

# Michigan Property Tax Appeal Guide

The taxes on Michigan property can be significant. They fund public schools, local government, libraries, local public transportation, community colleges and more. This brochure explains how you may be able reduce your tax bill. When we talk about “your home,” the principles also apply to a vacant lot, rental home or business property.

## How Are Michigan Property Taxes Determined?

The local assessor normally visits each parcel every five years, when it comes on the tax roll, and when it undergoes a significant change – such as a new building. He or she completes a worksheet where all the necessary information is recorded. Back in the office, that data is transferred to an Assessment Card, which in most cases is a file on a computer. The computer’s software then assists the assessor in determining the property’s value.

The assessor’s office sends a Property Tax Assessment Notice to each property owner. This is a record of how much your assessor believes your property is worth. This value is recalculated every year and can change due to inflation, the local housing market, and any improvements to your property. This value will be used to determine your property tax bill, unless you can successfully appeal the amount.

## What does my Assessment Notice Tell Me?

The notice contains three values you should be familiar with.

- Assessed Value (AV) - This is one-half of the actual value of your home.
- State Equalized Value (SEV) - In almost all cases, the SEV is identical to the AV.
- Taxable Value (TV) - This is the amount that your property taxes will be based on.

When you purchased your home, the SEV and the TV were identical. Proposal A, approved by voters in 1994, prohibited the Taxable Value from increasing by more than inflation or 5% in any year. During the years you’ve owned your home, it’s value likely increased faster than inflation. Over those years, the gap between these two values continued to grow. Upon sale of the property, the TV “uncaps” and becomes the new amount of the SEV.

Taxable Value is the most important number to homeowners. The amount of property taxes for any parcel is the TV multiplied by the total millage rate in that jurisdiction. Only by reducing the TV can you reduce your property taxes.

Many property owners consider any increase in the SEV a bad thing, but you will not pay taxes on this amount. In fact, it can be beneficial for these values to increase. A larger AV can increase your home’s sale price and makes refinancing or obtaining a second mortgage easier. However, when you try to sell your home, potential buyers know they will have a larger tax bill than you did because the TV “uncaps” after the purchase. This is sometimes referred to as the “pop-up tax.”

Keep in mind that the Assessed Value of your home is not based on the sale price. The law is clear that this value is determined by comparing your house to those that are comparable in the area.

## **What if I believe these values are too high?**

The law gives you the right to appeal your property tax assessment. You do this at a meeting of the local Board of Review. This appointed group of local citizens hears property tax appeals of property owners. The assessor's office sends your Assessment Notice to you at least ten days before this board meets. The law only permits them to lower the SEV under specific circumstances. They do not have the authority to set tax rates, but can only adjust Assessed Value, Taxable Value, or property classification.

Because there is a difference between a home's AV and TV, changing the AV does not reduce your taxes. Changes to the Assessed Value will only reduce your taxes if the AV goes below the Taxable Value. For that reason, most successful appeals occur the year following a sale.

## **What are valid reasons for having my assessment reduced?**

We all believe our taxes are too high and that they keep going up. Unfortunately, these are not sufficient reasons to appeal to the Board of Review. You also can't appeal the values because you are not able to pay the tax bill. There are eight main bases for a successful appeal.

### **1. My property has the wrong property classification.**

There are several classifications of property in each jurisdiction, such as residential, commercial and industrial. If your home is classified as commercial but is actually only a residence, you may be able to have your taxes reduced. The classification is a number located near the top of the form. You will need to ask the assessor's office for the class that corresponds to that number.

### **2. The Principle Residence Exemption is missing.**

Property in Michigan that is not a principle residence is subject to an additional 18 mills for school operation. You must file for this exemption by May 1 to receive it in that year. Once it is on file, it will remain until the use of the property changes. Near the bottom, the Assessment Notice tells how much of the property is exempt as your principle residence. If you have filed a Principle Residence Exemption, the amount on the Assessment Notice should be 100%. If it is not, check with the assessor's office to determine why.

Two bases for appeal require a copy of your Assessment Card, which you can get at the assessor's office. This sheet has the information the assessor uses to determine your AV.

### **3. There is a mistake on the Assessment Card.**

The card may have the wrong dimensions for your home or property. It may say you have a finished basement when it is actually unfinished. Does it list three bathrooms when there are only two? Does it claim you have city water and sewer rather than a well and septic? If there is a mistake on your card, ask that the property be revalued. Every property owner should

have a copy of their Assessment Card, whether they intend to appeal their taxes or not. In many jurisdictions, you can download a copy on-line. Assessors are human and can make mistakes. Review the card for your property. If you find an error, you will have lower taxes for the current year and are entitled to a refund for the three prior years.

#### **4. My Percent Good is too high.**

Your Assessment Card or worksheet will have a “percent good” calculation. This is the method your assessor used to depreciate the value of your home. If your home is ten years old, this number should be about 90%.

The four remaining reasons for appealing your assessment are based on the value that was determined for your property. These require you to do more homework to make a case to the Board of Review.

#### **5. There are problems with the home not on the Assessment Card.**

As homes get older, there will be wear due to age. That is normal and is reflected in the percent good figure. Occasionally, there are more serious problems not due to normal aging. There may be a crack in the foundation, windows that won't open or floors that are not level. Photographs and repair estimates are evidence of these problems. Inspect your home to determine if there are problems.

#### **6. The house is in a poor location.**

Location is one of the most important factors in the value of a home. The same is true for the value on your Assessment Notice. Is your home near a major highway, airport, or industrial area? Have there been complaints filed with law enforcement about illegal activities or noisy neighbors? Is there a large amount of truck traffic? These can lower your home's value.

#### **7. The value of the home is higher than the sale price.**

If you recently purchased your home, that sale price is strong evidence of the true value. If appliances or furniture were included in the sale, that amount should be subtracted from the home's AV. The sale price does not automatically become the new SEV when a home is sold. The beginning SEV is the normal selling price of comparable houses in your area.

An appraisal can also provide evidence for the Board of Review. Be careful. It makes no sense to spend \$500 on an appraisal to save \$10 per year in taxes. Also, check to be certain that your AV has not increased by more than 5% or the rate of inflation from last year. That information is on the Assessment Notice.

#### **8. My Assessed Value is more than comparable homes.**

This method of challenging the value placed on your home can be effective but requires some work. Comparables are the methods realtors use to determine the value of any property. They look at the selling price of similar homes in the area to determine how much your house is worth. There are some questions that you need to find the answers to. How much are the taxes on the house on the next block that is almost identical to yours? How much did a similar house down the street sell for last month? Record the answers in an easy to read form and take it with you to the Board of Review meeting.

## **How do I appeal my property taxes?**

You may be able to talk directly to the assessor about errors on the Assessment Card. If an error exists, he or she will make the necessary changes. December 31 is tax day in Michigan. On that day, the local assessor will certify the tax rolls and turn them over to the county. After that date, he or she cannot make changes, even in the case of an error. Be sure to review your Assessment Card before then. The assessor also cannot make changes to the value of a property. After December 31 and for value appeals, the Board of Review is your only option for relief.

You will receive your Assessment Notice the first week of March. Review it for any of the errors above. If you want to appeal the value of your property, you must do so at the Board of Review meeting in March. Your Assessment Notice should tell you the time and place of these meetings. They are required to meet for twelve hours to hear taxpayer appeals. At least three of these hours must be in the evening.

Put all the information you collected in writing. This will help you organize it in a logical manner. Check with your city or township. They may have a form you need to complete to make an appeal to the Board of Review. Make copies of the completed petition and your letter. You should leave copies of both with them at the meeting. The Board may not give you a decision while you are at their meeting. When they discuss your case later, they will have your facts and figures to refer to.

It's not necessary to attend the meeting in person. You can send a letter to the Board who will make a determination based on what you present to them. If you have a conflict with their meeting times, a written appeal may be the only way to have your case heard. It's preferable to attend the meeting even when you have put your case in writing. That way the Board can ask you questions about your property. This also ensures your letter isn't simply misplaced.

The Board also meets in July and December after sending summer and winter tax bills. The only appeals they hear at these times are those based on errors on those bills.

## **What if the Board of Review does not agree with me?**

The law provides that a property owner can appeal the decision of the Board of Review to the Michigan Tax Tribunal. This process is more like a court proceeding than a local meeting. Most property owners are not comfortable handling this appeal themselves. They will typically hire an attorney, realtor or appraiser to assist them.

If a residential appeal is less than \$20,000 and the property value is less than \$600,000, it is considered a small claim. In that case, the Tribunal will come periodically to each county to hear the cases. This is a long process. It may take as long as three years to conclude. The property owner is required to pay the higher tax rate until that time. If the owner wins the appeal, the additional amount is returned with interest.

You need not accept the value that the local assessor places on your property. Particularly after the purchase of property, there is an opportunity to appeal your assessment to the Board of Review. This is one instance where you can fight city hall.

## Sample Appeal Letter

March 10, 2010

Jane Citizen  
123 Main Street  
City, MI 45678  
Phone (123) 456-7890

To the Board of Review for City, MI:

I wish to appeal my property tax assessment for the following reasons.

1. According to my property's Assessment Card, I have noted the following discrepancies:
  - A. I do not have a fireplace as indicated. Estimated value: \$1,800.
  - B. I do not have a tile bath as indicated. Estimated value: \$1,200.
  - C. I do not have 1500 square feet of living space. I actually have 1000 square feet.  
Reduced value: \$6,920.

For these errors, \$9,920 should be deducted from the true cash value.

2. I have noted the following defects on my property. They reduce the value of my property by the following amounts:
  - A. Cracked foundation: \$3,800.
  - B. Cracked exterior wall: \$2,200.

For these defects, \$6,000 should be deducted from the true cash value.

3. I live in an area that has mixed zoning. Next door there is a new junkyard that emits loud noises and noxious odors. This affects the value of my property.  
I believe my true cash value has been reduced by \$3,000.

Grand total of the above: \$18,920.

I have attached a worksheet comparing the SEV of my property with these parcels in the area:  
555 Main Street  
666 Michigan Avenue  
777 Oak Boulevard

Sincerely,

Jane Citizen

NOTE: This sample letter indicates many of the grounds for a reduced assessment. It is unlikely that any appeal would have this number of issues, but each reduction is important. Bring a copy of your information for yourself and for each Board of Review member. Read your appeal to the Board. Be brief, make your points, show photographs you may have, and be professional.

# Board of Review Worksheet

	SEV	Sale Price	Sale Date	Assessed Value	Property Size	Year Built	Square Feet	Finished Basement (Yes or No)	# of Bedrooms	# of Baths	Garage Size	Deck/ Patio	Other Features
Your Property Parcel # Address													
Comp 1 Parcel # Address													
Comp 2 Parcel # Address													
Comp 3 Parcel # Address													

*Be sure to include Assessment Cards for comparables.*