

## **What is Assessed Value (AV)?**

Assessed Value is approximately 50% of your property's true cash value, as estimated by the assessor as of Tax Day. For 2022, Tax Day is December 31, 2021. You may appeal your property value at the March Board of Review.

## **What is State Equalized Value (SEV)?**

After all appeals are heard, the March Board of Review confirms the assessment roll. That roll is then subject to review by the county and state. Following those reviews, State Equalized Value (SEV) is set. SEV is then considered to be 50% of Market Value or True Cash Value as determined on Tax Day.

## **What is the formula for Capped Value (CV)?**

The Capped Value (CV) formula uses the Inflation Rate Multiplier (IRM), the previous year's taxable value, and any losses or additions to determine the new Taxable Value (TV). The 2022 IRM is 1.033 or 3.3%. Losses are physical losses to the property; additions are physical additions to the property.

The 2022 Capped Value formula is:  $(2021\ TV - \text{Losses}) \times \text{IRM} + \text{Additions} = 2022\ CV$ .

## **What is Taxable Value?**

Taxable Value (TV) is the lesser of Assessed Value (AV) and Capped Value. In the year following a non-exempt transfer of ownership (typically a sale), the TV will uncap and become equal to the AV. In Michigan, taxes are based on the TV, not on the AV. The TV can never be higher than the AV.

## **What is True Cash Value?**

True Cash Value (TCV) has been defined by Michigan courts to be equal to Market Value. Market Value can be defined as the most probably price, as of a specific date, where both buyer and seller are knowledgeable, and neither is under duress.

## Why aren't my Assessed and Taxable Values the same?

The state constitution requires that properties are assessed at 50% of market value. This value is affected annually by market forces. However, annual Taxable Value (TV) increases are limited to either 5% or the statewide Inflation Rate Multiplier (3.3% for 2022), whichever is less. If, for example, your neighborhood's value increases by 10% based on market activity, your TV will only increase by 3.3% for 2022.

This assumes you did not purchase the property in 2021, which typically triggers an uncapping of the TV, which could result in a larger TV increase.

## Why isn't my new assessment 50% of my purchase price?

The simple answer is that it is against the law. MCL 211.27(6) states that, "the purchase price paid in a transfer of property is not the presumptive true cash value of the property transferred. In determining the true cash value of transferred property, an assessing officer shall assess that property using the same valuation method used to value all other property of that same classification in the assessing jurisdiction."

This means that an assessor must perform a market study, analyzing all arm's-length sales that occurred within the municipality within specified dates, to determine the market pattern during that time period. Neighborhood values are then adjusted accordingly.

## What is the time period for the 2021 City of Novi Sales Study?

The State Tax Commission requires counties to perform preliminary equalization using a 12-month and 24-month sales study for each community. The study that favors the taxpayer will be used. Oakland County Equalization has determined that for 2022, the City of Novi will use a 24-month study. For Novi, that period is from April 1, 2019 to March 31, 2021 and includes over 2,000 sales. The 24-month sales study benefits the taxpayer because it considers older sales, when market values were slightly lower.

## When can I appeal my assessment?

By law, the only time you may appeal your assessment is each year at the March Board of Review, which begins the second Monday in March. You will receive your annual Notice of Assessment in mid-February. If you disagree with your tentative assessed value, you may file a completed [Board of Review Petition](#) and make an appointment to appear before the Board of Review. Petition forms are available online or from the Assessing Department. Dates and times for the March Board of Review can be found on your Notice of Assessment or at the following link: [Read the Board of Review Notice for dates and times](#).

## **What happens if I'm not happy with the decision of the March Board of Review?**

State law provides the next level of appeal at the Michigan Tax Tribunal (MTT). A [Petition Form](#) for residential property appeal must be sent to the Tribunal (P. O. Box 30232, Lansing, MI 48909) no later than July 31<sup>st</sup> following an appearance at the March Board of Review. You must appeal your residential value to the March Board of Review to be eligible for a MTT hearing.

## **Why can't I protest my taxes when I get my tax bill in July?**

State law provides that a protest of the value of your residential property can only be made at the March Board of Review. MCL 211.53b does not give the July or December Boards of Review the authority to oversee valuation appeals.

## **Is any property tax relief available for senior citizens or low-income households?**

Neither the City of Novi nor the State of Michigan offer any special tax relief based on age. An annual Poverty Exemption, based on income and assets, may be available via the Assessing Department with Board of Review approval. More information on the [Poverty Exemption](#) can be found at this link: <https://cityofnovi.org/reference/forms-and-permits.aspx#AssessingForms>.

Or a Deferral of Summer Taxes may be available to property owners who qualify. Please contact our Treasurer's Office at 248-347-0440 for further information.

## **Is Assessing information available online?**

Most information in the Assessor's Office is public record. This information can be found by visiting the Assessing Department or [BSA Online - City of Novi](#). You may look up information by owner name, site address, or parcel number. Square footage and current year values are available, as are drawings of the ground floor areas.

## **How can I update the name/mailing address for my parcel?**

For residential properties, please fill out our [Address/Name Change Form](#) and submit it to the Assessing Department. If requesting a name change, you must also provide the document that legally changed your name (i.e.: marriage license, divorce decree, court order, etc.).

For commercial or industrial properties, please send a written request – on company letterhead – to the Assessing Department to update the mailing address for both assessments and taxes.

## What is a Principal Residence Exemption (PRE), and do I qualify for it?

The [Principal Residence Exemption](#) (PRE), (formerly referred to as the Homestead Exemption), is an exemption from school operating taxes, up to 18 mills. To qualify for this exemption, homeowners must **both own and occupy** the home as their principal residence on or before June 1<sup>st</sup>. Recent legislation allows for a Winter PRE for homes acquired between June 2<sup>nd</sup> and November 1<sup>st</sup>. Individuals or married couples are allowed only one PRE at a time. The exemption continues until you no longer occupy or own the home – whichever comes first. When this occurs, you must notify the Assessing Department, in-writing, by filing a [Request to Rescind Principal Residence Exemption](#).

The claiming of a second homestead is permitted under specific conditions; this is known as a Conditional Rescission. The Conditional Rescission is available when the previous homestead has been rescinded, is no longer occupied, rented, or used for business purposes, and is actively listed for sale. The homeowner must also have acquired another Michigan principal residence and be claiming a PRE. A copy of the new PRE and recent tax statement is required to be submitted to the Assessing Department, along with the [Conditional Rescission of Principal Residence Exemption](#) by June 1<sup>st</sup> (to qualify for the summer/winter tax statements) or November 1<sup>st</sup> (to qualify for the winter tax statement) of the first year the exemption is claimed.

## Why is my neighbor paying lower taxes than me?

On March 15, 1994, Michigan voters approved the constitutional amendments known as "Proposal A". Prior to Proposal A, property tax calculations were based on the State Equalized Value (SEV), which fluctuated based on market conditions. Proposal A established a Taxable Value (TV) as the basis for the calculation of property taxes. Increases in TV are limited to the percent of change of the Inflation Rate Multiplier (IRM) or 5%, whichever is less, provided there were no losses or additions to the property. The limit on TV does not apply to a property in the year following a transfer of ownership (sale). Once purchased, a property's TV will uncap in the year following the transfer and will become equal to the property's SEV. The TV will be capped again the next year and will increase/decrease due to the IRM (or 5% cap) and the value of any demolition or construction that has occurred.

In other words, since Proposal A passed, you can no longer compare your property taxes with neighboring properties, as most not only have different features, but also sold at different times. If comparing SEVs, remember to compare apples-to-apples. Items to compare would be square footage of the home, bathroom count, basement finish, fireplaces, garages, decks, etc.

EX: Suppose your neighbor purchased his home on March 20, 2021, and at that time the 2021 State Equalized Value (SEV) was \$75,000 and the Taxable Value (TV) was \$55,000. The 2021 tax bills would be calculated using the prior owner's TV of \$55,000 for 2021 only.

Based on sales of homes in the neighborhood, your neighbor's new SEV for 2022 has increased to \$80,000. Due to Proposal A, your neighbor's home became uncapped for the 2022 tax year,

and his 2022 TV will be made equal to his SEV. He will see an increase in taxes, as his 2022 tax bills will be calculated using \$80,000 TV instead of the prior year's \$55,000.

## **How are Property Taxes calculated?**

$(\text{Taxable Value} / 1,000) \times \text{School District Millage Rate} = \text{Property Taxes}$

This calculation does not include special assessments, trash collection, penalties/interest, or previous balances.