UNDERSTANDING THE BASICS OF ASSESSING FOR LOCAL UNIT OFFICIALS

Michigan Department of Treasury
Local Government Services

January 2018

Common Terms

Tax Day	December 31st
Ad Valorem	At or according to value
TCV	True Cash Value
AV	Assessed Value
SEV	State Equalized Value
CV	Capped Value
TV	Taxable Value
Mills	1/1000
ECF	Economic Condition Factor

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Common Terms

• Property Taxes	TV x Mills
• STC	State Tax Commission
• BOR	Board of Review
• MTT	Michigan Tax Tribunal
• IRM	Inflation Rate Multiplier
• CPI	Consumer Price Index

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OVERVIEW

- Michigan became a state in 1837 and a Constitution was adopted.
- The first revision to the Constitution was in 1850 when a provision was added providing for a uniform rate of taxation as well as the continuation of existing taxes and the use of cash value assessments.
- All property, real and personal, was taxed until the 1940s when personal property was eliminated for individual households but retained for commercial and industrial businesses.

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OVERVIEW

- In 1850, only the counties, townships, and school districts were allowed to levy taxes.
- Today, counties, cities, townships, school districts, intermediate schools, community colleges, libraries, airport, transportation, and other agencies may levy taxes.
- In 1994, the state returned to the property tax business with the passage of Proposal A.

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1963 MICHIGAN CONSTITUTION

Section 3 of Article 9, states that all property shall be assessed uniformly and shall not exceed 50% of true cash value.

Constitution provides for exemption of real and personal property owned and occupied by nonprofit, religious, and educational organizations.

It also requires that increases to the ad valorem tax must be submitted to the electors for a vote before the tax may be levied.

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1963 MICHIGAN CONSTITUTION

Headlee Tax Limitation:

- The state must maintain the same proportion of spending paid to local government as was paid in 1978.
- Prohibit the state from imposing new mandates on local government unless the state funded such programs.

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1963 MICHIGAN CONSTITUTION

- Prohibit local units from imposing new taxes, raising existing taxes, or bonding general obligation debt without the voter's approval.
- Limited local tax revenue growth by requiring reduction of maximum authorized tax rates to offset growth in assessed values that exceed the general price level of the previous year. This is accomplished by applying a millage rollback fraction.

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GENERAL PROPERTY TAX ACT

- States that “all property, real and personal, within the jurisdiction of this state, not expressly exempted, shall be subject to taxation.”
- Exemptions include: U.S. government, state and local governments, religious, charitable, and educational organizations.
- Public utilities, railroads, and telephone and telegraph properties are taxed by the state.

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GENERAL PROPERTY TAX ACT

The procedures and schedules established by the GPTA include:

- Local preparation and review of the assessment roll.
- County and state review of assessment rolls to equalize true cash values used for assessments.
- Certification of taxes to local unit and to County Board of Commissioners.
- County Board of Commissioners review tax levies, apportions the tax, and authorizes spread of taxes by local unit.

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GENERAL PROPERTY TAX ACT

- Preparation of tax rolls and delivery to the treasurer.
- Disbursement of taxes to local units.
- Collection of delinquent taxes by the county treasurer and execution of tax liens.

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PROPOSAL A

Proposal A

- In July of 1993, the legislature voted to eliminate property taxes as the source of school funding.
- In March of 1994, the voters approved Proposal A which replaced most of the school property taxes with an increase in the sales tax from 4 to 6 cents.
- This was the first successful statewide tax proposal in 20 years.

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PROPOSAL A

The primary components of Proposal A:

- School operating property taxes in all districts were reduced to 18 mills or the number of mills levied in 1993 for school operating.
- Principle residences and qualified agricultural property are exempt from the 18 mills.
- Assessments are capped and a new value "**taxable value**" was created. Taxable value is the lower of the properties state equalized value (SEV) or "**capped value**".

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PROPOSAL A

- A statewide 6-mill State Education Tax was levied on all property.
- Taxes were increased on alcohol and tobacco.
- Real estate transfer taxes (RETT) were also increased.
- The Constitution was amended to exempt school taxes from the uniformity provision of the Constitution.

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PROPOSAL A

- Any increase in school operating taxes requires a ¾ vote of both houses of the legislature.
- Each school district receives a per pupil allotment from the state that is funded by the increase in sales and other taxes.

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PROPOSAL A

- Capped Value formula:

  ((Previous Years TV – Losses) X IRM) + Additions

- Local units cannot develop or adopt a different IRM.
- Assessors knows how the IRM is developed and should be able to explain it to the taxpayer.
- Highest IRM was in 2009 at 1.044
- Lowest IRM was in 2010 at 0.997

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PERSONAL PROPERTY TAX REFORM

In December of 2012, initial legislation was passed that significantly changed the taxation of personal property. The Acts exempt personal property from taxation through two main provisions:

- Small Business Taxpayer Exemption (MCL 211.9o)
- Eligible Manufacturing Personal Property Exemption (MCL 211.9m and MCL 211.9n).

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SMALL BUSINESS TAXPAYER EXEMPTION

Eligibility requirements:

- Personal property classified as industrial personal property or commercial personal property as defined in MCL 211.34c or would be classified as industrial personal property or commercial personal property if not exempt **and**
- The combined true cash value of all industrial personal property and commercial personal property owned by, leased by or in the possession of the owner or a related entity claiming the exemption is less than $80,000 in the local tax collecting unit **and**

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SMALL BUSINESS TAXPAYER EXEMPTION

- The property is not leased to or used by a person that previously owned the property or a person that, directly or indirectly controls, is controlled by, or under common control with the person that previously owned the property.

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EMPP
ELIGIBLE MANUFACTURING PERSONAL PROPERTY

Consists of two types of Property:

1. **Qualified New Personal Property** (MCL 211.9m): Personal property initially placed in service in this state or outside of this state ***after*** December 31, 2012 or that was construction in progress on or after December 31, 2012 that had not been placed in service in this state or outside of this state before 2013 **and** is eligible manufacturing personal property (EMPP).

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EMPP
ELIGIBLE MANUFACTURING PERSONAL PROPERTY

2. **Qualified Previously Existing Personal Property** (MCL 211.9n): Personal property that was first placed in service within this state or outside of this state more than 10 years before the current calendar year **and** is eligible manufacturing personal property (EMPP).

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ESA
ESSENTIAL SERVICES ASSESSMENT

- The Essential Services Assessment (ESA) is a specific tax on eligible personal property the is assessed and collected by the State of Michigan.
- In effect this is a specific tax replacement for the personal property tax.
- Local Units need to be aware of the components of the tax and the rescission provisions.

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TRUE CASH VALUE DEFINITION

Section 27 (1) of the General Property Tax Act defines "true cash value" as "...the usual selling price at the place where the property to which the term is applied is at the time of assessment, being the price that could be obtained for the property at private sale, and not at auction sale except as otherwise provided in this section, or at forced sale."

- The usual selling price does not include public auctions that are part of a liquidation of sellers assets in a bankruptcy proceeding nor does it include property sold at tax sale or the subsequent sale of property that is acquired by the state in the delinquent tax sale process.

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MARKET VALUE CONDITIONS

- Consummation of a sale occurs as of a specified date.
- An open and competitive market exists for the property interest appraised.
- The buyer and seller are each acting prudently and knowledgeably.
- The price is not affected by undue stimulus.
- The buyer and seller are typically motivated.

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MARKET VALUE CONDITIONS

- Both parties are acting in what they consider their best interest.
- Marketing efforts were adequate and a reasonable time was allowed for exposure in the open market.
- Payment was made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

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D.U.S.T.

In order to have value the property must have the following:

- **Desirability** – a consumer must want the product for it to have value.
- **Utility** – the ability to satisfy as human want, need, or desire.
- **Scarcity** – the present or anticipated supply of an item relative to the demand for it.
- **Transferability** – a consumer must be able to purchase the property.

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S.L.U.G.E.R.

The Bundle of Rights are the rights obtained with fee simple title:

- **S** – Right to sell
- **L** – Right to lease or rent
- **U** – Right to use
- **G** – Right to give away
- **E** – Right to enter or leave
- **R** – Right to refuse to do any of these

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ECONOMIC PRINCIPLES

The **basic economic principles** used in appraising are as follows:

Supply and Demand	Anticipation
Change	Substitution
Contribution	Surplus Productivity
Competition	Diminishing Returns
Conformity	Highest and Best Use

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APPROACHES TO VALUE

There are three approaches to value:

1. The **cost approach** is used to estimate the cost of constructing improvements to the land.
   - It is used when you do not have sufficient sales to compare, when the structure has just been built, and when you are doing mass appraisal.
   - This approach is based on the principle of substitution.

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APPROACHES TO VALUE

2. The **sales comparison approach** compares the property being appraised to similar properties that have recently sold.
   - Comparable properties are selected based on how similar they are to the subject.
   - The sale price is adjusted for differences and a market value is estimated.
   - Adjustment, increases or decreases are made to the comps to make them equal to the subject property.
   - This approach also is based on the principle of substitution.

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APPROACHES TO VALUE

3. The **income approach** is used to value the income stream of a property.
    - This approach to value uses the principles of substitution and anticipation.
    - Investors purchase properties based on the income that can be generated.

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ASSESSMENT PROCESS

The **assessment process** is summarized as follows:

- Locate and identify all taxable property
- Inventory all property noting specific characteristics of each parcel
- Estimate market value
- Determine tax status – taxable or exempt
- Calculate assessed, capped, and taxable values
- Prepare certified assessment roll
- Notify property owners of changes to their assessments
- Defend values when appealed
- Prepare tax roll

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TAXABLE VALUE

- Proposal A created a new value: Taxable Value.
- The Constitution limits the increase in taxable value to the increase in the consumer price index or 5% whichever is less, until the ownership of the property transfers. When ownership of the property is transferred as defined by law, the parcel **shall** be assessed at the applicable proportions of current true cash value (50%).
- The assessed value is not $^{1}/_{2}$ the selling price.

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TAXABLE VALUE

There are two limits on taxable value for each property:

- The constitutional limit that taxable value not exceed 50% of true cash value.
- The annual rate of increase in taxable value may not exceed the lesser of 5% or the annual increase in the CPI.

PROPERTY TAXES = TAXABLE VALUE x AUTHORIZED MILLAGE RATE

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TAXABLE VALUE

The following examples are a property with no physical changes. The true cash value (TCV) of the property was $100,000. Last year's taxable value was $49,000. Prior year's SEV was $50,000. The market value increase was 4% and the IRM was 1.024.

- **The assessor must calculate the SEV for next year.**

True Cash Value of the Property	$100,000
Market Value Increase	$ 4,000
True Cash Value	$104,000
SEV	$ 52,000

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TAXABLE VALUE

The assessor must also calculate the capped value.

Prior Year's Taxable	$49,000
Minus Taxable Value of Losses	-0-
Times the Lesser of 1.05 or the IRM	1.024
Plus Taxable Value of Additions	-0-
Equals the Capped Value	$ 50,176

- Since the capped value of $50,176 is less than the SEV of $52,000, the taxable value will be $50,176.
- Until the STC adopts final equalization in May, all values are tentative.

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LOSS, LOSSES, NEW AND ADDITIONS

Term	Affects Assessed Value/SEV	Affects Capped Value
New	Yes	No
Loss	Yes	No
Additions	No	Yes
Losses	No	Yes
Adjustment	Yes	No

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TRANSFERS OF OWNERSHIP

- When ownership of the parcel is transferred as defined by law, the property shall be assessed at the applicable proportion of true cash value for the year following the transfer.
- This does not mean that the assessment is set at 50% of the selling price.

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TRANSFERS OF OWNERSHIP

"Transfers of Ownership Examples"

- Deed
- Land contract
- Conveyance to a trust (unless beneficiary is same as settlor)
- Distribution from a trust
- Change in beneficiary of trust
- Distribution after owner dies
- Lease
- Corporation partnership
- Tenancy in common

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TRANSFERS OF OWNERSHIP

NOT "Transfers of Ownership"

- Spouse to spouse
- Parents to Child
- Tenancy by entireties
- Life lease
- Foreclosure/forfeiture
- Redemption – forfeited land for non-payment of taxes
- Conveyance to trust when beneficiary is same as settlor
- Court order

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TRANSFERS OF OWNERSHIP

Transfers of ownership occurs:

- Date the deed or land contract is delivered to buyer.
- Usually the same date the deed or land contract is signed.
- Frequently not the same date as the document is recorded with Register of Deeds.
- Usually not the same as the date of offer to purchase.

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TRANSFERS OF OWNERSHIP

- Transfers are reported to the assessor's office using the Property Transfer Affidavit Form (PTA), Form L-4260 within 45 days after the transfer of ownership.
- Penalties begin to accrue after the 45-day filing deadline has passed.
- **The penalties are required to be levied unless the governing body of a local unit of government may adopt a resolution waiving this penalty.**

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BOARD OF REVIEW

The BOR meets in **March**: To examine the current assessment roll to determine if the assessor has assessed all property liable to taxation

- Correct errors
- Names of taxpayers
- Legal descriptions
- Assessments
- Property Classifications
- Valuations

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BOARD OF REVIEW

- The BOR serves as an appeal board hearing protests regarding the assessment established by the assessor.
- The BOR may adjust assessments it deems unfair.
- They may also grant poverty exemptions

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BOARD OF REVIEW

- The Board can add property to the roll that has been missed and hears appeals of denials by the local assessor of continuation of agricultural exemptions.
- The Board can grant or deny exemptions of homestead and agricultural property for homeowners who owned and occupied a homestead on June 1 or whose property qualified as agricultural property on May 1 and the exemption was not on the roll.

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BOARD OF REVIEW

- Members of the BOR must be electors of the township.
- An elector must be 18 years old, a U.S. citizen, and have lived at least 30 days in the township where they will serve.
- Two-thirds of the Board must be property owners. The Township Board appoints the BOR members to two-year terms beginning on January 1 of each odd numbered year.

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BOARD OF REVIEW

- Township Board members are not eligible to serve on the BOR.
- The spouse, mother, father, sister, brother, son, daughter or adopted child of the assessor is also prohibited from serving on the Board.

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BOARD OF REVIEW

- The Township may appoint not more than 2 alternate members for the same term as regular members of the board of review.
- Each alternate member must meet the same requirements of a regular member including eligibility and oath of office.

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BOARD OF REVIEW

- The township supervisor is the secretary to the Board and is responsible for the minutes.
- If the supervisor cannot be present, the deputy supervisor or a Board member must perform this duty.
- The Township Board may appoint a clerical person to assist the Board of Review to ensure accurate minutes are taken, but the Board must still elect a secretary to oversee the clerical employee's work.

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BOARD OF REVIEW

- Township Boards of Review are required to meet in three separate sessions: one session to review the roll and a minimum of two sessions to hear protests from taxpayers.
- The BOR may have a need to hold additional sessions as necessary to hear protests.

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BOARD OF REVIEW

- **All meetings of the BOR are open meetings under the Open Meetings Act, P.A. 267 of 1976.**
- The Open Meetings Act requires that all meetings of a public body shall be open to the public and that the meeting is held in a place available to the general public.
- Notices of the BOR schedule must be published in three consecutive issues of the local paper or posted in five places in the local unit at least one week prior to the first meeting of the BOR.

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BOARD OF REVIEW

- The first meeting of the BOR is the **organizational meeting.**
- The chairperson is elected and the rules of procedure are drafted.
- BOR receives the assessment roll and examines it to ensure all taxable property is described and assessed.
- Poverty guidelines are reviewed and generally the assessor reports on changes in laws that the Board should be aware of.

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BOARD OF REVIEW

- The **second meeting of the BOR** is to hear appeals from taxpayers regarding the assessments of their property.
- The second meeting is on the second Monday in March and must begin no earlier than 9:00 a.m. and no later than 3 p.m. and last for at least six hours.
- There must be one additional six-hour meeting that week and there must be at least one three-hour session after 6:00 p.m.

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BOARD OF REVIEW

- Two members of the Board make up a quorum.
- If there is not a quorum, the supervisor is to notify the members absent to attend at once or they may call upon the alternate members to serve.
- A taxpayer or his/her representative may appeal to the Board.
- Non-residents may appeal by mail and such appeals are to be considered as if the petitioner appeared in person.

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BOARD OF REVIEW

- The chairperson conducts the meetings of the Board and is responsible to ensure that the meeting runs on schedule.
- The secretary is required to keep a record of all appeals and also which Board members were present as well as the date and time the meeting was called to order and adjourned.
- Board decisions are recorded in the minutes, on the assessment roll, and on the property record card.

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BOARD OF REVIEW

- The burden to prove an assessment is incorrect rests on the taxpayer.
- Boards must be completed by the first Monday in April. Notices of the decisions of the Board must be mailed by the first Monday in June and must advise the petitioner of the right to appeal to the Michigan Tax Tribunal.
- Boards must be completed by the first Monday in April.

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BOARD OF REVIEW

- To obtain a **Poverty exemption**, you must:
  - Own and occupy the property as your homestead
  - Make application to the Board of Review
  - Provide federal and state income tax returns for all persons residing in the home.
  - Meet the federal poverty guidelines as well as the guidelines adopted by the governing body.

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BOARD OF REVIEW

- The Board must follow the guidelines for EVERY Poverty appeal. Failure to do so may make it difficult to defend the Board's decisions at the Michigan Tax Tribunal.
- Filing a poverty appeal does not prohibit filing an assessment appeal.
- **Poverty exemptions may be granted up to 100% and are only in effect for one year.**

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BOARD OF REVIEW

- Petitioners have the right to appeal a BOR decision.
  - Valuation appeals to the Michigan Tax Tribunal.
  - Classification appeals to State Tax Commission.
- July and December Boards of Review meet to correct clerical errors, mutual mistakes of fact or certain qualified errors.
- They may also hear poverty appeals not heard at the March Board of Review.

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EQUALIZATION

Article 9, Section 3 of the Michigan Constitution of 1963, as amended, established the five requirements of the legislature regarding assessments and taxes:

- Uniform general ad valorem taxation of real and tangible personal property.
- The determination of true cash value of such property.
- The proportion of true cash value at which such property shall be uniformly assessed (not to exceed 50% of true cash value).
- Establish a system of Equalization of assessments.
- Determine the taxable value of each parcel of property.

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EQUALIZATION

To accomplish these five requirements of the Constitution, the legislature, in the General Property Tax Act of 1893, established the following three levels of responsibility:

- Local level (Assessor and Board of Review)
- County level (Equalization department)
- State level (State Tax Commission)

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EQUALIZATION

The assessing officer in the local government unit begins the process. All property is listed in an orderly manner in the assessment roll. For every property, the assessor determines the following:

- The assessed value (50% of the true cash value).
- The capped value (using the statutory formula and STC guidelines).
- The taxable value (the lesser of the AV and capped values).

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EQUALIZATION

- The BOR is charged with making sure assessments are equitable and that values have been calculated properly. The BOR hears appeals from property owners regarding their assessments, classification, and taxable status of property.
- **The BOR must complete its business on or before the first Monday in April.** The BOR certifies the value of each class of real property separately and all classes of personal property as a whole.

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EQUALIZATION

- When the certification and other required reports are completed, the assessor turns the roll over to the Equalization Department for County Equalization.
- **The roll must be turned over by the Wednesday following the first Monday in April or 10 days following the adjournment of the Board of Review, whichever is earlier.**

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EQUALIZATION

- The County Equalization Director reviews each assessment roll in the County on behalf of the County Board of Commissioners.
- The Equalization Director summarizes the local units on form L-4411, Recommendation to the County Board of Commissioners.
- **The County Board of Commissioners must begin their review on the Tuesday following the second Monday in April and must complete their work by the first Monday in May**

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EQUALIZATION

- The third level of the assessment/Equalization process is State Equalization.
- The State Tax Commission (STC) determines and establishes the uniform valuation of all classes of property between the 83 counties in Michigan.
- **The State Tax Commission issues its preliminary determinations on the second Monday in May and its final determination on the fourth Monday in May.**

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EQUALIZATION

- Each local unit of government may appeal to the County Board of Commissioners if they do not agree with County Equalization.
- This will protect their right to appeal the County Equalization to the Michigan Tax Tribunal.
- Appeal of State Equalization is to the Court of Appeals.

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EQUALIZATION

Assessors are required to annual determine the **classification for parcels** in their jurisdiction.

Real Property	Personal Property
100 Agricultural Real Property	150 Agricultural Personal Property
200 Commercial Real Property	250 Commercial Personal Property
300 Industrial Real Property	350 Industrial Personal Property
400 Residential Real Property	450 Residential Personal Property
500 Timber-Cutover Real Property	550 Utility Personal Property
600 Developmental Real Property	

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EQUALIZATION

- Equalization departments are required to conduct Equalization studies for each class of property in the County.
- Sales Studies are typically done in the larger classes with adequate market transactions to accurately measure the assessment to value ratio.
- Most typical is the residential real class, although sales studies are also conducted in commercial, industrial, and agricultural classes in large units with large classes and adequate sales.

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EQUALIZATION

- Some small units might not have adequate sales to conduct any sales studies in any class and then would have to use an appraisal study.
- The same basic procedure is utilized in an appraisal study, except the “market value” is derived from an appraisal of the property rather than an open market sale.
- Due to a lack of sales in small units and/or tiny classes, this may be the only study approach for year after year.

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EQUALIZATION

- Personal property studies are not done based on sales but rather on audits of a representative sampling of the personal property returns.
- **All valid sales must be included and verified.**

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

The assessor's four basic duties are:

1. To inventory and list all property within the assessment jurisdiction.
2. To equitably evaluate every item of taxable property.
3. To calculate the taxable value for every taxable property.
4. To prepare an assessment roll with all taxable property listed in an orderly fashion by parcel number or legal description.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

Maintaining accurate property record cards is of primary importance. Assessors must have a system in place to keep track of changes to every parcel.

- **Assessing accuracy -** The degree to which the property in the jurisdiction is assessed at a legally mandated and uniform percentage of market value.
- **Assessment uniformity -** The degree to which different properties are assessed at equal percentages of market value.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

- **Assessment level** -The overall ratio of assessments to market values and the degree to which this ratio meets the state mandated ratio.
- **Assessment efficiency** refers to the cost of assessment operations; i.e., the number of appraisals per appraiser done each day and the percent of properties inspected. If the cost per appraisal is low then the assessment efficiency is high.
- **Cost effectiveness** is demonstrated by a prudent use of all resources available.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

- Accurate property record cards and assessment maps are mandatory if you are to have an efficient office.
- Accurate maps insure that no property is omitted and no property is assessed twice.
- Assessments are only as accurate as the data used to calculate them.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

Ten components to an effective assessment system:

1. Adequate budget, competent staff, and internal controls
2. Complete maps and files
3. Accurate property data
4. Accurate sales data
5. Effective cost approach
6. Effective sales comparison approach
7. Effective income approach
8. Modern data processing and storage
9. Open public relations
10. Periodic assessment-ratio studies

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

- **Components 1-4** are basic. If you do not have staff, you will not be able to maintain the records that are necessary to do the job.
- **Components 5-7** relate to appraisal procedures and are necessary for accuracy.
- **Component 8** is a means to efficiency in an assessing office.
- **Component 9** is the golden rule.
- **Component 10** is necessary to evaluate the accuracy of the records and to make necessary adjustments.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

"The Golden Rule"

- Properly responding to taxpayers questions.
- Provide all documentation in determining values including land value maps, ECF determinations, and sale information.
- Remembering taxpayers have the right appeal to the Board of Review and Michigan Tax Tribunal.
- Taxpayers' questions are not a personal attack.
- Assessors do make mistakes.
- Assessors must be pleasant and courteous to taxpayers.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

The Assessment Roll

- There is only one annual Assessment Roll for each assessing unit.
- The Assessment Roll is the roll in which assessments are determined by the assessing officer, reviewed by the Board of Review (Board), equalized by the County Board of Commissioners and containing the certificates for all three.
- The Assessment Roll will be completed in accordance with the General Property Tax Act by a duly elected or appointed assessor who is properly certified by the State Tax Commission.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

- Prior to presentation to the Board of Review, the Assessment Roll shall have a certificate attached signed by the assessor, including his or her certification number.
- The roll shall be completed and prepared for presentation to the Board of Review not later than the first Monday of March for Townships and as provided by Charter for Cities.
- There should not be any erasures in the Assessment Roll.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

- After an Assessment Roll has been reviewed by the Board of Review, a certificate signed by the members of the Board of Review is permanently attached to the roll.
- The certificate contains the total valuation of each classification of real property and of personal property as determined by the Board of Review.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

- After the certificate is attached, an assessing officer is not permitted to make any entries to the roll except by written authority of the Michigan Tax Tribunal, the State Tax Commission, or pursuant to court order.
- This includes a situation where an error has occurred in the development of the Assessment Roll.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

Computerized Assessment Rolls:

- P.A. 25 of 2016 allows local tax collecting units to use a computerized database system as the assessment roll beginning with the 2017 tax year.
- Only permitted if the local unit and the assessor certify in a form and manner prescribed by the STC.
- Approvals are granted for three years.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

The Tax Roll:

- A Tax Roll is created by the assessor and is separate and distinct from the Assessment Roll.
- The assessor should make sure they are working with their local Treasurer to pass on name changes, address changes, Board of Review, STC and MTT changes.
- It is important to remember that many other taxing authorities have to “balance” their tax collections and any and all corrections must be passed on to those entities

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

- After the Tax Roll has been completed, the Township Supervisor will complete a warrant and deliver the Tax Roll to the Treasurer for collection.
- The warrant for the collection of City taxes will be signed by the official assigned the responsibility by City Charter or, if the Charter does not address this issue, it must be signed by the City Assessor. Village tax collection warrants are to be signed by the Village President.

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ASSESSMENT ADMINISTRATION PUBLIC RELATIONS

- Act 112 of 1990 permits assessing officers to prepare a computerized Tax Roll for use as a collection and accounting tool by the Assessor and Treasurer.
- The system and procedures to be used are outlined in MCL 211.42a.
- Treasurers and Assessors are not permitted to use a computerized Tax Roll unless approved for use by the State Tax Commission.

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AMAR
Audit of Minimum Assessing Requirements

What is an AMAR?

- Implemented by the STC 2013
- Each local unit will be audited once every five years; it is an audit of the local unit and not an audit of the assessor
- Audits are conducted by an outside contractor
- Audit of **Minimum** Assessing Requirements
- All requirements are based in statute, STC Rule, Policy, Bulletin or Publication
- New five year audit cycle begins in 2018

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AMAR
Audit of Minimum Assessing Requirements

Why is the AMAR important to local units?

- The AMAR ensures compliance with State Law
- Local units can be assured of assessment uniformity
- Local units can be assured that all property is being assessed
- It provides transparency into the assessment process for both local units and taxpayers

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AMAR
Audit of Minimum Assessing Requirements

AMAR Background

- The State Tax Commission, per MCL 211.10f, has jurisdiction to determine substantial compliance with the requirements of the General Property Tax Act.
- Local units of government that do not meet one or more of the minimum requirements must submit a corrective action plan detailing how and when the deficiencies will be resolved.

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AMAR
Audit of Minimum Assessing Requirements

AMAR Background

- **Failure to submit** an acceptable corrective action plan, or failure to resolve the deficiencies as outlined within the corrective action plan that is approved by the State Tax Commission, will result in a determination of substantial noncompliance and may result in the State Tax Commission assuming jurisdiction of the assessment roll of the local unit of government.

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The AMAR begins by collecting basic information:

- Name of Local Unit, County
- Name of Assessor and Assessor Certification Level
- Name and mailing address of Supervisor, City Manager or Mayor
- Date the assessor certified the assessment roll

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Next, the AMAR asks five questions designed to gather information to assist the local unit in looking at their policies and procedures and to provide statistical information to the STC.

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1. **What is the residential Coefficient of Dispersion for the local unit?**
   - The Coefficient of Dispersion or COD is a measure of uniformity and relates to the consistency of assessment levels within a group of properties.
   - The COD is the average percentage deviation from the median ratio.
   - In general, the lower the COD, the more uniform the ratios within a property group.

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2. **What is the residential Price Related Differential for the local unit?**
   - The Price Related Differential or PRD is a measure of assessment regressivity or progressivity.
   - Appraisals of properties are considered regressive if high value properties are under appraised relative to low value properties.
   - Appraisal are considered progressive if high value properties are relatively over-appraised.

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3. **Does the L-4022 in possession of the local unit match the L-4022 in possession of the County Equalization Director and the information uploaded on the L-4023 on the E-File Site?**
   - The L-4022 is an assessors report of the total assessed value for each class of property and the assessment roll changes for each class of property for County and State Equalization.
   - The L-4023 is the analysis for equalized valuation.

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4. **Was Form 4142 completed and submitted to Treasury by a County, City or Township when the State's portion of PRE denial interest is remitted?**
   - MCL 211.7cc requires interest at a rate of 1.25% per month or fraction of a month to be charged to the owner of property that has been issued a PRE denial notice.
   - MCL 211.7cc also details the required distribution of the interest depending on the governmental unit that issued the denial notice.

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5. **Does the local unit have written procedures, including audit procedures, for determining how to grant real property exemptions or remove real property exemptions when the property no longer qualifies for the exemption?**

The STC document Supervising Preparation of the Rolls requires assessors to appraise and assess taxable property.

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Assessment Roll Analysis

The first four items in the assessment roll analysis have not changed from prior year AMAR reviews.

- Does the local unit have properly calculated and documented economic condition factors?
- Does the local unit have accurate land value maps?
- Does the local unit have properly calculated and documented land values
- Does the true cash value on the roll agree with the true cash value on the record cards?

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Does the local unit have properly calculated and documented economic condition factors?

- The Assessor's Manual as adopted by the STC is prepared using costs of construction at a statewide level.
- Because these costs are at a statewide level, adjustments must be made to these costs to reflect conditions at the local level.
- Statewide costs are brought to the County level through the use of County Multipliers.

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- An ECF adjusts the assessor's use of the Assessors Manual to the local market.
- ECF's are developed annually.
- An ECF must be determined and used in all cost appraisal situations where the Assessor's Manual is used.
- ECF's ensure uniformity of assessments.

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- ECF's are calculated by analyzing verified property sales prices.
- The portion of each sale price of the building only is compared to the value on the record card of the same building.
- The ECF represents the relationship between the appraised value and the sale value of that building.
- It is of primary importance that an assessor develop, analyze and document their own ECF's.
- It is not acceptable for the assessor to simply use the ECF developed by the County.

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Does the local unit have accurate land value maps?

- Land value maps are a graphical presentation of land values for an entire assessment unit.
- A graphical display of land values enables the assessor to explain and defend the results of his or her land value analysis to taxpayers.
- Constructing land value maps also helps keep the assessor informed of land value changes or patterns in the assessment jurisdiction.

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- MCL 211.10e requires assessors to maintain land value maps consistent with STC standards.
- A good set of maps will contain both the value conclusions used by the assessor and vacant sales.
- Land Value Maps do not have to be computerized.

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Does the local unit have properly calculated and documented land values?

- An assessor is responsible for developing a land value for every taxable parcel of property which is valued using the cost approach.
- In developing land values, an assessor must consider the general forces (economic, social, environmental (or physical), and governmental (or legal) that affect the parcels' use, utility and ultimately its value as well.

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- Several methods are available for land valuation.
- Land values are developed annually.
- It is critical that an assessor applies land values as calculated and documents the development of those values.
- Occasionally an adjustment must be made for specific features of a parcel that are not reflected in “normal” land tables.
- When made, these adjustments must be fully documented by the assessor in the database.

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Does the true cash value on the roll agree with the true cash value on the record cards?

- This is a measurement of the assessors use of “overrides”.
- Overrides indicate the assessor is not using the value as calculated but overriding that value and using some other value that is not supported with property assessing methodology.
- Overrides lead to issues with assessment uniformity and equity and do not provide the transparency necessary for the assessing process.

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- The law requires that the ***Assessor's Manual*** be used as a guide in the property tax process—both for valuing property and for maintaining appraisal record cards, land value maps, etc.
- The ***Assessor's Manual*** consists of three volumes:
  - Volume I contains cost data for residential structures and most agricultural structures.
  - Volume II contains cost data for commercial and industrial structures.
  - Volume III is a guide to property assessments in Michigan. It is not intended to be a guide to how to assess property but instead to provide guidance on assessment administration topics specific and unique to Michigan.

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Minimum Record Card Requirements

- There are two different sections to an appraisal record card, the first is descriptive and the second is used to price out the various components.
- An appraisal record card is an inventory sheet first and a calculations sheet second.

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Pricing Section of a Record Card

- The pricing section should use the same numbering system as the descriptive section of the card.
- A reader should be able to identify which individual items are priced as adjustments and additions and what their prices are.
- Adjustments and additions for items in the same category or sub-category in the Assessor's Manual should be priced together in the same place.
- The county multiplier, the % good depreciation multiplier, and the ECF multiplier should each be listed separately and not be combined with each other.
- The use of abbreviations is discouraged. The porch abbreviations in the manual may be used.

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Personal Property Review:

The personal property review consists of 2 parts:

1. Does the local unit conduct an annual personal property canvass as required by the Supervising Preparation of the Rolls?

2. Did the local unit grant any exemptions under MCL 211.9o (Small Business Taxpayer Exemption)? And if so does a sampling indicate the local unit properly processed the exemption?

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Personal Property Canvass:

- The Assessor is responsible for the valuation of all assessable personal property in their jurisdiction.
- This involves the discovery of the location of all assessable personal property on tax day and a determination of its value.
- A formalized approach to this discovery process usually produces the best results.

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- The discovery process should begin by becoming thoroughly familiar with the prior year's personal property assessment roll and filed Statements.
- *Second*, after securing whatever information is available through sources which are available without leaving the office, the Assessor must conduct an annual personal property canvass of the assessing jurisdiction. This is a *very important procedure*.
- *Third*, following the annual canvass, questionnaires can be sent to those property owners with whom the Assessor was unable to consult in order to obtain information about ownership, leased equipment, exemptions being claimed, etc.

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- *Fourth*, annual, or periodic, inquiries should be made of all exempt organizations to determine whether the organizations had in their possession, on tax day, personal property owned by others.
- The personal property canvass involves visiting every address, firm, location or place where assessable personal property may be found.

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MCL 211.9o (Small Business Taxpayer Exemption): Does a sampling indicate the local unit properly processed the exemptions received? This includes: Form 5076 filled out completely, timely received, received annually and if not received the exemption is removed, parcel number created for any business that was granted an exemption, ensuring that a parcel with the exemption is not retired, all locations within the local unit are considered when granting the exemption.

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- MCL 211.9o provides for a personal property tax exemption for "eligible personal property". This is commonly referred to as the Small Business Taxpayer Exemption.
- In order to claim the exemption a taxpayer must annually file Form 5076 *Small Business Tax Exemption Claim Under MCL 211.9o* with the local unit where the personal property is located by February 20th, postmark is acceptable.
- Recent statutory changes, amended Form 5076 to provide for the use of facsimile or electronic signatures on Form 5076.

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Review of Exemptions Granted Under MCL 211.7u (Poverty)

- Did the local unit grant any exemptions under MCL 211.7u (poverty exemptions)?
- Does the local unit have poverty exemption guidelines?
- Does the local unit have an asset test?
- Does a sampling of the exemptions granted indicate the statutory requirements were met and the guidelines followed?

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- MCL 211.7u provides for a property tax exemption, in whole or part, for the principal residence of persons who, by reason of poverty, are unable to contribute to the public charges.
- Principal residence is defined in MCL 211.7dd as a principal residence or qualified agricultural property.
- MCL 211.7u requires local units to annually adopt a policy, including an asset test, used to approve or deny poverty exemptions.

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Poverty Exemptions:

First, local units must annually adopt guidelines which specify the total household income which will be used to approve or deny poverty exemptions.

- Statute requires that the income levels shall not be set lower than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services and published by the State Tax Commission in their annual Procedural Changes Bulletin.

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Second, the local unit policy must include an asset test.

- The purpose of an asset test is to determine the resources available: cash, fixed assets or other property that could be converted to cash and used to pay property taxes in the year the poverty exemption is filed.
- The local unit should require that claimants provide a list of all assets when applying for a poverty exemption.

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Third, MCL 211.7u(1) allows for partial poverty exemptions to be granted.

- A partial poverty exemption is an exemption of a percentage of the taxable value of the principal residence rather than the entire taxable value.
- The local unit can limit poverty exemptions to partial exemptions or to minimum or maximum exemption of their choosing.

Finally, the State Tax Commission recommends that local units develop an application to be used by claimants and a written policy that details the process.

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July and December BOR Actions:

- Does a sample of the July and December Board of Review actions indicate the Board met the requirements of MCL 211.53b and considered only those items over which they have statutory authority?
- MCL 211.53b specifies: The board of review meeting in July and December shall meet only for the purpose described in subsection (1)(Qualified Errors) and to hear appeals provided for in sections 7u (Poverty Exemptions), 7cc (PRE), 7ee (Qualified Ag), 7jj (Qualified Forest).

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Qualified errors are defined in the act as:

- A clerical error relative to the correct assessment figures, the rate of taxation, or the mathematical computation relating to the assessing of taxes.
- A mutual mistake of fact.
- An adjustment under section 27a(4) – taxable value or an exemption under section 7hh(3)(b)– qualified start-up business exemption.
- An error of measurement or calculation of the physical dimensions or components of the real property being assessed.

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- An error of omission or inclusion of a part of the real property being assessed.
- An error regarding the correct taxable status of the real property being assessed.
- An error made by the taxpayer in preparing the statement of assessable personal property under section 19.
- An error made in the denial of a claim of exemption for personal property under section 9o.

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Specific examples of concerns related to July and December Boards of Review include:

- July and December Boards of Review hearing valuation appeals. The July and December Boards of Review have no authority to make a valuation determination even if the March Board of Review deferred a decision on a valuation matter.
- July and December Boards of Review granting a poverty exemption or a disabled veterans exemption for a prior year. MCL 211.53b specifically states that unless specifically described a July or December Board can only make a correction under these sections for the current year.

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- July and December Boards of Review granting PRE exemptions. The July or December Board of Review can only hear PRE case which was NOT on the current year and previous three year's Tax Roll.
- Boards of Review determining qualification under the Disabled Veterans Exemption. While Boards of Review do make a determination to grant or deny a Disabled Veterans Exemption, they do not have the authority to determine if the veteran is disabled or individually unemployable. Those determinations are made by the Federal Department of Veterans Affairs.

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Property Transfer Affidavit:

- Does the local unit follow the requirements under MCL 211.27b to levy the interest and penalty for failure to file a Property Transfer Affidavit?
- If waived did the local unit waive the interest and penalty by resolution and is that resolution kept on file?

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Keys to a Successful AMAR:

- Take the audit seriously. Develop a reasonable and complete corrective action plan (CAP).
- Trust but verify.
- Everything can be fixed. We are here to work with you and help you.
- Communicate, communicate, communicate.

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Resources and Contact Information

- State Tax Commission website has a significant amount of information and a section dedicated to the AMAR with hyperlinks to policies, statutes, forms etc.: www.Michigan.gov/statetaxcommission
- Staff are always willing and available to answer questions: 517-335-3429.

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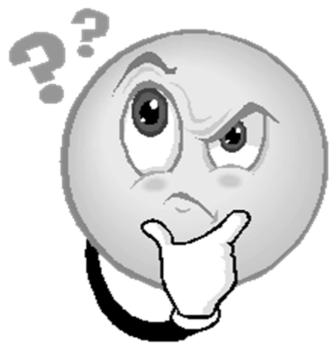
QUESTIONS



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