

# EXAMPLES

The following scenarios may reflect your situation. A 1.031 multiplier (3.1% increase) has been used in the following examples.

## You Purchased a New Home

### Example A

Last year, you purchased a new home valued at \$200,000 (true cash value) with Assessed Value and State Equalized Value both at \$100,000, and a Taxable Value of \$80,000.

Sales in the neighborhood show the true cash value of the property has increased to \$210,000 for the current year.

Current Year:  
Assessed Value is (1/2 of \$210,000).....\$105,000  
SEV (tentative).....\$105,000

Value is uncapped the year following an ownership transfer (sale) of a property, the Taxable Value will be the same as the State Equalized Value.

Taxable Value.....\$105,000

## You Added a Family Room to Your Home

### Example B

Last year, your home valued at \$200,000 had a \$100,000 SEV, and a Taxable Value of \$80,000. You added a family room addition valued at \$40,000 (true cash value).

Sales in the neighborhood show the true cash value of your property (with the addition) has increased to \$240,000.

Current Year:  
Assessed Value (1/2 of 240,000).....\$120,000  
SEV (tentative).....\$120,000  
Capped Value  
[(\$80,000 x 1.031) + 50% of 40,000].....\$102,480  
Taxable Value, the lesser of SEV or CV.....\$102,480

## You Made No Changes to Your Property

### Increased SEV/TV Increase

#### Example C-1

Last year, your home was valued at \$200,000 (true cash value) had a \$100,000 State Equalized Value, and a Taxable Value of \$80,000.

Sales in the neighborhood show the true cash value of your property has increased to \$220,000 for the current year.

Current Year:  
Assessed Value (1/2 of \$220,000).....\$110,000  
SEV (tentative).....\$110,000  
Capped Value (\$80,000 x 1.031).....\$82,480  
Taxable Value, the lesser of SEV or CV.....\$82,480

### Increased SEV/TV Increase

#### Example C-2

Last year, your home valued at \$200,000 (true cash value) had a \$100,000 State Equalized Value, and a Taxable Value of \$100,000.

Sales in the neighborhood show the true cash value of your property has increased to \$200,100 for the current year.

Current Year:  
Assessed Value (1/2 of \$200,100).....\$100,050  
SEV (tentative).....\$100,050  
Capped Value (\$100,000 x 1.031).....\$103,100  
Taxable Value, the lesser of SEV or CV.....\$100,050

### Decreased SEV/TV Increase

#### Example C-3

Last year, your home valued at \$200,000 (true cash value), had a \$100,000 State Equalized Value, and a Taxable Value of \$80,000.

Sales in the neighborhood show the true cash value of your property has decreased to \$180,000 for the current year.

Current Year:  
Assessed Value (1/2 of \$180,000).....\$90,000  
SEV (tentative).....\$90,000  
Capped value is (\$80,000 x 1.031).....\$82,480  
Taxable Value, the lesser of SEV or CV.....\$82,480

# Disabled Veterans Exemption

*Section 211.7b: Real Property used and owned as a homestead by a disabled veteran who was discharged from the armed forces of the United States under honorable conditions is exempt from the collection of taxes under this act. In order to receive an exemption, the veteran must file an Affidavit, Form 5107 with their local municipality or with the Assessor Officer.*

Below are the eligible requirements that the applicant must meet:

- The disabled veteran has been determined by the United States Department of Veterans Affairs to be permanently and totally disabled as a result of military service and entitled to veterans’ benefits at the 100% rate (must attach a copy of the letter from the U.S. Department of Veterans Affairs).

OR

- The disabled veteran is receiving or has received financial assistance due to disability for specially adapted housing (must attach a copy of the certificate from the U.S. Department of Veterans Affairs).

OR

- The veteran has been rated by the United States Department of Veterans Affairs as individually unemployable (must attach a copy of the letter from the U.S. Department of Veterans Affairs).

If a disabled veteran who is otherwise eligible for the exemption under this section dies, either before or after the exemption is granted, the exemption shall remain available to or shall continue for his or her unremarried surviving spouse. The surviving spouse shall comply with the requirements listed above and shall indicate on the affidavit that he or she is the surviving spouse of a disabled veteran entitled to the exemption. The exemption shall continue if the surviving spouse remains unremarried.

# 2025

## GUIDE TO PROPERTY TAXES & PROPOSAL A



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## What determines my property tax?

In 1994, Michigan voters approved the constitutional amendment known as Proposal A.

Before Proposal A, property taxes were based on state equalized value (SEV) or assessed value (AV). Proposal A established taxable value as the way to calculate property taxes.

Now taxable value increases are limited to the change in the inflation rate or 5%, whichever is less, if there were no losses or additions to the property.

The limit on taxable value does not apply to a property the year after it is sold.

## What is assessed value?

The Michigan Constitution requires that property be uniformly assessed and not exceed 50% of the usual selling price, often referred to as true cash value. Each tax year, the local assessor determines the assessed value of each parcel of real property based on its condition as of Dec. 31 (Tax Day) of the previous year.

## What is State Equalized Value (SEV)?

The state equalized value (SEV) is the assessed value as adjusted following county and state equalization. The county Board of Commissioners and State Tax Commission review local assessment jurisdictions and adjusts (equalizes) them so they do not exceed 50% of true cash value.

## What does Capped Value mean?

Capped value is established when the taxable value of the prior year, with adjustments for additions and losses, is multiplied by the inflation rate multiplier (IRM). The multiplier cannot be greater than 1.05 (1 + 5%). It represents any inflation rate change from the previous year. The final product is capped value (CV).

**Capped value = (Prior taxable value – losses ) x (IRM)\* + Additions**

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

The capped value limitation on taxable value doesn't apply if you purchased your home last year.

## How are Property Values Determined?

The sale of real property is used by Michigan assessors to compare assessed values with the actual sale prices or market values for those properties. Market value is the most probable price, as of a specific date, where both buyer and seller are knowledgeable, and neither is under duress. The average ratio between assessed value and the sale price should be 50%. Since real estate prices change constantly, the average ratio is usually not exactly 50%. Local assessors are required to reestablish the 50% ratio annually.

## Notice Of Assessment

Taxpayers are notified each year before local boards of review meet in March. The "Notice of Assessment, Taxable Valuation and Property Classification" includes state equalized value; percent of exemption as a principal residence, Michigan Business Tax, or qualified agricultural property; and if the property was sold.

Scan the QR code or visit:  
[OakGov.info/Assessment](https://OakGov.info/Assessment)



## What Is A 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. On your Notice of Assessment, review your percentage of principal residence exemption. To claim an exemption for the current year, you must own and occupy your home and file a PRE-affidavit with your city or township by June 1 for the immediately succeeding summer tax levy and all subsequent tax levies or by Nov. 1 for the immediately succeeding winter tax levy and all subsequent tax levies.

## How are Property Taxes Calculated?

Property taxes = taxable value / 1,000 x your millage rate

# Frequently Asked Questions

## Can an Assessor Set The SEV Or Assessed Value At The Sales Price Of The Property?

No, this practice is illegal in Michigan. An individual sale price IS NOT the same as true cash value of the property for many reasons including:

- An uninformed buyer
- Insufficient marketing time
- Related parties

The price paid in a property transfer is not the presumptive true cash value of the property transferred.

## March Board Of Review & Poverty Exemptions

If you believe the assessed value is more than half the value of your property or if you believe you qualify for a poverty exemption, you may appeal the assessed and/or taxable values at the Board of Review. You can obtain information about the specific meeting dates and schedule an appearance with the board by contacting your local assessing office.

- 211.7u Poverty Exemptions - Check with your local municipality or [OakGov.com/Equal](https://OakGov.com/Equal) for poverty guidelines and an application.

## Calculating Inflation Rate Multiplier

Based on statutory requirements, the calculation for 2025 is from the U.S. Department of Labor. The Inflation Rate Multiplier (IRM) for 2025 is 3.1%. The determination of this Inflation Rate Multiplier is shown in more detail here:

Scan the QR code or visit:  
[OakGov.info/4fKA2L9](https://OakGov.info/4fKA2L9)



## What Is "Taxable Value"?

Taxable value is the lesser of state equalized value or capped value unless the property was sold the prior year.

## What Happens When You Purchase A Property?

When a property or interest in a property is transferred, the following year's state equalized value becomes that year's taxable value. In other words, if you purchase property, your taxable value for the following year will be the same as the state equalized value. The taxable value will then be capped for the second year following the sale.

*Section 211.27a(7)(u): Beginning December 31, 2014, it is not a transfer of residential real property if the transferee is the transferor's or the transferor's spouse's mother, father, brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter and the residential real property is not used for any commercial purpose following the conveyance.*

## What Sales Information Is Used In Determining Assessments?

A 24-month sales study is performed to determine property assessments. The timeframe is determined by the State Tax Commission.

- For this year, the sales study timeframe is April 1, 2022 to March 31, 2024