

February 2008

**IMPORTANT INFORMATION FROM THE
CITY OF AUBURN HILLS ASSESSOR'S OFFICE**

**UNDERSTANDING YOUR PROPERTY ASSESSMENT
AND TAXABLE VALUE**

Over the past couple of years some neighborhood property values have shown very little growth, and in many cases have experienced a decline in property values. The assessor's office spends a considerable amount of time analyzing sales that have occurred over the past year to two years in order to estimate property values as of December 31, 2007.

Please review the enclosed Notice of Assessment, Taxable Valuation and Property Classification. The notice provides the property owner with pertinent information regarding their property. There are three important areas for review. First, the notice provides the 2007 valuations, the 2008 valuations and the amount of change. Second, the document will show if the property's taxable value was "uncapped" as a result of an ownership transfer. When an ownership transfer results in an uncapping, the taxable value becomes the assessed value. Line 5 of the notice will indicate whether there "was" or "was not" a change of ownership of the property during 2007. Third, the notice will indicate the percentage of the property being used as a Principal Residence. If you own and occupy the property as your principle residence, the percentage indicated should be 100%. Property owners are encouraged to review each of these areas for accuracy. Please contact the Assessors Office if you should have any questions or concerns.

If the property owner believes that valuations on the Notice are incorrect, they may protest to the March Board of Review. The meeting dates are listed on the Notice. Residential valuation disputes **MUST** be heard by the March Board of Review in order to protect your right to further appeal to the Michigan Tax Tribunal. Commercial, Industrial and Developmental real and personal property valuation disputes have the option of appealing directly to the Michigan Tax Tribunal.

Property owners may see a significant difference in the amount of their Assessed Values and Taxable Values. Assessed Values represent 50% of the estimated property value in a **Mass Appraisal Process**. Taxable Value is a mathematical formula which is based on the preceding year's Taxable Value increased by the Inflation Rate Multiplier (IRM). The IRM is determined for the entire State by the United States Department of Labor and applied by each municipality. Taxable Value may also increase for physical additions and decrease for physical losses to the property.

Therefore, if a homeowner has owned their home since the Constitutional Amendment, known as Proposal A passed in 1994, they may have received 2007 & 2008 values as follows:

For the year for 2008, the IRM has been determined as 2.3%.

Please note that the Taxable Value will NOT exceed the Assessed Value.

	<u>Assessed Value</u>	<u>Taxable Value</u>	
2007	\$ 200,000	\$ 160,000	
2008	\$ 200,000	\$ 163,680	(increase of 2.3% IRM)

This example shows that the Assessed Values can remain the same, while Taxable Values show an increase. This is a function of the statute. Taxable Value may increase from year to year, until its ceiling of Assessed Value is reached.

In this situation, Assessed Value becomes the Taxable Value. The following example illustrates this concept:

	<u>Assessed Value</u>	<u>Taxable Value</u>
2007	\$ 200,000	\$ 198,000
2008	\$ 200,000	\$ 200,000

In the above example the 2007 Taxable value of \$ 198,000 would increase to \$202,550 if the 2.3% IRM is applied. However, since the 2008 Assessed Value is only \$200,000, the Taxable Value cannot exceed Assessed Value.

The following example illustrates a property demonstrating a reduction in property value in the marketplace while Taxable Value increases:

	<u>Assessed Value</u>	<u>Taxable Value</u>	
2007	\$ 200,000	\$ 180,000	
2008	\$ 190,000	\$ 184,140	(increase of 2.3% IRM)

The Constitutional Amendment (Proposal A) limited the amount that Taxable Value could increase on an annual basis. Since its implementation, the average property values in Auburn Hills have increased greater than the IRM. This has limited the property taxes that would have been collected if Proposal A had not been implemented. When property values are not increasing as rapidly as the IRM or showing a decrease, Taxable Values will increase on an annual basis by the IRM, not exceeding Assessed Value.

The notices are mailed to all property owners of record toward the end of February. The IRM percentage is printed on the Notice. Please review the notice carefully by checking mathematical calculations, principle residence exemption percentage and transfer of ownership information. Please do not hesitate to contact the Assessor's Office at 248-370-9436 should you have any questions or concerns.

Assessor's Office