

## FREQUENTLY ASKED QUESTIONS (FAQ)

### What do the terms “assessed value”, “state equalized value” and taxable value” on my Notice of Assessment mean?

According to Michigan property tax law, these terms have the following meanings:

- **Assessed Value:** The assessed value is determined by a property's market value. Set by the assessor, the assessed value when multiplied by two will give an approximate market value of the property. The assessor is constitutionally required to set the assessed value at 50% of the usual selling price or true cash value of the property.
- **State Equalized Value (SEV):** SEV is the assessed value that has been adjusted following county and state equalization. The County Board of Commissioners and the Michigan State Tax Commission must review local assessments and adjust (equalize) them if they are above or below the constitutional 50% level of assessment.
- **Taxable Value:** A property's taxable value is the value used for determining the property owner's tax liability. Multiplying the taxable value by the local millage rate will determine your tax liability. Taxable value increases from year to year by the rate of inflation or 5%, whichever is lower. Transfers of ownership and improvements to the property will increase the taxable value more than the rate of inflation but never more than the assessed value.  
(Prior years Taxable Value x the inflation rate multiplier or 5% whichever is lower

### How is Assessed Value calculated?

Assessed values are calculated according to the State Tax Commission standards. It is a mass appraisal technique that takes into account the current cost to replicate your house and then depreciates that cost based on the age of the structure. It is then adjusted to market value by comparing the depreciated cost of homes that have sold in your area to their sales price. Each year, we are required by law to analyze sales by economic neighborhood using a two-year sales study to adjust that neighborhood so that assessed values are at 50% of market value. By state law, a home's assessed value is not half its purchase price, but half of its market value.

### How is Taxable Value Calculated?

Taxable value - the value for which your tax bill is calculated, is determined each year by comparing the SEV/assessed and capped values of your property - then choosing the lower of the two.

**Capped** value is determined using the following formula:

(Prior year taxable value – losses) x [CPI or 5% (whichever is lower)] + additions

**Losses**, in most cases, are equal to the taxable value of any buildings, or portions thereof, that were removed or destroyed in the previous year.

**Additions**, in most cases, are equal to the assessed value of any new buildings, or portions thereof, that were built in the previous year.

**Consumer Price Index** (i.e., CPI, or the inflation rate) is equal to that which was experienced in the state of Michigan in the prior year. This figure is determined by the Michigan Department of Treasury.

### **When can I appeal my property assessment?**

Property assessments are appealed to the March Board of Review. This is held every year by law, beginning on the second Monday in March. Danby Township generally has two days of hearings. You may appeal in person or by letter. If you wish to appeal in person, you must call the Assessor for an appointment.

The March Board of Review has the ability to correct assessments, change property classification and grant poverty exemptions. If a residential property is not appealed to the March Board of Review, the assessment is final until the following year.

### **What is the Principal Residence Exemption (PRE)?**

The Homeowner's Principal Residence Exemption is a product of the property tax reforms put in place by the legislature in 1994, generally known as Proposal A. The Principal Residence Exemption excuses the residential owner-occupied property from 18 mills of the total millage levied as property tax. The purpose is to relieve taxpayers of a portion of the burden of funding public schools. Eligibility is for primary residences only. Second homes, cottages and rental properties are not eligible and must pay the full millage -- as do all commercial and industrial properties. Be sure to check the P.R.E. section of your assessment notice or tax bill and verify that you are receiving this exemption. Most home owners see a 100% in this section.

When you purchase a home (either new construction or an existing home), you must claim the exemption in order to receive it. When you sell your home or change its use, you must rescind the exemption.

- [!\[\]\(4e333a6106fc298d0ae6dff272a736ef\_img.jpg\) HOMEOWNER'S PRINCIPAL RESIDENCE EXEMPTION AFFIDAVIT](#) (Form 2368) is the form used to claim an exemption for your primary residence. To be eligible you must own and occupy the home. If you are claiming an exemption for a property that was not exempt for the previous tax year, the filing deadline is May 1. Exemptions in effect on January 1 stay in effect for the calendar year.
- [!\[\]\(97089f8e07e24e31baa67366e358a709\_img.jpg\) REQUEST TO RESCIND/WITHDRAW HOMEOWNER'S PRINCIPAL RESIDENCE EXEMPTION](#) (Form 2602) is the form to use if you have sold your home or have changed its use (converted it to rental property, commercial use, or you have moved out but the property is not yet sold.) Rescissions become effective January 1 following the change of use of the property.
- [!\[\]\(9496824b8cff3a19f59b81b37b57d8b6\_img.jpg\) CONDITIONAL RESCISSION OF PRINCIPAL RESIDENCE EXEMPTION](#) (Form 4640) If a property owner has moved to a new house in Michigan, has a PRE on the new property, the old property is vacant and for sale, the PRE on the old property can be retained for up to three years while for sale.

If you fail to file a Principal Residence Exemption when your property is eligible, you will pay too much tax. If you fail to rescind the exemption when the property no longer qualifies, you could be billed for additional taxes, penalty and interest by the state, county or local treasurer.

Title companies generally make these forms available to buyers and sellers at the closing. The title company usually handles mailing the forms to the assessor as well. However, it is in your best interest to

be certain that the assessor receives these forms! All of the above-mentioned forms can be downloaded from the [State of Michigan's website](#).

**I think I am eligible for a Principal Residence Exemption but I didn't get my form to the Assessor before the June 1<sup>st</sup> or November 1<sup>st</sup> deadlines. Can I still get a PRE?**

YES! If you did not get your form into the office in time to have the exemption added to your property record, you may request the July or December Board of Review add the exemption. They have the authority to add the current year and up to three prior years.

**What is the Qualified Agricultural Exemption and is my property eligible?**

The qualified agricultural property exemption is an exemption from certain local school operating taxes; typically, up to 18 mills, for parcels that meet the qualified agricultural property definition.

To be eligible for the exemption, a parcel has to be qualified agricultural property. A parcel can become a qualified agricultural property in two ways:

1. Classification of the parcel as agricultural on the current assessment roll or
2. Devotion of more than 50% of the acreage of the parcel to agricultural use as defined by law (MCL 324.36101) The form to file is:  [FARMLAND EXEMPTION](#) (Form 2599) is to be used if the property is used primarily for agricultural purposes but is not classified as agricultural. If your home is located on this property, and you have already filed a Principal Residence Exemption, it is not necessary to file this form.

Additionally, a transfer of qualified agricultural property is not considered a transfer of ownership if both of the following are true:

1. The property remains qualified agricultural property after the transfer and
2. The new owner files Form 3676-"Affidavit Attesting that Qualified Agricultural Property shall remain qualified Agricultural Property" with the assessor and the register of deeds.

If you have any questions, please call the Assessor at the number on the Assessor page.