Assessments, State Equalized Value (SEV), Capped Value and Taxable Value

1. **Assessed Value (tentative SEV)** is based on 50% of market value as required by State law. Although numerous factors are considered by the Assessor's Office in arriving at the initial market value of a property, increases in market value from neighborhood as well as additions, remodeling, etc. These increases in market value result in an increase in assessed value (Tentative SEV). The sale price of an individual property does not necessarily determine its market value and property is not assessed at 50% of a sale price. After the assessment rolls of local jurisdictions are reviewed and approved (the equalization process) by the County and State, the assessed value becomes the State Equalized Values. SEV's are not subject to a "cap".

2. **Taxable Value** is the value to which the millage rate is applied. Taxable Value is subject to a "cap" and can be increased only by the amount of the Consumer Price Index (CPI) or 5%, whichever is lower. This results in another value called Capped Value. Taxable Value must be the lower of the SEV or Capped Value which is computed as:

   Capped Value=(Prior Year's Taxable Value-Losses) x (the lover of 1.05 or the CPI) + Additions.

   Additions are all increases in value caused by new construction, remodeling, and the value of property that was exempt from taxes or not included on assessment roll.

   Losses are all decreases in value caused by the removal or destruction of property, or the value of property that has been exempted or removed from the assessment rolls.

   The Inflation Rate is the increase in the Consumer Price Index (CPI), which is provided to all taxing units by the State Tax Commission. The CPI usually changes annually.

3. **What happens if I just purchased my home in the prior year?**

   For all properties that sold during the year, the current year Taxable Value will be "uncapped" and changed to the State Equalized Value of the property. There is no limit on the amount of change in Taxable Value in the year after a property transfers. However, beginning with the current year the cap goes back on the Taxable Value and increases in Taxable Value are limited by the capped value formula.

4. **Last year my SEV was $55,000 and my Taxable Value was $55,500. What will my Taxable Value be this year?**

   Example: Our sales ration study shows that market values increased in your neighborhood by 3%, this means your current year SEV is:

$55,500 x 1.03 = $57,200 (rounded)

The CPI increase was only 2.8% so your Capped Value is:

$55,500 x 1.028 =%57,054

Your taxable Value for this year is the lower of the State Equalized Value and the Capped Value or $57,054.

5. **Last year my SEV was $62,800 and my Taxable Value was $61,000. What will my Taxable Value be this year?**

   Example: Our sales ratio study shows that market values did not increase in your neighborhood, this means your current year SEV is:

   $62,800 x 1.000 = $62,800 (the same as last year)

   The CPI increase was 2.8% so your Capped Value is:

   $61,000 x 1.028 = $62,708

   Your Taxable Value for this year is the lower of the SEV and the Capped Value, or $62,708.

   The Assessor (and the Board of Review) are required by law to increase the Taxable Value by the applicable rate of inflation (CPI). It would be illegal for the Assessor to set the Taxable Value at any figure other than the $62,708. However, your Taxable Value cannot go higher than your SEV.

6. **Last year my SEV was $102,000 and my Taxable Value was $100,557. I added an addition to my home last year. What will my Taxable Value be this year?**

   Example: Our sales ratio study shows that the market values increased in your neighborhood by 2%. Also, the appraiser for you area has estimated that your addition will add $15,000 to your SEV.

   Your current year SEV is:

   $102,000 x 1.02 = 104,040 + $15,000 = $119,000 (rounded)

   The CPI was 2.8% so your Capped Value is:

   $100,557 x 1.028 = 103,372 + $15,000 = $118,372

   Your Taxable Value is the lower of the SEV and the Capped Value, or $118,372

The following is a history of the Inflation Rate Multiplier as reported by the Michigan Sate Tax Commission:

2006 utilized for 2007	1.037
2005 utilized for 2006	1.033
2004 utilized for 2005	1.023
2003 utilized for 2004	1.023
2002 utilized for 2003	1.015
2001 utilized for 2002	1.032
2000 utilized for 2001	1.032
1999 utilized for 2000	1.019
1998 utilized for 1999	1.016
1997 utilized for 1998	1.027