

IMPORTANT INFORMATION FOR WEST BLOOMFIELD TOWNSHIP PROPERTY OWNERS

February 1, 2009

HOW CAN MY TAXABLE VALUE GO UP WHEN MY ASSESSED VALUE GOES DOWN?

Property owners may see a significant difference in the amount of their Assessed Values and Taxable Values. Assessed Values represent 50% of the estimated property value. Property taxes are based on Taxable Value. Taxable Value is based on a mathematical formula which is based on the preceding year's Taxable Value increased by the Inflation Rate Multiplier (IRM). The IRM is determined for the entire State and applied by each municipality. Taxable Value may also increase for physical additions, such as adding a garage, and decrease for physical losses such as removing a deck.

If a homeowner has owned their home since the constitutional amendment, known as Proposal A, passed in 1994, they may have received 2008 & 2009 values as follows:

	Assessed Value	Taxable Value
2008	\$200,000	\$160,000
2009	\$176,000	\$167,040 (increase of 4.4% IRM)

The above example shows that Assessed Values can decrease, while Taxable Values show an increase. This is a function of State Law: Taxable Value may increase from year to year, until its ceiling of Assessed Value is reached.

Over the years, the majority of property values in West Bloomfield Township have increased in value greater than the IRM. However, many neighborhoods are now experiencing a decline in the market value. The constitutional amendment known as Proposal A requires that the Taxable Value increase by the IRM, however, it cannot exceed the Assessed Value.

Here are some additional examples of common situations involving taxable value in a declining market: The example below shows how assessed values, capped values, and taxable values can change over a period of time.

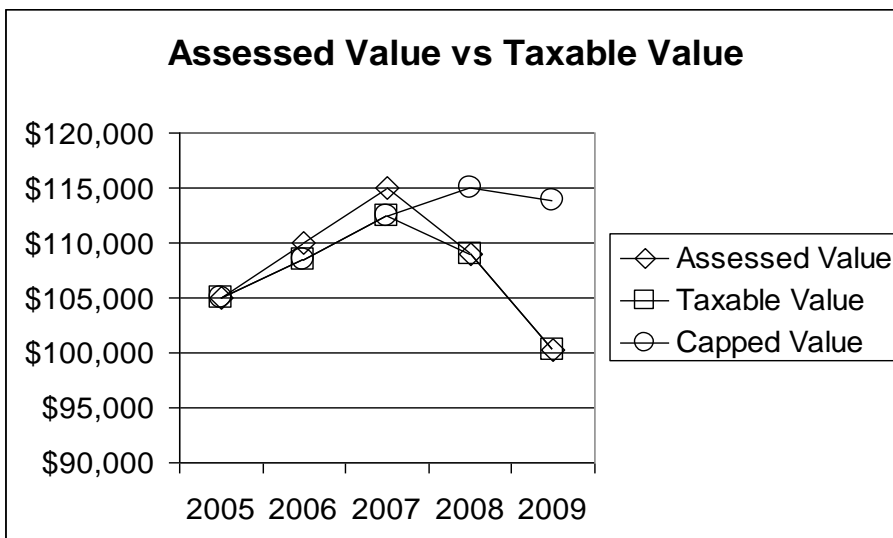
Purchased Home in 2004

	True Cash Value	Assessed Value	IRM	Capped Value	Taxable Value	
2005	\$210,000	\$105,000		\$105,000	\$105,000	(1)
2006	\$220,000	\$110,000	(1.033)	\$108,460	\$108,460	(2)
2007	\$230,000	\$115,000	(1.037)	\$112,470	\$112,470	(3)
2008	\$218,000	\$109,000	(1.023)	\$115,050	\$109,000	(4)
2009	\$200,560	\$100,280	(1.044)	\$113,790	\$100,280	(5)

- (1) \$105,000 = \$105,000 (Assessed Value and Taxable Value are the same in the year following a transfer of ownership)
- (2) \$105,000 x 1.033 = \$108,465
- (3) \$108,460 x 1.037 = \$112,473
- (4) \$112,470 x 1.023 = \$115,056 (Assessed Value \$109,000 is lower than the mathematical formula, therefore \$109,000 becomes the Taxable Value)
- (5) \$109,000 x 1.044 = \$113,796 (Assessed Value \$100,280 is lower than the mathematical formula, therefore \$100,280 becomes the Taxable Value)

For property owners that have a significant difference between Assessed Value and Taxable Value (typically home owners that have owned the property for many years), the Taxable Value will continue to increase by the IRM until it reaches the Assessed Value. Physical additions and physical losses may also have an impact on the Taxable Value of the property.

This concept is further illustrated in the diagram below:



(Continues on reverse)

The following example further illustrates this concept:

	Assessed Value	Taxable Value
2008	\$199,000	\$198,000
2009	\$200,000	\$200,000

In the above example, the 2008 Taxable Value of \$198,000 would increase to \$206,710 if the 4.4 % IRM is applied.

However, since the 2009 Assessed Value is only \$200,000 and Proposal A requires that Taxable Value cannot exceed Assessed Value, the Taxable Value only increases to \$200,000.

The following example illustrates a property demonstrating a reduction in property value in the marketplace while Taxable Value increases:

	Assessed Value	Taxable Value
2008	\$200,000	\$180,000
2009	\$190,000	\$187,920 (increase of 4.4% IRM)

The constitutional amendment known as Proposal A limits the amount that Taxable Value can increase on an annual basis. Since its implementation, the majority of property values in West Bloomfield Township have increased greater than the IRM. This has limited the property taxes that would have been collected if Proposal A had not been implemented. When property values are not increasing as rapidly as the IRM, Taxable Values will increase on an annual basis by the IRM, not exceeding Assessed Value.

The March Board of Review does not have the authority to change the increase in Taxable Value based on the Inflation Rate Multiplier of 4.4%.

UNDERSTANDING YOUR PROPERTY ASSESSMENT AND TAXABLE VALUE

Due to the economic climate in Michigan, most neighborhoods are experiencing a decline in property value. The Assessor's Office spends a considerable amount of time analyzing sales in order to estimate property values as of December 31, 2008. The Michigan State Tax Commission issued a bulletin addressing Single Year Sales Study Guidelines and Date Change. This bulletin states, "***Sales occurring between October 1 of the previous year through September 30 prior to tax day shall be used in the single-year study.***" In a ***declining*** market, the focus is on those sales that have occurred between October 1, 2007 and September 30, 2008. Property values are not based on the individual sales price, but rather the usual selling price.

Please review the enclosed Notice of Assessment, Taxable Valuation, and Property Classification. The notice provides the property owner with pertinent information regarding their property. **There are three important areas for review:**

- 1) The notice provides the 2008 valuations, the 2009 valuations, and the amount of change in Assessed and Taxable Values.
- 2) The notice will show if the property's taxable value was "uncapped" as a result of a transfer of ownership. Line 5 of the notice will indicate whether there "was" or "was not" a change of ownership of the property during 2008. If there was a transfer of ownership, the Taxable Value will be the same as the Assessed Value.
- 3) The notice will indicate the percentage of the property being used as a principal residence. If you own and occupy the property as your principal residence, the percentage indicated should be 100%.

Property owners are encouraged to review each of these areas for accuracy. Please contact the Assessor's Office if you should have any questions or concerns.

If the property owner is in disagreement with the valuations on the Notice, they may appeal to the March Board of Review in person or via letter. The meeting dates are listed on the Notice. Please feel free to contact the Assessor's Office for more information or to make an appointment. An appointment or letter is required for all appeals. *Agents representing a property owner must provide the Board of Review with a current letter of authorization.*

Residential Valuation disputes must be heard by the March Board of Review.

Please submit the following information in your signed letter and/or attachments:

1) Reason for appeal, 2) Documents supporting reason for appeal, 3) Copy of the Assessment Notice (or reference Property Identification Number on all correspondence) and 4) Full contact information including telephone number.

The notices are mailed to all property owners of record in February. The IRM percentage is printed on the Notice. Please review the Notice carefully by checking mathematical calculations, Principal Residence Exemption percentage and transfer of ownership information. Additional information will be periodically broadcast on the local cable government channel during February and March. Should you have any questions or concerns about your notice, please do not hesitate to contact the Assessor's Office at (248) 451-4850.

Assessor's Office