UNDERSTANDING
PROPOSAL A
IN A DECLINING
MARKET & HOW IT
AFFECTS YOUR TAXES
2009 EDITION

Important Information

St. Joseph Charter Township
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Proposal A

On March 15, 1994, Michigan voters approved the 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 State Equalized Value (SEV). With the implementation of Proposal A, property taxes are now based upon 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 property's taxable status is determined as of December 31, which is called Tax Day.

Additionally, each property has a Capped Value. Capped Value is calculated by multiplying the prior year's Taxable Value, with adjustments for additions and losses, by the CPI as calculated by the State of Michigan and cannot increase by more than 5%. **For 2009, the CPI has been calculated at 4.4%.**

Taxable Value (TV) which property taxes are based on is defined as the **lower** of State Equalized Value or Capped Value.

Generally speaking, this means that unless the current year SEV is less than the previous years Taxable Value multiplied by the CPI, the current years Taxable Value will increase by the CPI.

When calculating the Assessed Value (AV), the Assessing Office uses a State-mandated 2-year Sales Study. For the 2009 AV the sales that were used occurred during **April 1, 2006 thru March 31, 2008**. Only under extenuating conditions may an Assessor deviate from this time frame. An Assessment to Sales Price ratio is calculated which will indicate the increase/decrease adjustment that should be applied to the last year's AV to bring the new year's AV within 50% of market value. ***This means the new AV is a reflection of the market as it was during those 2 years and not the current market.***

Actual Sales Price is not 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. This means that the Assessor **cannot** change the AV to 50% of the selling price. The selling price is taken into consideration but does not dictate the final Assessed Value.

Foreclosure Sales

Inherent in the definition of usual selling price is the assumption that the sale 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 preclude the Assessor from considering foreclosure sales when calculating values for assessment purposes.

For this reason, all 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 they reliable indicators of value when making market comparisons for current assessed values or appeals.

Transfers of Ownerships 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. In other words, if you purchased a property in 2008, the Taxable Value for 2009 will be the same as the 2009 SEV. The Taxable Value will then be "capped" again in the second year following the transfer of ownership.

It is the responsibility of the buying in a transfer to file a Property Transfer Affidavit with the Assessor's Office within 45 days of the transfer. Failure to file a Property Transfer Affidavit will result in a penalty of $5 per day for each day after the 45 day period with a maximum penalty of $200. Property Transfer Affidavit forms are available at the St. Joseph Township Assessors Office or online at www.michigan.gov/treasury.

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.

Principal Residence Exemption

If you **own and occupy** your home as your principal residence, it may be exempt from a portion of local school operating taxes. You may check your percentage of a principal residence exemption on your "Notice of Assessment".

However, if you currently have a Principal Residence Exemption on your property and you no longer own and occupy it as your primary residence you must rescind the Principal Residence Exemption. Rental property does not qualify for the exemption. Forms are available at the Township Hall or online at www.michigan.gov/treasury.

So What Does it all Mean?

1. Your 2009 AV is based upon a sales study done involving sales during April 1, 2006 thru March 31, 2008. Sales occurring after April 1, 2008 will not be reviewed for the 2009 assessment cycle.
2. Remember that the Taxable Value is calculated by multiplying the previous Taxable Value (adjusted for physical changes) by the CPI. (4.4% for 2009.)
3. Please understand – the Assessor does **NOT calculate** the CPI – that is done by the State Tax Commission. The Assessor is mandated by State Law to apply the CPI against every parcel of property in their assessment jurisdiction regardless of class of property (Agricultural, Commercial, Industrial, Residential). This is true for every parcel of land in the entire State.