

Understanding Taxes and Assessments

Assessed Value (AV)

By Michigan statute the assessor is required to set an AV equal to 50% of the market value of your property.

State Equalized Value (SEV)

The County Board of Commissioners and the Michigan State Tax Commission must review assessments by property classification and adjust them if they are above or below the statutory 50% level of assessment. Usually, the SEV is the same as AV.

Taxable Value (TV)

TV is the figure used to calculate your property taxes. Multiplying the TV by the millage rate, then dividing by 1,000 will determine your tax liability. TV increases/decreases from year to year by the rate of inflation or 5%, whichever is lower. Transfers of ownership, which “uncap” the TV, and improvements to the property can increase the TV more than the rate of inflation. TV cannot exceed the SEV for the property.

Uncapping of Taxable Value/Proposal A

In 1994, the voters of Michigan approved an amendment to the Michigan Constitution known as Proposal A. Proposal A created a “taxable value” which is multiplied by the millage rate that yields the tax for the property. The property’s taxable value is limited to annual increases of 5% or the inflation rate, whichever is less, except for additions and losses and can never be higher than the assessed value. When a transfer of ownership occurs, it causes the taxable value of the property to be uncapped in the calendar year following the year of the transfer. By Michigan statute, an assessor must uncap a property’s taxable value in the year following the transfer of ownership. The statutes also require that the buyer, grantee, or transferee of a property notify the local assessor when a transfer of ownership occurs. The Property Transfer Affidavit, form 2766 is available on the State Tax Commission Website at www.michigan.gov/statetaxcommission. This must be filed with the local assessor, where the property is located within 45 days of a transfer of ownership.

The proper filing of the Property Transfer Affidavit can be very beneficial to the buyer if the buyer qualifies for any of the exemptions of “uncapping” that are listed on the form.

How is the AV determined?

To ensure properties are assessed uniformly and at 50% of market value, the Tuscola County Equalization Department conducts annual sales and appraisal studies. These studies analyze the sale or appraised value of properties compared to their AV. Based on these studies, the assessor must increase or decrease values so that each class of property (e.g., residential, commercial, industrial, etc.) is at 50% market value. Example time frame for these studies: The 2023 residential sales study included sales from April 1, 2020 through March 31, 2022.

Residential sales data is then organized, by the assessor, into economic neighborhoods. For residential properties an economic neighborhood can be a single subdivision or a grouping of areas with similar characteristics. If the sales in an economic neighborhood indicate an increase or decrease in value, the AV of properties in that neighborhood are adjusted uniformly based on conclusions drawn from the sales.

A similar method is used to value commercial and industrial properties, although some commercial properties are also valued using an income approach. Personal property is assessed using personal property statements reporting the assets of a business. December 31 is situs day (i.e., “Tax Day”) for property taxes in Michigan for following year assessments. All AV are determined as of that day.

Note: This material is intended as general information and should not be construed as legal advice.