So What Does This All Mean?

How Can I Expect My Assessment To Change In 2009?

As stated in the Equalization Timetable, for 2009, the time period of the sales study for assessment review is 10/01/2007 to 09/30/2008. Sales occurring after 10/01/08 will not be reviewed until the 2010 assessment cycle

Using more current sales data means **that almost every SEV in the City of Wyandotte will be reduced for 2009**. The problem, however, is that there is limited sales data in the current 12 month study so many neighborhoods have little or no sales for the Assessor to use for the 2009 assessment roll. Therefore, many neighborhood adjustments will be based on market activity in the surrounding areas, general market trends or will be frozen until market levels can be determined. Without sufficient sales to make proper calculations you may find that your 2009 assessment may not go down as much as you think it should.

How Can My Taxable Value Go Up When My SEV Goes Down?

Remember that the definition of Taxable Value is the lesser of SEV or last year's Taxable (+/- physical changes) X the CPI.

Since the beginning of Proposal A in 1994, overall increases in SEV have generally been greater than the increase in Taxable Value capped at the CPI. The longer a property has been owned and capped the greater the gap between SEV and Taxable Value. **Even with a decrease in SEV, if there is a gap between SEV and Taxable Value and the 2009 SEV is greater than the Taxable Value in the previous year, the Taxable Value will increase to the limit of the CPI cap.**

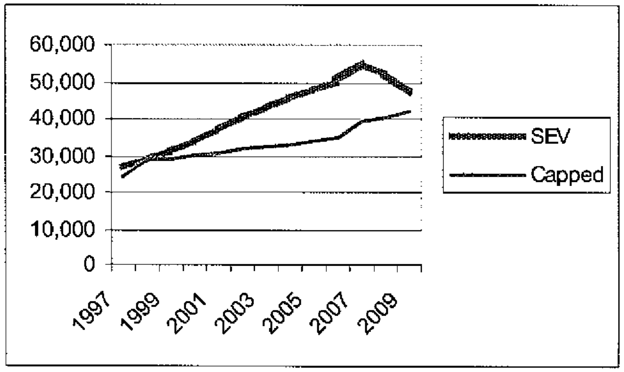
If, however, the 2009 SEV is lower than the calculation of last year's Taxable Value multiplied by the CPI then the 2009 Taxable Value will be the same as the SEV.

Examples of Declining State Equalized Value and Increasing Taxable Value

This example illustrates a property purchased in 1997 and uncapped in 1998. In 1998 the SEV becomes the new Taxable Value (TXBL) and then the property is subsequently recapped at the CPI. The SEV will increase or decrease based on the market conditions. The Capped Value is adjusted by the CPI in the following year. TXBL is determined by using the SEV or Capped Value, whichever is less.

In this example the property experiences an increase value in 2007 and loss in SEV 2008 . Although the increase value and the loss was due to market conditions, the TXBL continues to increase in those years. The TXBL will continue to increase at the CPI until the SEV falls below the Capped Value. This example also assumes a decline of 10% to the SEV and the CPI increasing at 4.4% for 2009.

	SEV	Capped	Taxable	CPI %
1997	26,840	24,319	24,319	2.8
1998	28,980	28,980	28,980	2.7
1999	31,450	29,443	29,443	1.6
2000	34,100	30,002	30,002	1.9
2001	37,400	30,962	30,962	3.2
2002	40,400	31,952	31,952	3.2
2003	43,400	32,431	32,431	1.5
2004	45,800	33,176	33,176	2.3
2005	48,100	33,939	33,939	2.3
2006	50,500	35,058	35,058	3.3
2007	55,100	39,455	39,455	3.7
2008	52,300	40,362	40,362	2.3
2009	47,100	42,057	42,137	4.4



City of Wyandotte

Understanding Proposal A In A Declining Market 2009 Edition

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Proposal A

On March 15, 1994, Michigan voters approved a 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.

How It Works

Prior to Proposal A, property taxes were based upon the State Equalized Value (SEV = 50% of true cash). With the implementation of Proposal A, property taxes are now based upon the Taxable Value.

Each year the Assessing Office must calculate the SEV for every property based upon the time frame as outlined by the State Tax Commission. A properties taxable status is determined as of December 31, which is called Tax Day.

Additionally, each property has a Capped Value which is calculated by multiplying the prior years Taxable Value, (adjusting for additions and losses) by the Consumer Price Index (CPI) or 5% which is ever less. For 2009 the CPI is calculated at 4.4%.

Taxable Value (TXBL) which property taxes are based on, is defined as the lower of SEV or Capped Value.

Generally speaking, this means that unless the current year SEV is less than the previous year TXBL multiplies by the CPI, the current year's TXBL will increase by the CPI.

The Calculation

SEV = 50% of True Cash Value

Capped Value= (Prior TXBL-Losses) x (1+ CPI*) + Additions

*Percent of change in the rate of inflation or 5% whichever is less, expressed as a multiplier

Taxable Value = The lesser of the SEV or Capped Value unless there is a transfer of ownership

The Equalization Timetable

With significant evidence of declining market values, the Wayne County Equalization Director has allowed the City of Wyandotte to consider a 12 month sales study to determine values for the 2009 assessment cycle. For 2009 assessments the 12 month sales study begins 10/01/2007 and ends 09/30/2008.

Use of a 12 month study allows 2009 assessments to more accurately reflect current market conditions, however, the limited number of current sales also means that many areas of the city have limited data for the assessors to calculate current assessments. It may be necessary for the Assessor to expand areas for reviewing neighborhood analysis or estimate market changes based upon area trends.

Actual Sale Price is <u>NOT</u> True Cash Value

The law defines True Cash Value as the usual selling price of a property. The Legislature and the Courts have very clearly stated that **the actual selling price of a property is not a controlling factor in the True Cash Value or State Equalized Value** as calculated by the Assessor. For this reason, when analyzing sales for the purpose of determining assessment changes, the Assessing office will review all sales but exclude non-representative sales from the assessment analysis.

Foreclosure Sales

Inherent in the definition on usual selling price is the assumption that the sales does not involve any element of distress from either party. The State Tax Commission has issued guidelines concerning foreclosure sales and generally speaking, these guidelines limit the use of foreclosure sales when calculating values for assessment purposes.

For this reason, most distressed sales, such as sales involving mortgage foreclosure or sales involving transfers to or from relocation companies, are not considered as typical sales in the valuation of property for assessment purposes nor are thy reliable indicators of value when making market comparisons for current assessed values or appeals.

Transfers of Ownership and Uncapping of Assessments

According to Proposal A, when a property (or interest in a property) is transferred the following year's SEV becomes that year's Taxable Value (TXBL). In other words, if you purchased a property in 2008 the Taxable value for 2009 will be the same as the 2009 SEV. The TXBL will then be "capped" again in the second year following the transfer of ownership.

It is the responsibility of the buyer in a transfer to file a Property Transfer Affidavit with the Assessors Office within 45 days of the transfer. Failure to do so will result in a penalty. The forms are available in the Assessor's Office or at www.michigan.gov.

Again, it is important to note that a property does not uncap to the selling price but to the SEV in the year following the transfer of ownership.

Homeowner's Principal Residence Exemption

If you own and occupy your home as your principle residence it may be exempt from a portion of local school operating taxes. You may check you percentage of principal residence on your "Notice of Assessment" This is mailed to you in February.

If the percentage exempt as "Principal Residence" is 0% on your assessment notice and you wish to claim an exemption for the current year, a Principal Residence Exemption Affidavit must be completed and filed with the Assessor's Office prior to May 1. The form is available in the Assessor's Office or at www.michigan.gov.

Further, if you currently have a Principal Residence Exemption on your property and you no longer own and occupy the property as your primary residence you must rescind the exemption with the Assessor's Office to avoid any penalty in the future.

All tax forms are available in the Assessor's Office or available on the web at www.michigan.gov.