



CITY OF ANN ARBOR, MICHIGAN

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CITY OF ANN ARBOR ISSUES 2008 PROPERTY ASSESSMENTS

ANN ARBOR, Mich. – Feb. 15, 2008 – In early March Ann Arbor property owners will receive their 2008 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 years 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). Areas that are seeing a decrease in market value will also see a decrease in assessed value. However, this may not cause a decrease in taxable value or property taxes.

The Consumer Price Index (CPI) is a measure of inflation. The CPI for the 2008 taxable value in Michigan is 2.3 percent. A property owner's taxable value will increase by 2.3 percent unless the property's assessed value is lower than the taxable value. 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 and property taxes.

The following two examples are provided to help clarify this confusing calculation. Both examples assume a 2007 market value of \$300,000 and a 2008 market value of \$275,000 with a 2008 CPI of 2.3 percent.

Example 1

2007

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

2008

Market Value = \$275,000
Assessed Value = \$137,500
Taxable Value = \$100,254

Example 2

2007

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

2008

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

Examples Explained

In example 1, the market value decreased, but the taxable value increased by the CPI 2.3 percent because the taxable value is still less than the assessed value.

In example 2, the market value decreased and the taxable value decreased 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. As illustrated in Example 1, it also will mean small increases in property taxes in years where property values are stagnant or declining.

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 services drop down menu click on property assessment data.

Ann Arbor has 114,000 residents, spans 27.7 square miles, and was named one of the top 25 U.S. cities to live in by CNN/Money Magazine in 2006 as well as the third smartest city in the U.S. by Forbes Magazine. 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.