be approved by the County Board and a majority of the assessing districts in the County. Once the interlocal agreement is approved, it is sent to the STC for final approval along with the application Form 5697. The STC will determine if the individual named as the Designated Assessor is capable of ensuring they can achieve and maintain substantial compliance for any local unit that contracts with them.

### **10. May an employee of the County Equalization Department be named as the Designated Assessor? Aren't the positions incompatible?**

An employee of the County Equalization Department may not individually contract to serve as the Designated Assessor in the county in which they are employed. If an employee of the County Equalization Department is assigned as the Designated Assessor, the interlocal agreement must be between the local units and the county, so that the individual is not simultaneously an employee of the local unit and the county. This structure must be addressed in the interlocal agreement in the case of a County Equalization Department employee petitioning to be the Designated Assessor.

### **11. What criteria will be used to determine if an individual is qualified to be the Designated Assessor?**

The Designated Assessor must be certified, at least, at the highest level required within that county. The STC will also examine the proposed individual's current responsibilities, audit history, and any history of disciplinary action.

### **12. How will locals pay for the Designated Assessor?**

The Designated Assessor will serve in place of the local unit's current assessor. It is expected that using the money from that current salary will help offset the costs of the Designated Assessor. Additionally, as previously mentioned, errors raise the risk of taxpayers being over-assessed and unfairly taxed or local units and the state having their revenues improperly reduced, but they also often generate litigation expense, as the aggrieved party is forced to appeal simply to enforce constitutional and statutory requirements.

**13. What happens if a Designated Assessor contract expires during the period in which they are acting as an assessor of record in a local unit?**

If there is a change in the Designated Assessor position, the new Designated Assessor would immediately assume any responsibilities that are currently required. The previous Designated Assessor would not continue the required assignment. The STC may designate and approve, on an interim basis and pursuant to a formal agreement, an individual to serve as a county's Designated Assessor.

**14. When a city that has boundaries within more than one county requires a Designated Assessor, which Designated Assessor is used?**

The county that contains the most Assessed Value, according to the most recent State Equalized Values, will be responsible for supplying the Designated Assessor for that city.

**Boards of Review:**

**15. Are Boards of Review now going to be at the County level and no longer in each local unit?**

No. While the statute provides that Boards of Review can be combined across two or more contiguous local units, it does not mandate that Boards of Review be combined or that Boards of Review are moving to the County.

**16. Is training now mandated for all Board of Review members?**

Yes. P.A. 660 requires that the STC audit to ensure that local units require all of their Board of Review members to receive training and updates as approved by the STC. Training will be required at least once every two years and will be documented by board members' certificate of course completion and by the local unit using Form 5731.

**17. For local units currently having trouble recruiting Board of Review members, isn't requiring training going to make things worse?**

The evolving complexity of the property tax has increased the expertise needed to understand and apply the law. While local boards provide the primary quality control check on assessments, board members do not have to possess any knowledge of property tax law or assessing practices. This combination of increasingly complex responsibilities and no expertise requirement often results in misapplication of the law, increasing taxpayer and local unit litigation costs and reducing faith in the system.

The STC will be working with our partner organizations, such as Michigan Townships Association, to ensure easy access to Board of Review training. The STC will also provide an online option for the required Board of Review member training.

## **Miscellaneous:**

### **18. Do Villages now have to get their own assessor?**

No. P.A. 660 did make a change to the way Villages are assessed but only in very specific circumstances and if the Village wants to make a change. Specifically, the Act indicates that a Village that is located in more than one assessing district, may request the STC to approve that the assessing for the Village be combined with the assessing of property in 1 of the local units, thereby eliminating the need for the Village to be assessed in two different local units and potentially by two different assessors.

### **19. Local units are required to ensure that “support staff” is sufficiently trained to respond to taxpayer inquires. Who is defined as “support staff”?**

Support staff is all non-certified staff that are involved in the development of the assessment roll, including field work, and any individual that may supply information from the assessment roll to the public. Certified staff members are required to meet annual continuing education requirements.

### **20. When does this all go into effect?**

While the majority of the requirements of P.A. 660 do not go into place until 2022, the STC encourages all local units to begin preparing now and put in place processes and procedures to ensure they are meeting the statutory requirements once they “go live” in 2022. The requirements of the local unit are detailed in statute in MCL 211.10g and will be reviewed as part of the audits.

### **21. When do the website requirements go into effect?**

Beginning in 2022, local units with broadband internet access must provide taxpayers online access to information regarding assessment services including parcel information, land value studies and documentation, and economic condition factors.

### **22. What is going to be happening over the next few years until this goes into effect?**

There will be a lot going on at both the State and local levels to prepare for the 2022 implementation. First, the Department of Treasury has implemented a website dedicated to assessing reform. This website will be updated with things local units need to know, required forms and key dates. Second, the Department also has a dedicated email address for anyone who has questions regarding the reform. Finally, we are working with our partner organizations on information sessions and training opportunities. Those interested are encouraged visit the STC website to sign up for email alerts and to review the dedicated Property Assessing Reform page.

### **23. What should local units be doing to prepare?**

The most important thing that local units can do now to prepare is to ensure they are meeting the requirements in the current AMAR and if not, that they work to ensure corrections are made to bring them into compliance. Local units should talk to their assessors to ensure they are following the AMAR minimum requirements. Local units can find more information on the AMAR on the STC website under the AMAR tab. This link provides information on each of the AMAR requirements and the statutory authority or STC policy associated with each requirement.

### **24. What is the STC going to be doing?**

The STC began issuing bulletins, memos and other guidance in 2019 and has continued to update that guidance and issue new guidance as needed. The STC has adopted guidelines related to the audit and resolving fee disputes between the local unit and the Designated Assessor. We are working on development of the audit program, implementation of Board of Review training programs, and updating the STC rules as needed.

### **Additional Resources**

Further information on Property Assessing Reform can be found at [www.michigan.gov/statetaxcommission](http://www.michigan.gov/statetaxcommission) under the “Property Assessing Reform” link. This link will continue to be updated as new information and guidance is issued.

Questions can be emailed to [AssessingReformQuestions@michigan.gov](mailto:AssessingReformQuestions@michigan.gov).

Interested persons are encouraged to sign up for email alerts issued by the STC by going to [www.michigan.gov/statetaxcommission](http://www.michigan.gov/statetaxcommission) and clicking “Sign-Up for Email Alerts” at the top of the webpage.