



Understanding Your Property Taxes

How are property values determined?

There are three main methods to valuing property: The Sales market approach, cost approach, and income approach. For mass appraising in Michigan, residential property is typically calculated using the cost approach from cost schedules provided by the State Tax Commission (STC). Starting with the 2019 tax year, the STC has contracted with Marshall and Swift/Boeckh, LLC for these cost schedules.

The Cost Approach formula is as follows: (Reproduction or Reconstruction Cost New – depreciation) + Land Value = Value

The local assessor analyzes sales data for similar properties to determine Economic Condition Factors (ECFs) which are then applied to the values.

Definition of Values:

True Cash Value (TCV): The amount a property could sell for on the open market with a willing buyer and seller. AKA Market Value.

Assessed Value (AV)/State Equalized Value (SEV): 50% of TCV.

Capped Value (CV): Last year's taxable value minus losses, multiplied by the inflation rate multiplier (IRM) or 5% whichever is less, plus additions.

Taxable Value (TV): The amount the millage is multiplied by to calculate tax dollars owed. The taxable value will be the same amount as your capped value unless your assessed value is lower or you had a transfer of ownership the prior year.

Transfer of Ownership/Uncapping:

When you purchase a property, the taxable value will “uncap” the year following the transfer and be the same as the assessed value. This is often confusing to new purchasers as it can create an inequitable amount of taxes owed between property owners who have lived at the same property for a long time compared to a new owner.

For example: A property in Grant school district with a Principal Residence Exemption that is assessed at \$125,000 with a taxable value of \$80,000 will pay approximately **\$2,361**. If the property is sold and the assessed value stayed at \$125,000, the following year the taxable value would uncap to \$125,000 and the taxes would be approximately **\$3,688**.

When a transfer of ownership occurs, the new owner is required to file a Property Transfer Affidavit (PTA) with the Assessing Department. A list of possible exemptions from uncapping is on the form. Recent law allows for an exemption of uncapping between certain family members. Did you know that a transfer of ownership occurs when a land contract is entered into and not when it is fulfilled? A PTA should be filed both times.

You can find Property Transfer Ownership Guidelines at the following link:

https://www.michigan.gov/documents/treasury/TransferOwnershipGuidelines_423898_7.pdf

Common Exemptions:

Principal Residence Exemption (PRE/2368): This exemption allows for up to 18 mills of school operating millage to be exempt. To qualify, you need to own and occupy the property as your primary residence.

Claim for Farmland (Qualified Agricultural) Exemption from Some School Operating Taxes (2599): This exemption allows for up to the same 18 mills of school operating millage to be exempt if the property is either classified as Agriculture property or more than 50% of the property is devoted to an agricultural use.

Qualified Agricultural Property Shall Remain Qualified Agricultural Property (PA 260/3676): This exemption allows the property to remain capped after a transfer of ownership if the property will continue to be farmed.

Disabled Veteran's Exemption (5107): This exemption allows for 100% exemption from property taxes for disabled veterans who are Michigan residents, claim the property as their homestead, and meet VA qualifications as follows:

1. Permanently and totally disabled as a result of military service and entitled to benefits at the 100% rate,
2. Received pecuniary assistance due to disability for specially adapted housing
3. Rated by the VA as individually unemployable.

An unremarried surviving spouse may also qualify for the exemption if the veteran qualified prior to his/her death.

This exemption must be filed annually by the close of the December Board of Review.

Millage and Estimating Taxes:

Your taxable value is multiplied by the millage to determine the actual tax owed. Your local township, county, school district, fire department, library, community college, etc. all have their own millage. A breakdown of each millage is on your tax bill. When calculating your tax, remember to move the decimal point to the left three places. For example, Ensley Township had a millage of 3.83860 for the 2017 tax year. If your taxable value was \$100,000, you would multiply that by .00383860 for a total of \$383.86 taxes owed and disbursed to the Township.

REMEMBER: When purchasing a home and estimating your taxes, don't look at the taxable value or tax bill from the prior owner. Use the assessed value times the total millage from your local school district and whether you qualify for the PRE or not. While this will not be exact, it will give you a better approximation of what to set aside for taxes.

Board of Reviews:

March Board of Review (MBOR): The March Board of Review is the time when you can appeal the value of your property and meets the week of the second Monday in March. Watch your assessment notice which is mailed at least fourteen days prior to the MBOR to see the exact dates and times to hear appeals.

July Board of Review (JBOR): The JBOR meets on a date following the third Monday in July to correct mutual mistakes of fact, qualified and clerical errors, and to grant certain exemptions.

December Board of Review (DBOR): The DBOR meets on a date following the second Monday in December to correct mutual mistakes of fact, qualified and clerical errors, and to grant certain exemptions.

Land Divisions:

The assessing and zoning departments coordinate to approve any land divisions in the township. All land divisions are governed by P.A. 591 of 1996 with an effective date of March 31, 1997. This act requires that you look back at what was lawfully in existence on that date for splits available. Local unit approval is required before recording a division.

Please contact me if you have any questions about these or any assessing topics.

Jane Kolbe, MAAO (3)

Assessor, Ensley Township

7163 E 120th St.

Sand Lake, MI 49343

616-636-8510

assessor@ensleytownship.org