



CITY OF ANN ARBOR, MICHIGAN

100 North Fifth Ave. P.O. Box 8647

Ann Arbor, Michigan 48107-8647

Web: www.a2gov.org

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CITY OF ANN ARBOR ISSUES 2010 PROPERTY ASSESSMENTS

ANN ARBOR, Mich. – Feb. 19, 2010 – In early March Ann Arbor property owners will receive their 2010 property assessment and taxable value notification letters. Due to the unforeseen effect of Proposal A, many property owners may be confused about the changes in assessed and taxable value this year. The City of Ann Arbor Assessor explains the factors involved in this sometimes confusing calculation.

Proposal A

In 1994, Proposal A was passed by Michigan voters and was designed to limit the amount property taxes could increase in any given year. The effect was to limit property tax increases by the lesser of the rate of inflation or 5 percent. This held true even in years when there were double-digit property-value increases. This calculation became known as taxable value. Property taxes are calculated by multiplying your taxable value by your Millage rate.

Taxable vs. Assessed Value

Taxable value differs from the assessed value. The assessed value represents 50 percent of the market value of a property. In most cases, the taxable value is simply a mathematical calculation based on the previous year's taxable value because Proposal A limits the annual increase.

In many areas in Michigan, Proposal A has created a large difference between the assessed value (half the market value) and the taxable value (amount on which a property owner pays taxes). Due to declining market values this difference has recently become smaller for many property owners. Areas that are seeing a decrease in market value will also see a decrease in assessed value.

The Consumer Price Index (CPI) is a measure of inflation and deflation. The CPI for the 2010 taxable value in Michigan is -0.3 percent. A property owner's taxable value will decrease this year 0.3 percent unless the property's assessed value is lower than that number. Properties which have a taxable value that is very close to the assessed value and are located in a declining market may very well see a decline in taxable value greater than the 0.3 percent.

The following two examples are provided to help clarify this confusing calculation. Both examples assume a 2009 market value of \$300,000 and a 2010 market value of \$275,000 with a 2009 CPI of -0.3 percent.

Example 1

2009

Market Value = \$300,000
Assessed Value = \$150,000
Taxable Value = \$98,000

2010

Market Value = \$275,000
Assessed Value = \$137,500
Taxable Value = \$97,706

Example 2

2009

Market Value = \$300,000
Assessed Value = \$150,000
Taxable Value = \$145,000

2010

Market Value = \$275,000
Assessed Value = \$137,500
Taxable Value = \$137,500

Examples Explained

In example 1, the market value decreased, and the taxable value decreased by the CPI -0.3 percent because the taxable value is still less than the assessed value.

In example 2, the market value decreased and the taxable value decreased greater than the -0.3 as the taxable value cannot be higher than the assessed value.

For property owners who have owned their property for a number of years, Proposal A created a smoothing effect on their property taxes. In years with rapidly increasing property values, property owners saw a limited increase in property taxes. This year due to deflation unless there was a transfer of ownership in 2009 or an addition your taxable value will decline in 2010 by at least 0.3 percent.

Appeals Process

Taxable value is simply a mathematical calculation and typically cannot be appealed. The assessed value is 50 percent of market value and can be appealed if it is believed to be too high. A reduction in a property's assessed value will not reduce property taxes unless the reduced assessed value falls below the taxable value.

For more information, contact your local assessor's office or visit their website. To locate City of Ann Arbor assessor information and frequently asked questions, visit www.a2gov.org, then under the departments drop down menu click on assessor.

Ann Arbor has 114,000 residents, spans 27.7 square miles, and is frequently recognized as a foremost place to live, go to school, work, thrive and visit (www.a2gov.org/news). To keep up with City of Ann Arbor information, subscribe for e-mail updates (www.a2gov.org), follow us on Twitter (<http://twitter.com/a2gov>) or become a city fan on Facebook (www.facebook.com/thecityofannarbor). The city's mission statement reads: The city of Ann Arbor is committed to providing excellent municipal services that enhance the quality of life for all through the intelligent use of resources while valuing an open environment that fosters, fair, sensitive and respectful treatment of all employees and the community we serve.