

*(equitably evaluated annually)*

## Development of Assessment and Taxable Value

The Michigan Constitution requires that an Assessed Value be established annually for each parcel of property according to the value of the property, uniformly and at 50% of the "usual selling price" of a property. A Mass Appraisal Approach is used to develop the Assessment. The Mass Appraisal Approach is a blend of the Cost Approach and the use of a Market indicator (Economic Condition Factor, ECF) developed by the sales in each assessment area. The Township is divided into many unique "neighborhood" areas so an ECF can be developed according to sales in each area.

As a simplified explanation, this is done by comparing the sale price of each sale to the assessed value at the time of sale in a neighborhood. All sales that are considered "arms length" and take place within a state mandated time frame are included in the sales studies. The average relationship of these is applied to all homes in that area.

Example:

House	sale price	AV	Ratio
A	\$150,000	70,000	46.67
B	\$162,000	85,000	52.47
C	\$156,000	72,000	46.15
total	\$468,000	227,000	48.50

In the case above, the average ratio in this example neighborhood is 48.50. Assessments required by the state to be at a ratio of 50 (hence, the 50% of market value), which means all of the properties in this area need an increase of 3.1% to be at 50% of market value. Even the property that sold for more than double the assessed value would receive an increase. If the average ratio was over 50 in the above example, the assessed values would be lowered in that neighborhood, even on those that paid more than double the assessed value. The actual development of the ECF may result in a slightly different outcome than above as it is more precise in its calculations; however, the concept is the similar.

Proposal A was implemented in 1994 and introduced the Taxable Value. Proposal A provides that the Taxable Value may not increase annually greater than the lesser of two multipliers, 5%, or the *inflation rate*, plus the value of losses and additions caused by physical changes in that property that are not present on the record card, unless the ownership of the property is transferred (sold) and then the Taxable Value equals the Assessment. The formula for Taxable Value is as follows:

Previous Year Taxable Value – losses x CPI or 5% + additions = Current Year Taxable Value