

Proposal A

On March 15, 1994, Michigan voters approved the constitutional amendment known as Proposal A. Proposal A was designed to limit the growth in property taxes by the Inflation Rate Multiplier (IRM) until ownership in the property was transferred.

How It Works

Prior to Proposal A, property taxes were based upon State Equalized Value (SEV). SEV is defined as 50% of the property's true cash value. With the implementation of Proposal A, property taxes are now based upon Taxable Value instead of the SEV.

Each year, the Assessing Office must calculate the SEV for every property based upon the time frame as outlined by the State Tax Commission. A property's taxable status is determined as of December 31, which is called Tax Day. Additionally, each property has a Capped Value. Capped Value is calculated by multiplying the prior year's Taxable Value, with adjustments for additions and losses, by the Inflation Rate Multiplier as calculated by the State Tax Commission and cannot increase by more than 5%. For 2023, the IRM has been calculated by the State Tax Commission at 1.05.

Taxable Value (TV), upon which property taxes are based, is defined as the lower of State Equalized Value or Capped Value. Generally speaking, this means that unless the current year SEV is less than the previous year Taxable Value multiplied by the IRM, the current year's Taxable Value will increase by 5.0%.

CAPPED VALUE FORMULA

SEV = 50% of True Cash Value

Capped Value Formula:

Last year's value – Losses x IRM * + Additions

Taxable Value:

The **lesser** of State Equalized Value (SEV) or Capped Value unless there is a transfer of ownership.

***Percent of change in the rate of inflation or 5%, whichever is less, expressed as a multiplier**

The Equalization Timetable

The State Tax Commission has required the use of a 24-month sales cycle to determine values for the 2023 assessment year. For 2023 assessments, the 24-month sales cycle begins April 1, 2020 and ends March 31, 2022.

Actual Sale Price is not True Cash Value

The law defines True Cash Value as the usual selling price of a property. The Legislature and the Courts have very clearly stated that the actual selling price of a property is not a controlling factor in the True Cash Value or State Equalized Value as calculated by the Assessor. For this reason, when analyzing sales for the purpose of determining assessment changes, the Assessing Office will review all sales but exclude non-representative sales (such as foreclosure sales) from the assessment analysis.

Foreclosure Sales

Inherent in the definition of usual selling price is the assumption that the sale does not involve any element of distress from either party. The State Tax Commission has issued guidelines concerning foreclosure sales and, generally speaking, these guidelines preclude the Assessor from considering foreclosure sales when calculating values for assessment purposes. For this reason, all distressed sales such as sales involving mortgage foreclosure or sales involving transfers to or from relocation companies, are generally not considered as typical sales in the valuation of property for assessment purposes nor are they reliable indicators of value when making market comparisons for current assessed values or appeals.

Transfers of Ownerships and Uncapping of Assessments

According to Proposal A, when a property (or interest in a property) is transferred, the following year's SEV becomes that year's Taxable Value. In other words, if you purchased a property in 2021, the Taxable Value for 2022 will be the same as the 2022 SEV. The Taxable Value will then be "capped" again in the second year following the transfer of ownership. It is the responsibility of the buyer in a transfer to file a Property Transfer Affidavit with the Assessor's Office within 45 days of the transfer. Failure to file a Property Transfer Affidavit can result in a penalty of \$5 per day for each day after the 45-day period with a maximum penalty of \$200. Property Transfer Affidavit forms are available online at www.portagemi.gov > Government > Departments > City Assessor > Property Tax Forms or at the City of Portage Assessors Office.

Again, it is important to note that a property does not uncap to the selling/purchase price but to the SEV in the year following the transfer of ownership.

Principal Residence Exemption

If you own and occupy your home as your principal residence, it may be exempt from a portion of local school operating taxes. You may check your percentage of principal residence exemption on your "Notice of Assessment".

If the percentage exempt as "Principal Residence" is 0% on your assessment notice and you wish to claim an exemption for the

current year, a Principal Residence Exemption Affidavit (must be completed and filed with the Assessor's Office prior to June 1). Furthermore, if you currently have a Principal Residence Exemption (forms available online at www.portagemi.gov > Government > Departments > City Assessor > Property Tax Forms or at the City of Portage Assessors Office) on your property and you no longer own and occupy the property as your primary residence, you must rescind the Principal Residence Exemption with the Assessor's Office.

If an owner is eligible for and claims an exemption for the current principal residence, that owner may retain an exemption for not more than 3 tax years on property previously exempt as his or her principal residence if the property is:

- ❖ Not Occupied
- ❖ For sale
- ❖ Not leased
- ❖ Not used for any business or commercial purposes

If all of these conditions apply, a conditional rescission may be filed with the City Assessor on or before June 1. An owner who files a conditional rescission shall annually verify to the Assessor on or before December 31 that the property for which the principal residence exemption is retained is not occupied, is for sale, is not leased, and is not used for any business or commercial purpose.

Forms to claim a new exemption, rescind a current exemption or to claim a conditional rescission are available online at www.portagemi.gov > Government > Departments > City Assessor > Property Tax Forms or at the City of Portage Assessors Office during normal business hours.

What can I do if I don't agree with the new assessment?

Your first step should be to contact the Assessor's Office with any questions you may have. Because your SEV (State Equalized Value) is still required by Michigan Constitution to be at 50% of market value, your neighborhood may experience adjustments from year to year. Any basis for appeal should be based upon an estimate of current market value lower than that indicated by your SEV. You may request a copy of your record appraisal card (at no charge) to review the property characteristics upon which your SEV is based. Resident and Non-resident taxpayers may protest their real and/ or personal property assessed valuation in person before the Board of Review by appointment or by signed letter without the necessity of a personal appearance by the taxpayer or his or her agent. Appeals to be heard by appointment can be scheduled by calling (269) 329-4433 beginning February 21, 2023, or by scheduling an appointment in person at the Office of the City Assessor. Appeals made by signed letter must be received by the Office of the City Assessor (Portage City Hall, 7900 S. Westnedge Avenue, Portage, MI 49002) no later than 5 p.m. on March 6, 2023.

Protests of real and/or personal property assessed valuation should provide appropriate support for a particular position, such as sales of similar homes in the neighborhood, a market appraisal, support for poverty exemption, receipts or invoices for recent construction activity, photographs of property damage or deterioration, etc. The City of Portage encourages that protests be accompanied by a completed Board of Review petition (Form L-4035) which is available at the Office of the City Assessor or online at www.portagemi.gov > Government > Departments > City Assessor > Property Tax Forms or www.michigan.gov/treasury.

The Board of Review will make an independent determination of valuation and/or poverty exemption and notification of the decision will be sent to the petitioner. Except for commercial, industrial and utility property, protest at the Board of Review is necessary to protect your right to further appeal to the Michigan Tax Tribunal for valuation and exemption appeals.

If you disagree with the decision of the Board of Review your next avenue for appeal is with the Michigan Tax Tribunal. A letter of protest must be filed with the Michigan Tax Tribunal prior to July 31. Once the Tax Tribunal has received your letter appeal they will assign a docket number and you will receive a petition to complete. The cover letter will state that the petition must be completed and returned by a certain date. Once your petition is received by the Tax Tribunal, they will forward a copy of your petition along with a respondent answer form to the Assessor. Unfortunately, scheduling of the hearing usually takes some time. Any time after a docket number has been assigned, the property owner and Assessor may stipulate to a value, subject to concurrence of the Tax Tribunal.

Statutory Deadlines for the March Board of Review and Michigan Tax Tribunal

February 21 – Deadline for taxpayer filing of affidavit (Form 5076) claiming exemption of personal property taxes for property with a true cash value less than \$180,000. Also, deadline for taxpayer filing of personal property statement with the Assessor.

March 6 – 2023 assessment roll shall be completed and certified by the Assessor. No changes to the assessment roll can be made by the Assessor after this date.

March 7 – First day of the Board of Review. No changes can be made to the assessment roll after it has been certified by the Board of Review.

May 31 – Deadline for commercial and industrial property owners to appeal 2023 assessments to the Michigan Tax Tribunal.

July 31 – Deadline for residential property owners to appeal 2022 Board of Review decisions to the Michigan Tax Tribunal.

For answers to your questions concerning this information, please contact:

City of Portage
Office of the City Assessor
7900 South Westnedge Avenue
Portage, Michigan 49002
(269) 329-4433